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update

Harbor Insurance to cease property business Sept. 1

LOS ANGELES—Harbor Insurance Co., a unit of Continental Corp., will stop writing new and renewal property insurance business Sept. 1, according to Harbor President Edwin V. Hughes.

Mr. Hughes said the Los Angeles-based company is making the move because it is "trying to slow down" its recent rapid growth. The insurer had taken in gross premiums of $119 mil-

Contined on next page

Insurers reserve $125 million for Delta liability

By STACY SHAPIRO and STEVE TARAVELLA

DALLAS—Aviation underwriters are reserving $125 million to pay liability claims from the crash of Delta Air Lines Flight 191 near Dallas, sources in the United States and London say.

Delta has $750 million in aviation liability insurance to cover the Aug. 2 crash, which occurred in a violent thunderstorm.

The crash of the Lockheed L-1011, which killed 131 people and injured 31 others, could trigger sharp increases in airlines' hull and liability insurance costs, underwriters add.

Airlines, including Delta, that renewed their aviation coverage on July 1 were charged modest rate increases compared with July 1984 renewals, when rates doubled and sometimes tripled, underwriters say.

The Delta loss increases the amount of Western-built hull losses in 1985 to $270 million, compared with just $60 million in 1984. So far this year, at least 761 people have died in commercial aviation accidents, compared with just two fatalities last year (*BI*, Feb. 11).

The value of the lost Delta hull has been set at $24.7 million, all of which will be paid by insurers. Hull policies commonly include deductibles for partial hull losses, but that deductible is waived if the aircraft, like the Delta L-1011, is deemed a total loss.

Delta's hull coverage for its $4.1 billion fleet has a maximum limit of $50 million per hull, underwriters say.

Delta's liability coverage is arranged in two layers, according to underwriters: a $600 primary layer and a $150 million layer excess of $600 million.

The hull and the primary liability coverages are placed in world insurance markets, while the $150 million was written solely by London underwriters.

Delta would not comment on its insurance program.

About 70% of the hull and primary liability coverage was placed in the U.S. market, according to U.S. and London underwriters.

United States Aircraft Insurance Group, a New York-based aviation underwriting pool, which is the claims lead on first $600 million of liability insurance, wrote 30% of the hull and liability coverage, according to industry sources.

Associated Aviation Underwriters, another New York pool that is the hull claims lead, wrote about 10% of the combined coverage.

About 20% of the hull and primary liability

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Photo: AP/World Wide

A helicopter hovers over the wreckage of a Delta Air Lines jetliner that crashed Aug. 2 in Dallas during a severe thunderstorm. At least 131 people were killed in the disaster.

States toughen stance on midterm cancellation

By CAROL CAIN

State insurance regulators are stepping up their efforts to stop insurers from canceling policies midterm.

In recent months, about 18 state insurance departments have issued orders or directives warning insurers to stop midterm cancellations, midterm premium increases and inadequate notices of non-renewals.

In most cases, regulators are telling insurers that such actions could be considered unfair trade practices, which ultimately could be challenged in court.

An insurance policy "is a contract. There is an element of risk, but there also was a payment of premium," said Edward J. Muhl, Maryland's insurance commissioner and chairman of the Commercial Lines Property and Casualty Insurance Committee of the National Assn. of Insurance Commissioners.

Mr. Muhl said he and fellow commissioners are having a "philosophical" problem with insurers saying to policyholders during midterm: "We guessed wrong. We want an increase in premium or we'll have to cancel."

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Lloyd's earmarks record sum to cover Beckett, other losses Page 2

NEWSPAPER

Manville attempting to overcome objections to reorganization plan

By DOUGLAS McLEOD

NEW YORK—The reorganization plan for Manville Corp. approved by its directors last week, which would provide asbestos victims with at least $2.5 billion over 25 years, does not satisfy all of the factions with an interest in the company's reorganization.

Asbestos plaintiffs object to a provision that would bar further lawsuits.

Property damage claimants object to a $50 million limit on Manville's liability for property damage related to asbestos.

And shareholders—especially preferred shareholders—are expected to object to the dilution of their stock.

Manville's lawyers are now trying to overcome these objections to secure approval for the plan, which was formulated by Leon Silverman, an attorney representing future asbestos victims.

'The financial package is attractive and probably will be acceptable,' said plaintiffs' attorney Robert Rosenberg.

An agreement in principle on the plan could be reached within a few months, though finalizing its conditions could take one or two years, lawyers say.

"An agreement in principle is either going to fly relatively quickly or fall apart," suggests Robert Rosenberg, an attorney with the committee representing current asbestos claimants in the bankruptcy proceeding.

"Nobody at this time is interested in fooling himself as to whether or not there are the seeds of a consensual agreement here."

Manville is hoping to secure agreements from all factions in the bankruptcy proceeding, and U.S. Bankruptcy Court Judge Burton R. Lifland is "pushing very, very hard for consents all around," Mr. Rosenberg said.

Provisions of bankruptcy law could permit the reorganization plan to proceed over the objections of certain groups, even though the Manville reorganization plan is consensual—requiring the approval of all groups represented in the bankruptcy proceedings.

This would be easiest if the group fighting the plan were relatively low on the priority list of Manville claimants and creditors, explained Mr. Rosenberg.

Under the terms of the plan, Manville would establish a trust fund for the payment of asbestos-related claims, administered by five trustees approved by the bankruptcy court. The trust's $2.5 billion in assets would include:

- An initial payment of $846.5 million, consisting of $200 million in cash or short-term receivables; $315 million in insurance proceeds collected from The Travelers Insurance Co., Home Insurance Co. and Lloyd's of London, plus interest estimated at $31.5 million; and

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update

Harbor to drop property risks

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lion through July, compared with $64 million for the same seven months of last year, he reports. According to the company, 15% of the premiums so far in 1985 involve property insurance.

The company is changing its "general approach to business" and will concentrate on casualty risks, Mr. Hughes explains.

Manslaughter charged in deaths

CLEVELAND—Operators of a fireworks factory in Beaver Township, Ohio, face criminal charges of involuntary manslaughter in connection with a May 20 explosion that killed nine workers.

They also were indicted by a federal grand jury on numerous felony counts of conspiracy and illegal manufacture of fireworks.

The Mahoning County grand jury on June 3 indicted four men on nine counts of "involuntary manslaughter while in the commission of a felony." Each count carries a minimum sentence of five years in prison and a $10,000 fine. Those charged are Anthony J. Aulisio Jr., 38, of Austintown, Ohio; his cousin, Robert G. Aulisio, 38, also of Austintown; John Antonoff, 56, of Beaver Township; and Christopher Tornello, 29, of Youngstown, Ohio. All four are free on bail.

Those four men, plus James L. Longo, 66, of Hubbard, Ohio, were indicted July 31 in U.S. District Court in Cleveland on various felony counts, including conspiracy, illegal manufacturing of fireworks and distributing explosives without a license. Each count carries a minimum 10-year sentence and $250,000 fine.

Pilots' union sues United

CHICAGO—The Air Line Pilots Assn. has sued in U.S. District Court in Chicago to block United Airlines from terminating a pilots' pension plan to recapture an estimated $511 million in excess assets.

The suit charges that United violated a section of the Employee Retirement Income Security Act stipulating pension plans be used for the exclusive purpose of providing benefits to participants.

The suit also says United misled participants by not notifying them that it intended to restructure the plan.

United plans to recapture a total of $962 million in surplus assets from six pension plans, including the pilots' plan (*BI*, June 17).

The suit also names several United plan fiduciaries and the Pension Benefit Guaranty Corp. as defendants. The PBGC in 1984 issued guidelines on terminations that United says it is following.

The PBGC and United both declined comment on the suit.

Ranger's parent reports loss

HOUSTON—Ranger Insurance Co.'s parent is taking an $8.1 million aftertax charge against earnings in its most-recent quarter because of losses Ranger experienced due to "the forced liquidation of a New York reinsurer," according to Ranger's parent, Anderson, Clayton & Co. of Houston.

The reinsurer is believed to be Union Indemnity Insurance Co., a Frank B. Hall & Co. Inc. unit put into liquidation by the New York Insurance Department on July 12 (*BI*, July 22).

Anderson, Clayton said last week it will take the charge against earnings for its fourth quarter, which ended June 30. Ranger's net aftertax 1985 loss is projected to be $26.7 million.

CU fights license revocation

TALLAHASSEE, Fla.—There was no wrongdoing on the part of Commercial Union Corp. to justify revocation of its license in Florida, says an attorney for the Boston-based insurer.

In its petition filed July 26 with the 1st District Court of Appeals in Tallahassee, CU asks the Florida Department of Labor and Employment Security to retract its report accusing four CU subsidiaries of failure to pay work comp benefits on time and to advise the Insurance Department to ignore the document. It also asks that the Labor Department pay attorneys' fees and costs, says Douglas Mang, CU's outside counsel in Tallahassee.

Mr. Mang said some benefits may have been paid later than stipulated in the law, but he attributed some of the late payments to employers' failure to promptly provide CU with information.

Florida Insurance Commissioner Bill Gunter last month charged that four CU underwriting subsidiaries failed to pay workers comp benefits on time and notified the insurers their licenses would be revoked or suspended because of the delays (*BI*, Aug. 5).

Two top Wausau officials resign

WAUSAU, Wis.—Two top officers of Wausau Insurance Cos. are taking early retirement, the Wausau-based company announced.

Gerald D. Viste, 62, president and chief operating officer of Wausau, and Reinhold R. Klein, 59, executive vp of insurance operations, said Aug. 5 that they were retiring Aug. 9. The company gave no reasons for their decisions.

On June 5, John A. Schoneman, former chairman and chief exec-

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Lloyd's earmarks record figure to cover Beckett, other losses

By STACY SHAPIRO

LONDON—Lloyd's of London is earmarking about one-third of the assets in its Central Fund to pay claims owed by members who failed to meet Lloyd's July 31 solvency requirement.

Last week, Lloyd's set aside a record 65.5 million pounds ($87.8 million at current exchange rates) from its Central Fund to pay the losses of 517 members who failed to prove they have the resources to pay outstanding claims, Lloyd's Chief Executive Ian Davison said.

Mr. Davison said there was 167 million pounds ($223.8 million) in the Central Fund on Jan. 1, when it last was tallied. But, he expects the fund since has grown to about 200 million pounds ($268 million).

About 58.6 million pounds ($78.5 million) of the 65.5 million pounds reserved from the fund represents the potential losses for 1979-1982 of 320 members of syndicates formerly managed by Richard Beckett Underwriting Agencies Ltd. who did not meet the solvency deadline.

The remainder of the amount reserved from the Central Fund will be used to pay losses owed by other members who did not meet the solvency deadline and to pay losses from previous years, including 6.2 million pounds not paid by the Beckett members last year.

Members who do not meet the solvency deadline have 28 days to submit their reasons to the Council of Lloyd's. After that time, Lloyd's will consider suspending any members who have not met the requirement, Mr. Davison said.

Mr. Davison emphasized that many of the members who failed to meet the solvency deadline may pay their losses by the end of the year.

For example, last year 120 members failed to meet the solvency requirement on time, and Lloyd's set aside 18.4 million pounds to pay those losses, which was the previous record. However, by Dec. 31, 1984, only 39 members were suspended from underwriting at Lloyd's for failing to meet the requirement, only the 6.2 million pounds of Beckett losses remained to be paid from the Central Fund.

The money set aside from the Central Fund this year will be used to pay for losses that include long-tail North American liability claims owed by the Beckett syndicates.

The Beckett non-marine syndicates face total estimated losses of more than 130 million pounds ($174.2 million) since 1979, but members this year were asked to pay only a discounted loss figure of 62 million pounds ($83.1 million).

The money earmarked from the Central Fund would earn interest to meet the 130 million pounds in estimated losses by the time all claims are paid over a 15-year period, Mr. Davison said. However, he did not rule out the possibility that the names may have to pay more if the interest does not accumulate as expected.

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McCaffrey, Pruitt to head Frank B. Hall

By LINDA J. COLLINS

BRIARCLIFF MANOR, N.Y.—Frank B. Hall & Co. Inc. is narrowing its focus to its brokerage and insurance services businesses, its new chairman says.

"We expect to place renewed emphasis on Hall's clearly demonstrated strengths in its core insurance brokerage business," said John. F. McCaffrey, who was named chairman and chief executive officer of the nation's fourth-largest brokerage last week.

Mr. McCaffrey, who had been an executive vp at Hall, succeeds Albert J. Tahmoush, who had been chairman, president and CEO.

Another Hall executive vp, Peter T. Pruitt, was promoted to president and chief operating officer.

In addition, Saul P. Steinberg, chairman and chief executive officer of Reliance Group Holdings, which owns 20.5% of Hall's stock, was named chairman of Hall's executive committee, while two other Reliance officers were elected to the Hall board.

Emphasizing its new focus on its insurance brokerage and related services, Hall also announced last

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Baseball players score on pension funding

By ROBERT A. FINLAYSON

NEW YORK—Although it took extra innings at the negotiating table and a brief players' strike to pound out a compromise, major-league baseball team owners will double their annual contribution to the players' pension fund.

In exchange, the players have agreed to changes in arbitration rules, one of which will require younger players to wait longer before becoming eligible for third-party arbitration of salary disputes.

Although the owners' annual pension contributions will double to $32.7 million from $15.5 million effective immediately, it is still only about half of what the players originally requested.

Under the terms of the 1981 contract between the owners and the Major League Baseball Players Assn., the owners had contributed to the pension fund $15.5 million a year from the owners' national television contract, which at that time had a value of $51.7 million annually.

Subsequently, the owners negotiated a new, $181 million annual TV contract. The players' union then demanded in this year's negotiations that the owners continue to contribute 30% of that total, or about $60 million a year. However, they later reduced their demand to $42 million and eventually settled for $32.7 million.

Whether the increased funding will result in higher pension benefits paid for retired players had not yet been released late last week. Details about possible changes in other player benefits, such as medical and life insurance benefits, also had not been released.

Although exact details of the new contract's effect on the players' pension fund are not yet available, the basic structure of the plan will remain unchanged, a spokeswoman for the players said.

The pension fund is solely financed by the owners; players do not make contributions, said Angeline Rowan, an administrative consultant with William M. Mercer-Meidinger Inc. of Cleveland, which administers the pension fund and other benefits for the players'

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Budget measure may boost employers' benefit costs

By JERRY GEISEL

WASHINGTON—The federal budget resolution approved by Congress earlier this month could result in higher benefit costs for employers.

The budget resolution, which sets federal spending targets for the fiscal year beginning Oct. 1, includes provisions that could increase the premiums that employers pay to the Pension Benefit Guaranty Corp.

Other provisions in the resolution could also cut federal Medicare spending and shift part of that burden to employers.

Although the budget resolution is only a resolution, not a law, Congress is expected to follow the resolution's spending targets in passing appropriations and other legislation affecting federal agencies.

The budget resolution assumes that the PBGC will collect $300 million in additional revenues over each of the next three years. Most of this increase is expected to come through increases in the termination insurance premiums that employers with defined benefit pension plans must pay to the PBGC, the federal agency that guarantees workers' and retirees' pension benefits.

The resolution doesn't specify exactly how much the annual premium paid by employers would increase. Increasing the premium paid by employers to $12.60 per plan participant from the current $2.60 would raise an additional $300 million in annual revenues, based on the fact that there are about 30 million participants in defined benefit plans.

However, the premium increase would not have to be that great to raise the additional $300 million if the PBGC increases its other sources of revenue, like investment income.

Last month, before Congress approved the budget resolution, the House Ways and Means Committee approved a broad proposal that, among other things, would raise the PBGC premium to $8 per plan participant, effective Jan. 1.

The premium revenue collected by the PBGC is used to guarantee basic pension benefits when companies

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Surplus lines facing capacity crunch

By KATHRYN J. McINTYRE

Business is booming in the surplus lines insurance market—so much so that the supply could run out.

New business is pouring in at breakneck speed and underwriters are imposing price hikes that were unimaginable just a year ago—100%, 200%, 300%, 600% and even 1,000%.

But new business and higher premiums, coming at the same time that reinsurance support is disappearing, are straining surplus lines insurers' capacity.

"I've seen some good years when the market turned, but nothing comparable to this," says 25-year-veteran Earl R. Lanning, executive vp of Crump London Underwriters in Memphis, Tenn., the third-largest wholesale broker in the country.

Submissions to the surplus/specialty lines offices of The Crump Cos. Inc. are triple a year ago and the broker's commissions have doubled.

But, "the absolute key to our success for the last five months of this year is: Will we have a place to put the business?" Mr. Lanning frets.

Robert P. Keul, president of Montgomery & Collins Inc. in Los Angeles, the fourth-largest wholesale broker, worries about capacity, too.

In the first seven months of 1985, Montgomery & Collins placed $180 million in premiums compared with $159 million for all of 1984. Now, Mr. Keul reports, some insurers are backing away.

"I think I was paying attention during the last cycle, and I didn't see all these people backing up and saying, 'No, I'm not writing another dime.' It's never happened before."

Surplus lines brokers, managing general agents and underwriting managers are swamped with commercial insurance coverage requests. Demands are pouring in for product liability insurance, directors and officers liability insurance, all types of professional liability insurance, umbrella policies and commercial property insurance.

Almost one-third of 100 wholesale marketers responding to a *Business Insurance* survey report their premiums placed in the first six months of this year doubled compared with the first half of 1984. An additional 30 reported premium growth of 50% to 99%.

The boom this year in the surplus lines market is the

Continued on next page

Ten leading surplus lines insurers

Insurer (Parent company)	Non-admitted direct premiums (000) 1984	1983	% change	Total gross premiums (000) 1984	1983	% change	Statutory combined ratio 1984	1983
Lexington Insurance Co. (American International Group Inc.)	$209,439	$210,663	-0.6%	$233,398	$236,853	-1.5%	73.1%	55.6%
First State Insurance Co. (Hartford Insurance Group/ITT Corp.)	113,581	127,578	-11.0	204,553	256,522	-20.3	357.9	126.7
International Surplus Lines Insurance Co. (Crum & Forster/Xerox Corp.)	102,671	48,884	110.0	118,157	57,469	105.6	152.9	58.7
Evanston Insurance Co. (Evanston Services Inc.)	94,537	59,906	57.8	127,994	92,310	38.7	155.3	128.6
Mutual Fire, Marine & Inland Insurance Co. (Mutual ownership)	72,959	62,484	16.8	189,736	141,945	33.7	123.4	122.6
California Union Insurance Co. (CIGNA Corp.)	62,489	45,634	36.9	141,086	116,367	21.2	131.0	123.0
Great Southwest Fire Insurance Co. (Dairyland Insurance Co./Sentry Group)	48,736	40,539	20.2	90,180	85,481	5.5	155.5	122.2
St. Paul Surplus Lines Insurance Co. (Atwater McMillian Inc./The St. Paul Cos. Inc.)	48,452	48,007	0.9	66,796	71,644	-6.8	131.0	104.2
United National Insurance Co. (American Insurance Service Inc.)	47,509	21,221	123.9	53,254	25,527	108.6	88.1	93.2
Admiral Insurance Co. (W.R. Berkley Corp.)	47,508	44,049	7.9	60,985	56,567	7.8	115.0	118.1

Ten leading insurance wholesalers

Brokers (Parent company)	Premium volume (000) 1984	1983	% change	Gross revenues (000) 1984	1983	% change	Percent surplus lines[1] 1984	1982
Swett & Crawford Group (The St. Paul Cos. Inc.)	$337,704	$289,975[2]	16.5%	$32,517	$26,782[2]	21.4%	30.0%	30.0%[2]
Stewart Smith Holdings Inc. (Stewart Wrightson Group P.L.C.)	216,000	215,000	0.5	19,440[E]	19,350[E]	0.5	60.0	40.0[2]
The Crump Cos. Inc. (Wholesale offices only)	190,000	160,000	18.8	17,571	14,682	19.7	20.0	20.0
Montgomery & Collins Inc. (CIGNA Corp.)	158,983	118,165	34.6	14,361	10,545	36.2	35.0	30.0
MGAs/Underwriting managers (Parent company)								
L.W. Biegler Profit Center (Crum & Forster/Xerox Corp.)	$277,127	$216,651	27.9%	$27,713[E]	$21,665[E]	27.9%	43.0%	30.0%
Sayre & Toso Inc. (Mission Insurance Group)	231,509	208,570	11.0	24,174	27,569	-12.3	14.0	15.0
Shand, Morahan & Co. Inc. (Alexander & Alexander Services Inc.)	226,729	201,824	12.3	22,673[E]	20,182[E]	12.3	48.0	36.0
Cameron & Colby Co. Inc. (Hartford Insurance Group/ITT Corp.)	212,559[3]	213,181[3]	-0.3	21,256[E]	21,318[E]	-0.3	54.0	60.0
Atwater McMillian Inc. (The St. Paul Cos. Inc.)	145,185	122,032	19.0	14,519[E]	12,203[E]	19.0	33.0	39.0
Victor O. Schinnerer & Co. Inc. (Marsh & McLennan Cos. Inc.)	144,000	125,000	15.2	14,400[E]	12,500[E]	15.2	5.0	10.0

[E] Estimate based on 10% of premium volume for MGA/underwriting manager; 9% for Stewart Smith.

[1] Percent placed with non-admitted markets. [2] Restated. [3] Direct writings only; excludes reinsurance.

Source: *BI* survey.

Capacity crunch

Continued from previous page
inevitable fallout from the housecleaning in the admitted insurance marketplace, where licensed insurers are dumping high-risk business they fought to write at cheap prices just a few years ago.

Now, retail brokers are rushing to surplus lines and specialty brokers, asking them to beat the bushes in search of markets willing to take their clients' risks.

Not since 1977 have surplus lines brokers and insurers been in such demand.

But, even though surplus lines insurers are unrestrained by rate regulation and charge whatever price the client will pay, not all the demand for insurance can be met.

Surplus lines insurers' capacity is drastically reduced from a year ago because reinsurers pulled out of the business or cut the capacity they were willing to provide surplus lines insurers.

Brokers are securing only $2 million or $5 million lines from underwriters who could once put down $25 million to $35 million with one stroke of the pen. As a result, many more insurers are involved in a single commercial insurance program.

And even with hordes of insurers, brokers can't fill out the limits buyers want.

"We can't overemphasize what a critical problem capacity is," declares Joseph L. Fox, president and chief executive officer of Swett & Crawford Group in Los Angeles, the largest U.S. wholesale broker.

Limits exceeding $50 million can be impossible to find.

And for some risks, there's even less capacity. Stung by gigantic underwriting losses, surplus lines insurers are just refusing to accept certain types of risks.

Environmental impairment liability insurance, once the darling new product of the surplus lines business, is virtually extinct.

Strictly speaking, the surplus lines business generated only $2.32 billion in premiums in 1984, according to a *BI* survey of state insurance departments, and that includes premiums for primary and excess insurance placed with underwriters at Lloyd's of London (see page 11).

The 1984 surplus lines premium volume is less than 2% of the total $120 billion in U.S. property/casualty premiums written in 1984.

But, that $2.32 billion in surplus lines premiums written in 1984 represents commercial insurance deperately needed by businesses that could not find needed insurance from licensed insurers.

And, the 1984 volume is an 8.8% increase from 1983.

Much more growth in surplus lines premiums is expected this year as insurance buyers turn to surplus lines insurers and pay their hefty prices for needed coverage.

Eight of the 10 largest surplus lines insurers ranked in the annual *BI* survey say their premiums will grow this year.

The 10 largest wholesale brokers who place risks with both surplus lines insurers and admitted insurers confirm their predictions. These wholesalers say the amount of business they are placing with surplus lines insurers is growing.

In most states, business can be placed with a surplus lines insurer only after admitted or licensed insurers have refused to provide it.

As the surplus lines insurers' importance as a source of capacity grows, it appears state insurance regulators' interest in increasing regulation governing surplus insurers is waning. Regulators say they are concerned that tougher regulation will restrict the needed capacity (see stories, pages 66-68).

The surplus lines insurers are ranked by *BI* on 1984 gross premiums written on a direct, non-admitted basis—the definition of surplus lines insurance.

The wholesalers are ranked on the total premiums they placed with insurers, whether the premiums were paid to surplus lines insurers or admitted insurers.

The 1984 results of the leading surplus lines insurers explain current market conditions: Big underwriting losses are cited to justify today's gigantic rate increases.

Among the 10 largest insurers, all but one—Admiral Insurance Co.—reported higher loss ratios in 1984 than 1983. For most, the growing losses are attributable not only to poor results on 1984 business but also to worsening results on business written in prior years when rates charged were far too cheap.

The worst statutory combined loss and expense ratio was reported by the second-largest U.S. surplus lines insurer: First State Insurance Co., a subsidiary of The Hartford Insurance Group, which ultimately is owned by ITT Corp.

First State's astronomical 357.9% combined ratio—319.3% loss and 38.6% expense—resulted from growing losses on insurance written in prior years and a shrinking earned premium base as the insurer canceled or didn't renew loss-ridden business. Today, 80% of First State's 1985 premiums are generated by new business.

Three other of the 10 insurers' combined ratios exceed 150%: third-largest International Surplus Lines Insurance Co., the Crum & Forster Inc./Xerox Corp. subsidiary, with 152.9%; fourth-largest Evanston Insurance Co., with 155.3% and Great Southwest Fire Insurance Co., a Sentry Group company, with 155.5%.

The two insurers among the Top 10 reporting combined ratios of less than 100% were able to do so only because huge ceding commissions they received from reinsurers created negative expense ratios. These negative expense ratios mask underwriting losses.

Lexington Insurance Co., the American International Group subsidiary that remains the largest surplus lines insurer, suffered an 114.9% loss ratio but reported a negative 41.8% expense ratio, creating an enviable combined ratio of 73.1%.

Similarly, United National Insurance Co. suffered a 103.9% loss ratio but reported a negative 15.8% expense ratio, creating a combined ratio of 88.1%.

In response to the underwriting losses, which created net losses for six of the Top 10 insurers, many insurers began pruning their books of business.

The most drastic action was taken by First State, where so many policies were canceled or not renewed that 80% of the insurer's business now is new business.

Other surplus lines insurance companies were more selective.

International Surplus Lines, for example, last month stopped writing directors and officers liability insurance for financial institutions and dropped its banker's blanket bond program.

CIGNA Corp.'s California Union Insurance Co. won't write any more recall insurance for food canners or general liability insurance for companies that install burglar alarm systems.

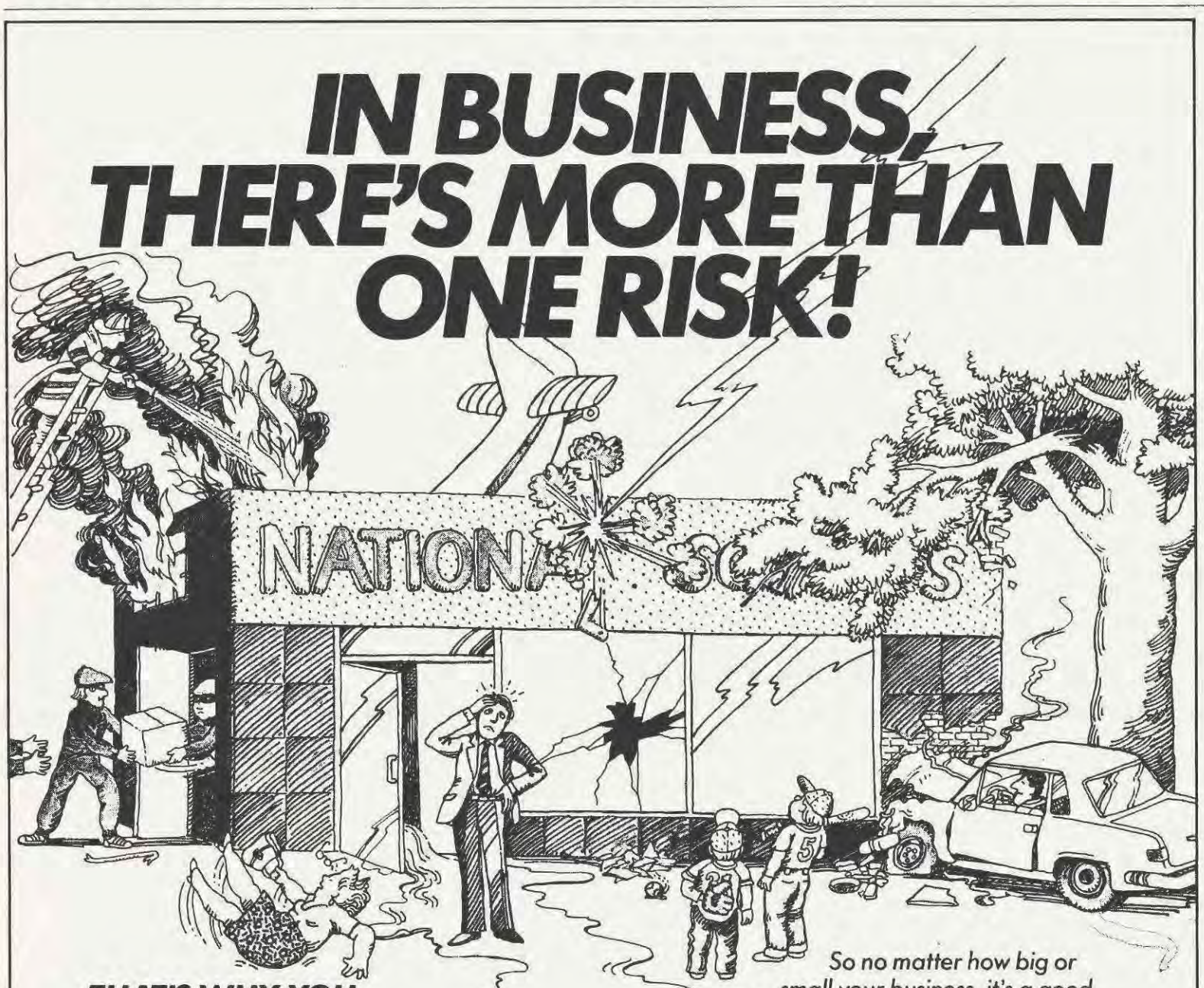
Great Southwest Fire pulled out of liability coverages for nurses, police officers and security guards.

United National won't write liability insurance for day care centers or municipalities.

And St. Paul Surplus Lines Insurance Co. won't write any manuscript insurance polices.

Also headed for extinction may be many of the big product programs that wholesalers developed with retail brokers in the early 1980s to maintain premium volume

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IN BUSINESS, THERE'S MORE THAN ONE RISK!

THAT'S WHY YOU NEED A MORE-THAN-ONE-COMPANY INSURANCE AGENT.

Fire. Theft. Vandalism. Liability. Computer Crash. Pollution Liability. Product Recall. D&O Liability. Business Interruption Losses. Product Liability. Key Person Losses. These are just some of the many risks that businesses must face every day. What's the best way to manage these risks? Many risk managers turn to their Independent Insurance Agent. They know that an Independent Agent is a true professional who can recommend creative programs that utilize traditional insurance, self-insurance, co-insurance, captives, or a combination that best suits the special needs of your business. And because Independent Agents represent several insurance companies not just one, they can help you select the best business coverages at the best price.

So no matter how big or small your business, it's a good idea to consult an Independent Insurance Agent. They're the more-than-one-company agents ...and helping you manage your business risks is their business.

Contact your Independent Insurance Agent today. You'll find one wherever you find this symbol.

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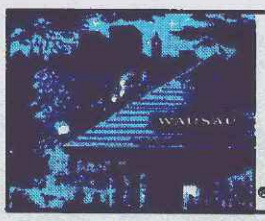
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Capacity crunch

Continued from page 4
in the competitive marketplace. If the programs aren't as profitable as other product opportunities, they will be dropped, insurers say.

On the risks surplus lines insurers will write, most insurers are providing smaller limits, hiking prices dramatically and raising the attachment point to distance themselves from loss.

Also, several increasingly are writing liability insurance on the claims-made form.

Among those with less capacity, First State can offer only $5 million for property and casualty risks, down from $34 million for property and $25 million for casualty.

International Surplus Lines can offer only $2 million for casualty and $5 million for professional liability, down from $20 million for each last year.

Cal Union's capacity for casualty risks is down to $12.5 million from $20 million in April. Property capacity varies from $3 million to $10 million depending on the risk, down from $17 million.

Price hikes vary by the individual risk, of course, but few insurers mention rate hikes below 100%.

Lexington President Joseph R. Wiedemann reports that casualty rates are up 300% to 400% while property rates are up 200%.

At Cal-Union rate hikes on casualty insurance are averaging more than 250%, with some as high as 600%, management says.

Swett & Crawford's management says the largest rate hikes are for excess product liability and professional liability insurance, with rate increases hitting as high as 1,000%.

Many point out the higher rate hikes are on business that had been written by admitted insurers at only a fraction of the premium the surplus lines market had charged.

Among those raising the attachment point of their policies is First State, which previously would write an umbrella layer excess of $250,000. Now, First State will attach at no less than $1 million.

Higher attachment points may mean the resurrection of the infamous buffer layer—that expensive specialty policy of the surplus lines market in the mid-1970s. Buffer layer policies are purchased to fill the gap created between the upper limit written by a primary insurer and the lowest limit the excess insurer is willing to write.

Claims-made policy forms, traditionally used for professional liability insurance and directors and officers liability insurance, are now being adopted for other risks.

Lexington now demands use of the form on all chemical and pharmaceutical risks and malpractice risks and is gravitating to the form for all casualty business.

St. Paul Surplus Lines will write product liability risks only on a claims-made form.

Five of these 10 insurers had lower A.M. Best Co. ratings in 1985 based on 1934 results.

International Surplus Lines and Mutual Fire both have "rating not assigned." Last year, International Surplus Lines was rated A-plus and Mutual Fire was rated B-plus.

Great Southwest was dropped to a C-plus from an A.

United National was dropped to a B-plus from an A-plus, and Evanston was dropped to an A-contingent from an A.

None of the insurers expects its lower rating to cost it significant business.

Some surplus lines insurance companies are no longer writing business. The largest single capacity lost: Northbrook Excess and Surplus Lines Insurance Co., which was the fifth-largest surplus lines insurer based on 1983 gross premiums written on a direct, non-admitted basis.

NESCO pulled out of the marketplace in November 1984 and is now running off its business. The insurer's gross premiums written on a direct basis totaled only $28.4 million in 1984 compared with $51.6 million in 1983.

The results on the runoff are better than its 1983 results. NESCO's combined ratio in 1984 was 213.7%, with a loss ratio of 170.8% and an expense ratio of 42.9%. The 1983 combined ratio was 230.9%. NESCO lost $1.2 million in 1984, less than the $4.3 million loss in 1983.

In all, 12 surplus lines insurers that answered *BI*'s surplus lines survey in 1984 did not respond this year. In addition to Northbrook, three others are no longer writing surplus lines business: Gibralter Casualty Co., Nutmeg Insurance Co. and Insurance Corp. of Ireland.

But, for those remaining in the field, premiums are growing.

Among the 10 largest surplus lines insurers only Mutual Fire, Marine and Inland Insurance Co. and Great Southwest expect premium volume to fall this year, due to underwriting restrictions implemented to improve their results.

The other leading insurers expect their premiums to grow from new business and rate hikes.

Lexington, for example, expects its premiums to grow 50% this year.

And although First State is no longer assuming reinsurance, it expects its surplus lines premium volume to grow.

To reach these surplus lines markets, retail brokers must either have a surplus lines license or turn to a surplus lines broker. Even retail brokers with surplus lines licenses are turning to the specialist wholesalers for help.

This means big premium volume growth for wholesalers. For example, Swett & Crawford, the wholesale brokerage subsidiary of St. Paul Cos. Inc., expects its 1985 premiums to hit $500 million, up 48% from $337.7 million in 1984.

Stewart Smith Holdings Inc., the subsidiary of London broker Stewart Wrightson Group P.L.C., predicts its premiums in 1985 will be $300 million, up 39% from 1984.

Among the six underwriting managers/managing general agents who rank among the 10 largest wholesalers, four are the exclusive access to four of the 10 leading surplus lines insurers, providing all their management and underwriting services:

L.W. Biegler manages International Surplus Lines; Shand, Morahan and Co. Inc. manages Evantson Insurance Co.; Cameron & Colby manages First State; and Atwater McMillian Inc. manages St. Paul Surplus Lines.

However, these four underwriting managers also place business with other insurers, including admitted insurers. And, all four are being flooded with submissions.

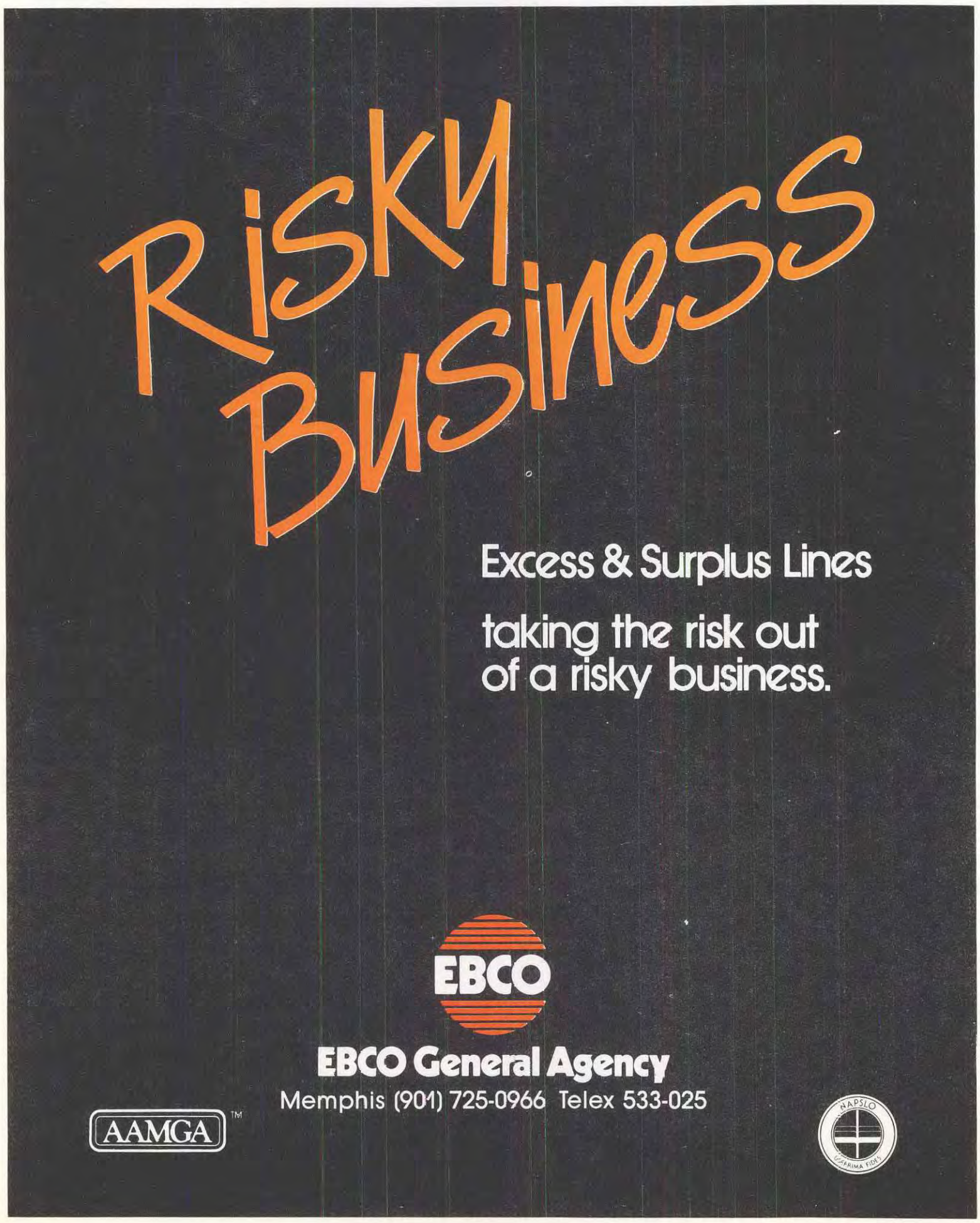
Victor O. Schinnerer & Co. Inc., the Marsh & McLennan Cos. Inc. subsidiary, is also an underwriting manager, but primarily for admitted insurers. And it, too, expects big growth this year from rate hikes and new business.

At Sayre & Toso, managing general agent for Mission Insurance Group companies, little growth is expected because of new underwriting guidelines.

Sayre & Toso also is shifting the business is writes from the Mission companies that lost their Best rating this year to a new Mission insurance company, Mission American Insurance Co. The insurer, which is admitted in 20 states, is writing excess liability and property coverages, lines that Sayre & Toso says have been profitable.

Profiles on the 10 largest surplus lines insurers and the 10 largest wholesalers begin on page 12.

Also, a listing of other surplus lines insurers responding to *BI* survey appear on page 40; a listing of wholesalers begins on page 54. ■



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opinions

For the wrong reasons

STATE INSURANCE REGULATORS' decisions not to push for new, tougher regulation of surplus lines insurance are basically the right choice for the wrong reasons.

The regulators say they are not lobbying for tougher surplus lines regulations now because capacity is getting so tight that insurance buyers need surplus lines insurers. New regulation could constrict capacity, the regulators fear.

Furthermore, the regulators admit that their time and energies are being consumed by their efforts to regulate admitted insurers.

The effect regulation would have on insurance availability is an important factor that regulators should always consider in their deliberations, whether the subjects of regulation are admitted insurers or surplus lines insurers. But the effect of regulation on capacity should not be a factor only when insurance capacity is tight. That suggests that insurance regulation should expand when the market is plentiful and retract when it is scarce.

Enough fluctuating factors influence insurance capacity without adding fluctuating regulations.

The regulators' capacity-related reason for backing off from surplus lines regulation also is illogical.

If more and more insurance buyers are turning to surplus lines insurers, logic dictates that regulators should be more concerned about the adequacy of regulations governing the solvency of surplus lines insurers.

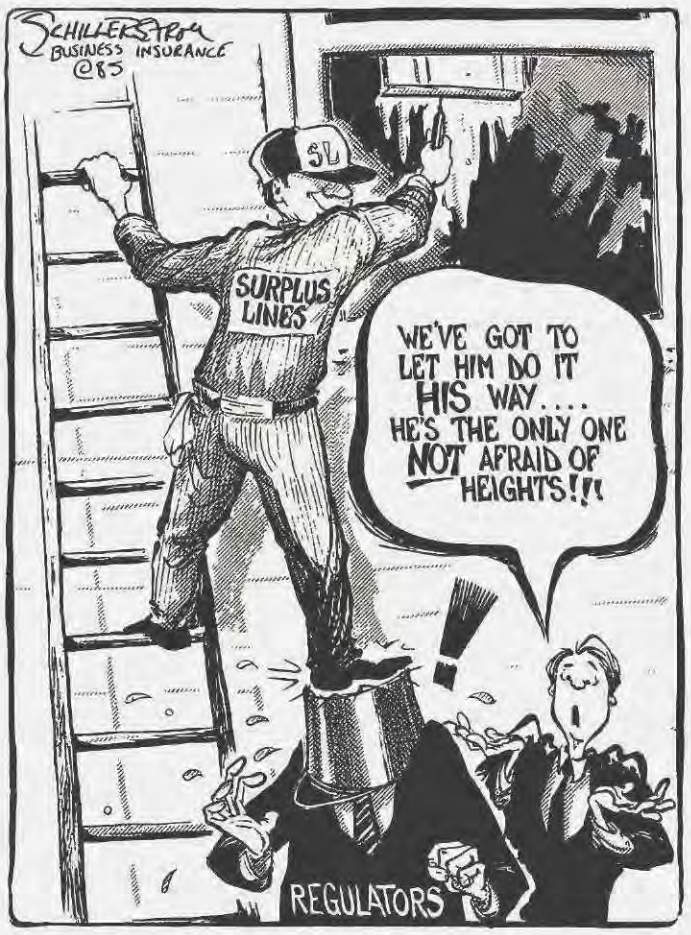
That's not to suggest that we favor such regulations as guaranty funds for surplus lines insurers or onerous rules governing the procedures for documenting rejections of risks by admitted insurers. We do not.

But, we do believe that regulators should consider whether surplus lines insurers have the financial strength to bear the risks they are assuming. Minimal capital and surplus requirements and trust fund demands, for example, help ensure that surplus lines insurers will meet their claims obligations.

If any surplus lines insurers are driven out of business because they are incapable of meeting minimal capital and surplus requirements or trust fund demands, then the capacity they offer today probably is not worth the premium paid for it.

Finally, that state regulators don't have the time to pursue surplus lines regulation is a valid—but not commendable—reason for retreating from more surplus lines regulation.

State insurance departments need more funding in order to fulfill their most important function: regulating insurers for solvency—both admitted and non-admitted insurers.



letters

Readers on the offensive over defense costs limits

To the editor: The case for the policyholder paying legal defense costs seems moot. If he admits guilt and tells his insurer to settle the claim, he will not have any defense cost to pay, and if he has the umbrella form proposed by Peter Wilson of H.S. Weavers (Underwriting) Agencies Ltd. he had better do just that.

I don't think the insured defendant has any control over his defense tendered by an insurance company, and the courts will be quick to understand this and make those responsible for the cost, the insurance company, pay the legal fees. After all, it is their money being defended, not the insured's.

I suppose I could talk to my agent about insuring this risk, but I have the feeling the insurers are not interested. But I might buy primary cover for $1.5 million and attach my umbrella at $1 million with $1 million of the primary for the plaintiff and $500,000 for the attorneys. With a loss penetrating to my umbrella carrier, I could use $500,000 to pay my legal fees.

Better yet, let all lawsuit losers pay all attorneys fees. That is, if you file a suit and don't win in court you pay all legal fees with a settlement counting as a loss. The little guy could play free up to $10,000. This might slow the attorneys down in filing nuisance suits. Someone might ask his attorney, who was soliciting him to go to court, how about you paying the other guy's attorney if you lose? This will lead to fee splitting but it's only half as much.

James I. Seaman
Iowa Contractors Workers' Compensation Group
Des Moines, Iowa

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No real coverage in new policies

To the editor: How inconsistent can one be? H.S. Weavers (Underwriting) Agencies Ltd. includes defense costs within the limits of its form but refuses to accept the same limitation in the primary CGL by requiring the policyholder to self-insure an underlying amount equal to the defense costs paid out of the primary limit (*BI*, July 15).

Why should we, the consumer, accept a boat that is shot full of holes to keep us afloat? We wouldn't buy a car without brakes or an airplane without wings, would we? Better that we seek alternative ways to finance our risks.

Paying a premium for policies such as this is just a donation to cure the insurance industry's deficit, which was created by its own follies.

Lawrence J. Bell, CPCU, ARM
Assistant Vp-Risk Management
Revco D.S. Inc.
Twinsburg, Ohio

Way of placing coverage shows industry flaws

To the editor: Regarding the insurance industry's troubles, consider the following:

The owner of a large business contacts a retail insurance broker to arrange insurance coverage. Recognizing the complexity of the potential client's needs, the retail broker solicits the help of a wholesale broker. Together, they map out a market strategy.

An underwriter is contacted. He and the wholesale broker negotiate and finally agree on terms, limits of liability and price for the contract. The underwriter has been provided capacity by his senior management, who have contacted a treaty broker that has arranged capacity with a treaty underwriter.

In this case, the treaty capacity is not enough, so the underwriter contacts a facultative broker, which is able to find additional capacity from a facultative reinsurer.

In all, we have at least nine people who have been involved in this contract. The one who set the limits, terms and price of the whole thing is the underwriter. Yet he is typically the youngest, the least experienced and the lowest-paid of all the people involved.

A 15-year-old could tell you this is no way to run a business.

Richard J. McAdam
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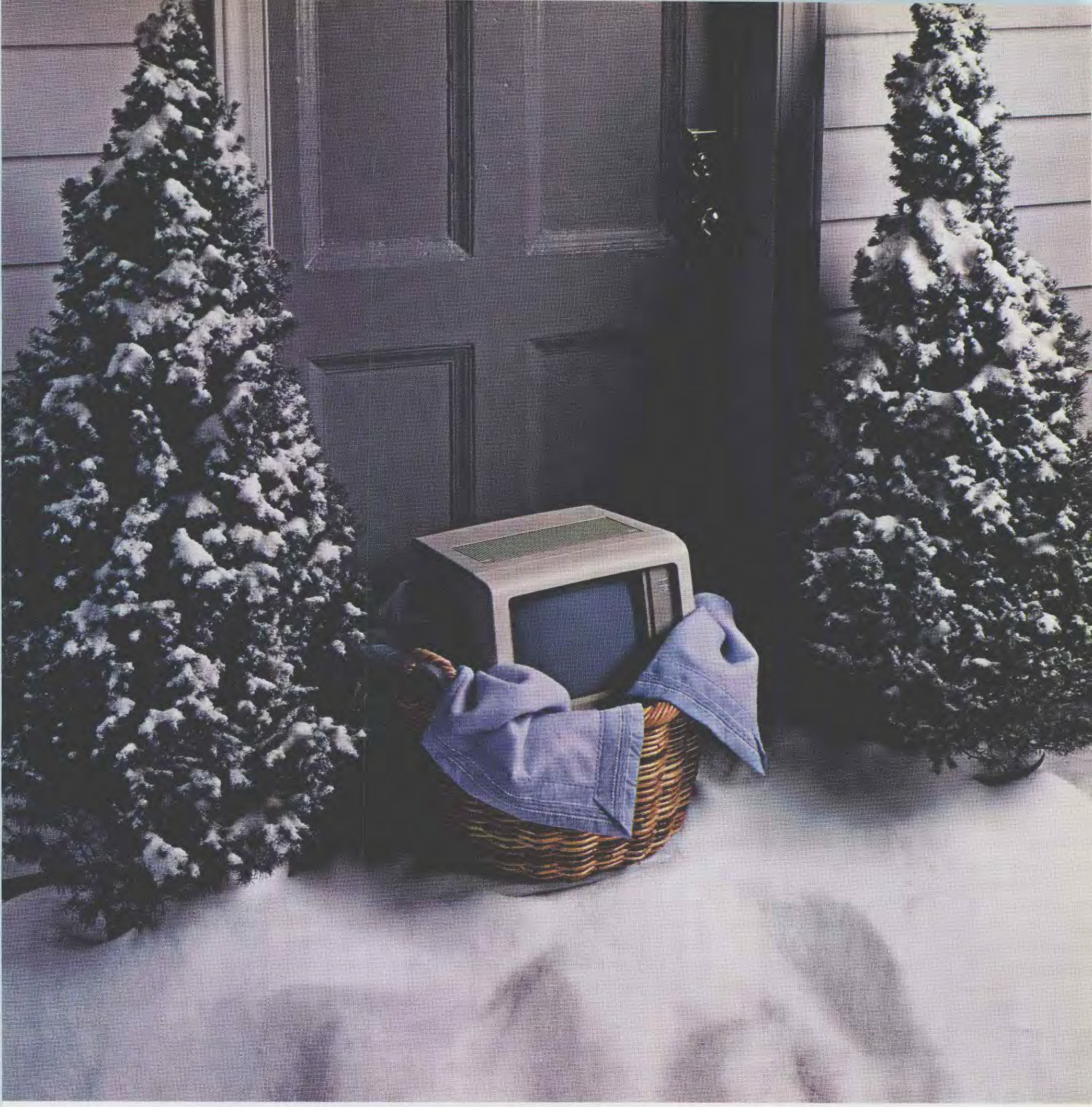
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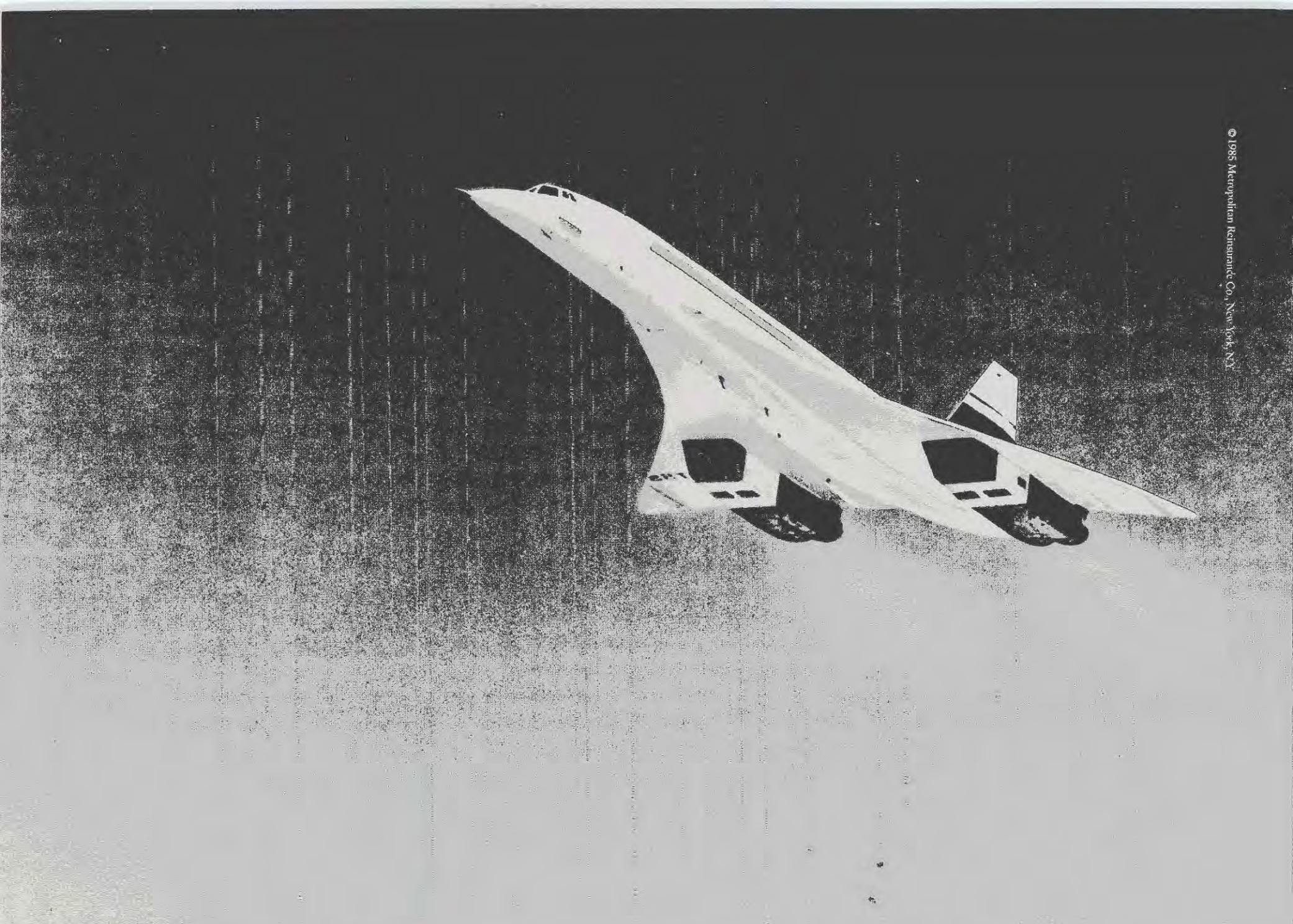
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State data reflects surplus lines surge

The states and the District of Columbia are reaping the rewards of a resurgence in the surplus lines marketplace.

Spurred by the tightening admitted market, the surplus lines market posted healthy gains in premiums written in most states, according to a *Business Insurance* survey of insurance departments. And, the states' coffers profited from those gains through higher surplus lines tax revenues.

Surplus lines premiums increased 8.8% in 1984 to $2.32 billion, according to the survey. That follows a 2.6% decline in non-admitted premiums in 1983.

Between 1982 and 1984, surplus lines premiums increased 5.9%, according to the survey.

For the two-year period 1982-84, 30 states and the District of Columbia showed increases in surplus lines premiums, while 20 states showed declines. But, for the one-year period 1983-84, only 14 states reported declines in surplus premiums, and one reported virtually no change.

States' surplus lines tax revenues grew 13.4% in 1984 to $76.38 million from $67.96 million in 1983.

Some of the premium increases reported by states were astronomical. For example, surplus lines premiums in North Dakota grew 602.9% in 1984 to $16.01 million from $2.28 million. But, the state actually collected less in surplus lines taxes—$29,463 in 1984 vs. $39,294 in 1983—because the tax rate was cut to 1% from 2.5% in April 1983.

Surplus lines premiums in Rhode Island increased 333.5% last year to $24.3 million from $5.6 million.

The largest declines in 1984 were reported by Nevada, where non-admitted premiums fell 62.8% to $6.86 million from $18.42 million, and Arizona, where premiums fell 48.8% to $7.77 million from $15.17 million.

Also showing significant declines in surplus lines premiums for 1983-84 were Idaho, down 35.2%; Mississippi, down 29.6%; and Delaware, down 23.7%.

Texas reported the largest surplus lines premium volume in 1984 with $277.38 million. Also with more than $250 million in non-admitted premium for the year were California, with $266.96 million, and Louisiana, with $250.96 million.

Four states reported less than $4 million in surplus lines premiums in 1984: Delaware with $3.81 million; Vermont with $3.41 million; South Dakota, with $2.24 million; and Montana, with $2.01 million. ■

Surplus lines premiums and taxes by state

State	Surplus lines premiums 1984	1983	1982	84-83 % change	84-82 % change	Surplus lines taxes 1984	1983	1982	% Tax rate
Alabama	$42,326,325	$35,885,625	$27,206,350	17.9%	55.6%	$1,693,053	$1,435,425	$1,088,254	4.00
Alaska	50,600,000	44,021,000	52,839,000	14.9	-4.2	1,834,265[1]	1,540,910	1,849,365	4.00[2]
Arizona	7,766,143	15,168,718	14,343,860	-48.8	-45.9	532,984	455,062	430,316	3.00
Arkansas	19,106,260	13,250,127	11,912,424	44.2	60.4	764,255	529,993	476,497	4.00
California	266,961,775	229,027,256	244,625,960	16.6	9.1	8,008,853	6,870,818	7,338,779	3.00
Colorado	25,382,116	25,382,117	25,066,863	0.0	1.3	507,075	507,075	521,337	2.00
Connecticut	37,649,883[1]	27,115,815[1]	24,636,280[1]	38.8	52.8	1,482,889[1]	1,118,023[1]	902,680[1]	4.00
Delaware	3,811,446	4,993,657	6,607,965	-23.7	-42.3	76,229	99,873	132,159	2.00
District of Columbia	34,500,000	29,197,724	15,725,138	18.2	119.4	690,000	583,954	314,503	2.00
Florida	190,506,538[1]	145,657,809[1]	145,434,218[1]	30.8	31.0	4,916,341[1]	3,781,197[1]	3,507,517[1]	3.00
Georgia	61,525,905	54,545,996	54,663,787	12.8	12.6	2,461,036	2,181,965	3,186,551	4.00
Hawaii	14,291,004	11,404,649	13,415,809	25.3	6.5	668,819	533,738	627,859	4.68
Idaho	4,867,328	7,513,317	5,665,455	-35.2	-14.1	126,933	225,400	169,945	3.00
Illinois	83,013,033	87,220,266	115,491,400	-4.8	-28.1	2,490,391	2,616,608	3,464,742	3.00
Indiana	29,319,865	30,514,268	32,221,670	-3.9	-9.0	732,997	764,811	805,542	2.50
Iowa	14,497,877	12,596,387	13,295,075	15.1	9.0	289,957	251,927	265,901	2.00
Kansas	20,938,664	17,006,939	17,590,886	23.1	19.0	837,547	675,183	448,050	4.00[3]
Kentucky	23,497,613	21,114,072	18,036,098	11.3	30.3	704,928	633,422	541,082	3.00
Louisiana	250,958,634	236,467,493	243,969,396	6.1	2.9	8,786,778	5,800,493	6,098,585	2.50
Maine	4,688,956[1]	4,000,000[1]	4,005,955	17.2	17.0	140,669[1]	120,000[1]	120,206	3.00
Maryland	30,303,545	27,067,209	29,990,242	12.0	1.0	897,707	782,431	464,105[4]	3.00
Massachusetts	55,000,000[1]	54,426,932	55,285,520	1.1	-0.5	2,200,000[1]	2,177,077	2,211,411	4.00
Michigan	95,796,857	98,765,124	83,192,333	-3.0	15.2	2,108,538	2,151,984	1,861,346	2.00[5]
Minnesota	27,342,170	24,604,200	18,133,933	11.1	50.8	820,265	738,126	544,018	3.00
Mississippi	17,266,872[1]	24,541,879	15,441,358	-29.6	11.8	690,675	981,675	617,654	4.00
Missouri	43,917,960	36,791,121	35,716,662	19.4	23.0	2,195,898	1,839,556	1,783,935	6.00
Montana	2,005,419	2,039,908	2,250,788	-1.7	-10.9	51,647	55,850	64,366	5.00[6]
Nebraska	11,837,781	6,597,217	8,235,869	79.4	43.7	261,597	138,255	182,482	2.75[7]
Nevada	6,861,116[1]	18,424,157	7,048,628	-62.8	-2.7	186,472[1]	386,549	135,224	2.00[8]
New Hampshire	5,933,373	6,188,746	7,873,475	-4.1	-24.6	118,667	123,775	161,509	2.00
New Jersey	84,796,112	103,820,783	91,447,439	-18.3	-7.3	2,543,883	3,114,983	2,743,433	3.00
New Mexico	4,639,612	4,376,800	6,140,049	6.0	-24.4	139,188	109,420	149,741	3.00[9]
New York	93,639,000	88,919,400	117,070,000	5.3	-20.0	3,370,980	3,201,130	4,214,500	3.60
North Carolina	26,573,252	23,839,567	23,971,922	11.5	10.9	1,328,663	1,192,019	1,199,859	5.00
North Dakota	16,012,224	2,278,041	2,157,308	602.9	642.2	29,463	39,294	53,908	1.00[10]
Ohio	12,428,150	12,203,746	12,709,335	1.8	-2.2	621,407	633,927	635,467	5.00
Oklahoma	35,212,769	43,928,316	40,247,783	-19.8	-12.5	2,112,769	2,635,699	2,414,867	6.00
Oregon	24,281,436	21,140,570	25,571,747	14.9	-5.0	546,332	475,663	575,364	2.25
Pennsylvania	90,000,000	86,250,000	97,500,000	4.3	-7.7	2,635,000	2,550,000	2,900,000	3.00
Rhode Island[11]	24,304,963	5,607,233	18,437,777	333.5	31.8	729,149	168,218	553,133	3.00
South Carolina	15,761,983	15,537,622	15,616,486	1.4	0.9	630,479	621,505	624,659	4.00
South Dakota	2,240,283	2,084,553	2,328,272	7.5	-3.8	90,105	85,462	93,926	4.00[12]
Tennessee	28,175,000[1]	24,500,000[1]	23,337,000[1]	15.0	20.7	584,775[1]	508,500[1]	507,545[1]	2.50
Texas	277,378,611[1]	255,660,205	262,740,732	8.5	5.6	10,679,077	9,842,018	10,115,586	3.85
Utah	10,707,130[1]	7,448,168	6,881,733	43.2	55.6	356,905[1]	223,445	206,452	3.00
Vermont	3,414,011	3,885,456	3,212,104	-12.1	6.3	102,420	116,563	96,363	3.00
Virginia	16,093,000	15,810,000	14,497,000	1.8	11.0	443,978	434,775	398,667	2.75
Washington	41,055,892	40,014,785	49,210,688	2.6	-16.6	911,517	855,127	1,056,845	2.25[13]
West Virginia	5,936,224[1]	6,656,065	6,505,044	-10.8	-8.7	356,173[1]	399,364	344,559	6.00
Wisconsin	24,067,536	17,962,161	21,185,051	34.0	13.6	722,026	530,780	620,160	3.00[14]
Wyoming	5,330,519	3,800,000[1]	4,433,757	40.3	20.2	165,093	117,000[1]	137,126	3.00
Totals/Averages	2,324,522,165	2,137,253,199	2,195,123,624	8.8	5.9	76,376,847	67,956,047	69,958,080	3.31

[1] State Insurance Department estimate/preliminary figure. [2] 3.5% before Sept. 18, 1984. [3] 2% before July 1, 1982. [4] Does not reflect tax for last half of calendar 1982, due tc surplus lines amendment. [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 July1. [9] 2.5% before Jan. 1, 1984. [10] 2.5% before April 26, 1983. [11] Fiscal year ending June 30 '84, '83, '82. [12] 0.5% on fire; 4% on all others. [13] 2.1% in 1983; 2.15% in 1982. [14] 0.5% on ocean marine; 3% on all others.

Chart: *BI* survey of insurance departments.

Rate hikes, restrictions boost Lexington

Lexington Insurance Co.

100 Summer St., Boston, Mass. 02110; 617-956-4200

	1984	1983
Gross premiums	$233,398,000	$236,853,000
Non-admitted	$209,439,000	$210,663,000
Net premiums	$15,978,000	$12,124,000
Paid-in capital	$6,152,000	$6,152,000
Capital & surplus	$32,528,000	$35,954,000
Employees	201	205
Combined ratio	73.1%	55.6%
Commercial risks	100%	100%
Net income	$2,658,000	$4,864,000
Best's rating	A-plus*	A

*Contingent.

Lexington Insurance Co.'s president says things are looking up, which may not necessarily be good news for insurance buyers.

Lexington, the nation's largest surplus lines insurer, has succeeded in obtaining dramatically higher rates and more restrictive policy conditions. And, in a growing number of cases, Lexington is insisting that liability policies be written on a claims-made form.



Mr. Wiedemann

"It's much better than we ever imagined it might be in terms of raising rates, tightening coverage and using the claims-made form," says President Joseph R. Wiedemann.

Lexington, a unit of American International Group Inc., is getting rate increases of 300% to 400% on casualty risks, with the largest increases on professional liability and chemical, pharmaceutical and heavy manufacturing product liability risks, he said.

'Almost any risk is worth double' the previous rate, says Lexington President Joseph R. Wiedemann. 'I don't think that anything in the surplus lines business is being renewed as is.'

Average rate hikes of 200% are being imposed on property business, where energy-related risks are seeing the biggest increases.

"Almost any risk is worth double" the previous rate, Mr. Wiedemann said. "I don't think that anything in the surplus lines business is being renewed as is."

While Lexington is not refusing to write particular classes of business, it is being more selective about writing certain risks.

"We are not out to write all the chemical business. We are not out to write all the pharmaceutical business," Mr. Wiedemann explained.

Lexington has traditionally focused mainly on second-layer umbrella coverages for medium-sized commercial accounts, he said.

While the insurer probably has its "share" of large, high-risk business, like chemical or pharmaceutical companies, mostly in higher layers, Lexington doesn't intend to write a "disproportionate" number of these risks, despite the high rates insurers are charging for these lines of coverage.

Lexington is now demanding use of the claims-made form on all medical malpractice, chemical and pharmaceutical risks, he added, and is gradually gravitating toward the form for all casualty business.

"We are moving in that direction," Mr. Wiedemann said. "By 1986, probably 80% to 85% of our policies will be on a claims-made form."

Other coverage restrictions Lexington has imposed include higher attachment points on umbrella policies and a total exclusion of pollution risks, he added.

All of these actions are expected to boost Lexington's premium volume and profits in 1985.

Casualty premium volume so far this year has doubled over volume in the same period last year, while property volume is up 50%, according to Mr. Wiedemann. He predicted that Lexington will finish the year with a 50% increase in gross premium volume over the $233.4 million produced in 1984, adding that the increase will be "due entirely to higher rates."

Meanwhile, Lexington's combined ratio—which has never topped 100% during the last six years because of the insurer's heavy use of reinsurance—dropped 20 percentage points in the second quarter of this year compared with last year's second quarter. The combined ratio dropped 10 points for the first six months compared with 1984's first half, Mr. Wiedemann said.

"Given the state of the industry in the last three to four years," profitability is Lexington's No. 1 goal, Mr. Wiedemann said, adding that goal would be pursued even at the expense of lost business.

Lexington's loss experience also improved somewhat in 1984, though the insurer's bottom-line results continued to deteriorate.

Lexington's gross direct, non-admitted written premiums declined slightly to $209.4 million in 1984 from $210.7 million in 1983. In addition, Lexington produced gross written premiums of $204,957 last year in Delaware, the only state in which it is an admitted insurer.

Assumed reinsurance business likewise declined in 1984 to $23.8 million from $26.1 million in 1983.

In all, Lexington reported total gross written premiums of $233.4 million, down 1.5% from $236.9 million in 1983.

Property business was largely responsible for the decline in gross volume: Property premiums dropped 38% to $83.3 million last year from $133.5 million in 1983, with sizable drops in premium volume reported in the fire and inland marine lines.

Liability premiums, on the other hand, jumped 56% to $125.5 million in 1984 from $80.4 million the year before.

About 75% of Lexington's casualty business is general liability, according to Mr. Wiedemann, while about 25% is automobile liability and other lines, including medical malpractice and workers compensation.

Volume on property and liability combined lines also increased 16%

Continued on page 14



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Continued from page 12
to $6.8 million from $5.8 million in 1983, while volume in all other lines was up marginally.

Lexington's group accident and health insurance business grew 15% last year, with direct premiums totaling $17.2 million, compared with $15 million in 1983.

Although gross premiums declined, net premiums rose during 1984 as Lexington retained more of its business.

Net premiums last year amounted to $16 million—6.9% of gross writings—compared with $12.1 million—or 5.1%—in 1983. This was Lexington's largest net retention in at least six years.

Lexington's net volume will rise again this year, partly at the insistence of its reinsurers and partly as a matter of choice, he said.

"It's partly from the reinsurers and partly a decision to participate in the risks because we firmly believe that the business is profitable and will remain profitable."

Lexington's decision to increase its net volume is 'partly from the reinsurers and partly a decision to participate in the risks because we firmly believe that the business is profitable and will remain profitable,' Mr. Wiedemann said.

Lexington ceded reinsurance to five foreign AIG affiliates last year and to about 134 overseas non-affiliates.

Reinsurance recoverable on unpaid losses from foreign companies totaled $62.7 million in 1984, with about half that amount recoverable from the AIG affiliates. Premiums in force amounted to $74.4 million, with the AIG affiliates accounting for only $6.7 million of the total.

The most significant affiliated reinsurer was American International Insurance Co. of Hamilton, Bermuda. Significant non-affiliates included Munchener Rucksversicherungs A.G. of West Germany; Lloyd's of London underwriters; Medical Centre Insurance Co. Ltd. of Hamilton, Bermuda, a hospital group captive insurer; Accord Insurance Co. Ltd. of the Cayman Islands; and Caymich Insurance Co. Ltd., a Cayman-based hospital group captive.

Lexington also ceded reinsurance to 11 domestic AIG affiliates, 134 non-affiliates, 11 syndicates on the New York Insurance Exchange and two reinsurance pools.

Reinsurance recoverable on unpaid losses from domestic companies totaled $98.5 million last year, with $44.4 million recoverable from the affiliates. Premiums in force amounted to $136 million, with $57.2 million of that accounted for by the affiliates.

Recoverables from the New York Insurance Exchange syndicates totaled $477,009 with $2 million in premiums in force, while recoverables from the two pools amounted to $246,697 with $325,501 in premiums in force.

Significant domestic affiliated reinsurers were AIU Insurance Co. of New York and Insurance Co. of the State of Pennsylvania. Significant non-affiliates included American Re-Insurance Co., Kemper Reinsurance Co., Munich Reinsurance Co., North American Reinsurance Corp., St. Paul Fire & Marine Insurance Co. and Skandia America Reinsurance Corp.

The tremendous amount of reinsurance Lexington cedes earns the insurer large ceding commissions and has resulted in recent years in negative expense ratios, which in turn have helped the company hold its combined ratio under 100%.

Last year was no exception, though cuts in Lexington's ceding commissions put pressure on the insurer's bottom line, even as loss experience improved.

For 1984, Lexington reported losses and loss expenses of $17.3 million on earned premiums of $15.1 million, making for a pure loss ratio of 114.9%. This compared with losses and loss expenses of $17.3 million on earned premiums of $10.5 million in 1983, when the insurer reported a pure loss ratio of 164.8%.

Underwriting expenses, however, increased to -$6.7 million in 1984 from -$12.7 million in 1983. Most of this difference was related to the drop in Lexington's ceding commissions, one component of underwriting expense. The insurer collected $49.6 million in ceding commissions last year, compared with $57.5 million in 1983.

This produced an expense ratio of -41.8% for 1984, down from -109.2% the year before.

Lexington's combined ratio added up to 73.1% last year, up from 55.6% in 1983 and the highest combined ratio the insurer has reported in the last six years.

The insurer finished the year with an underwriting gain of $4.5 million, down 25% from the $5.9 million underwriting gain reported in 1983.

Mr. Wiedemann observed, "1984 was not a good underwriting year."

However, improvement in the company's loss ratio will outpace the shrinkage in ceding commissions this year, he said, noting that Lexington's combined ratio will be lower in 1985.

While underwriting gains eroded, Lexington's investment income last year also dropped. The insurer reported an investment loss of $1 million—due mainly to capital losses on bond sales—compared with a gain of $806,206 in 1983.

Lexington ended 1984 with after-tax net income of $2.7 million, down 45% from the $4.9 million reported in 1983.

Despite its operating gain, Lexington experienced a slight drain on its policyholders surplus, which fell 9.5% to $32.5 million from $36 million at the end of 1983.

As it did in 1983, Lexington last year paid a $4 million dividend to parent AIG. In addition, the insurer booked a liability of $1.9 million, reflecting an increase in agents' balances and uncollected premiums more than three months past due.

Since the beginning of the year, however, AIG has contributed $20 million in capital to Lexington.

A.M. Best Co., which dropped Lexington's rating to A in 1984 from A-plus in 1983, assigned the insurer a contingent A-plus rating for 1985, the same rating given to all other AIG affiliates.

Lexington's capacity per risk has been reduced because of reduced treaty reinsurance capacity, though Mr. Wiedemann has made up some of this reduction with facultative reinsurance. Per-risk capacity for property and casualty risks is above $5 million "but less than what it used to be." He would not comment on Lexington's previous capacity.

Lexington—which had operated through eight divisions in 1983—last year eliminated two units that were producing poor results, Mr. Wiedemann reports.

The space technology division, which had handled a variety of satellite risks from ground exposures to launch and orbital life coverages, no longer exists, and Lexington is now running off the satellite business it had written previously, Mr. Wiedemann said.

"It was a sad experience for Lexington and for the group," he ob-

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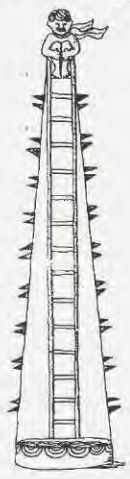
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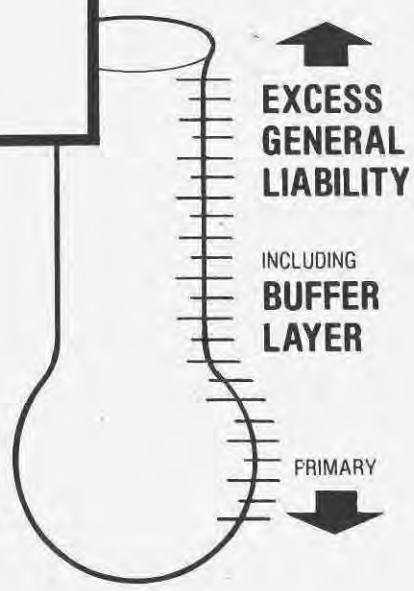
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Continued from previous page
served.

Lexington also dropped its multiperil division, which combined standard property and casualty coverages with such specialty lines as shipbuilders legal liability, liquor law liability and product recall insurance.

"We just found it impossible to compete with some of the standard markets," Mr. Wiedemann explained. "Our experience was poor."

Lexington continued to provide coverage on a monoline basis to some of its former multiperil policyholders, but a "fair amount" of that business went to other insurers after the division was phased out, he said.

Multiperil business accounted for less than 5% of Lexington's gross premiums, according to Mr. Wiedemann.

Other Lexington operating units include:

- The casualty division, which includes departments devoted to general casualty, specialized casualty lines and transportation risks. General casualty includes primary general and product liability, umbrella and excess coverages as well as municipal and excess workers compensation risks.

The specialized casualty area handles risks for defined industry segments, including energy, pharmaceutical, construction and medical product liability. Other products include architects and engineers errors and omissions, medical malpractice and other professional liability risks.

Transportation products include policies for railroads, mass transit systems and transportation products manufacturers.

- The property division, which writes a variety of products including all-risk coverage for municipalities, builders risk, electrical services interruption, low-water coverage for hydroelectric plants, standing crops, animal mortality and bloodstock coverages.
- The program division, which writes primary property/casualty and excess casualty coverages for professional organizations and trade groups.

Program business accounts for less than 10% of Lexington's total gross premiums, though growth in this business—brought about by rate increases—is keeping pace with the growth of Lexington's general property/casualty business, Mr. Wiedemann said.

For example, the insurer recently wrote a program for medical clinics at three times the expiring rate, he noted.

- The international division, which writes property and casualty insurance for the domestic and foreign operations of multinational companies.

This division continued to produce "moderate growth" last year, and was less affected by the recent soft market than other divisions.

- The ocean marine division, which writes hull and primary and excess protection and indemnity coverage for commercial fishing vessels and yachts. Lexington does relatively little "blue-water" commercial marine business.

The ocean marine division was unprofitable last year and its results are "borderline" so far in 1985, Mr. Wiedemann said.

- The special accident division, which offers self-insurers of employee benefits a stop-loss insurance program to limit catastrophic medical, dental and short-term disability losses.

The division, which also accounts for less than 10% of Lexington's overall business, has been profitable for the last three years, Mr. Wiedemann said.

Lexington hasn't formed any new divisions since last year, but the company "continues to look for niches that we can jump into and develop a book of business," he said.

'We just found it impossible to compete with some of the standard markets. Our experience was poor,' said Mr. Wiedemann, explaining why Lexington closed its multiperil division.

For example, Lexington is considering expanding its liquor law liability business beyond Massachusetts, the only state where it currently writes the coverage, Mr. Wiedemann noted.

He added that liquor law liability is one example of a line that had been written by standard insurers until the market tightened, and that now presents an opportunity for surplus lines insurers.

Mr. Wiedemann—who had served as president of AIG affiliate C.V. Starr & Co.—became president and chief executive officer of Lexington earlier this year, replacing Francis S. Oleskiewicz, who had been chairman, president and chief executive officer. Mr. Oleskiewicz retains his title has chairman.

Other principal officers include Kevin Kelley, executive vp; and Walter Mooney, John Detora and Nicholas Anselmo, all senior vps.

Lexington, founded in 1965, carries a Best's contingent group rating of A-plus, Class XII.

—By Douglas McLeod

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First State Insurance Co.

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

	1984	1983
Gross premiums	$204,553,348	$256,521,749
Non-admitted	$113,581,471	$127,577,928
Net premiums	$7,426,326	$38,630,497
Paid-in capital	$28,276,619	$28,275,619
Capital & surplus	$65,487,301	$67,207,377
Employees	NA	NA
Combined ratio	357.9%	126.7%
Commercial risks	99%	99%
Net income	-$10,383,650	$5,323,407
Best's rating	A-pooled	A

'We basically have a new book of business,' First State Insurance Co. President Lawrence S. Doyle says about the results of last year's re-underwriting. Since the re-underwriting, 80% of First State's business is new.

Asked what kind of year 1984 was for First State Insurance Co., President Lawrence S. Doyle said, "I would best characterize it as re-building."

He might have added, "From the ground up."

Badly hurt by the prolonged property/casualty insurance rate wars—which helped produce the company's 357.9% combined ratio last year—First State took some dramatic steps to improve its results.

Starting in early 1984, the insurer re-underwrote its book, canceling contracts, raising rates and tightening policy conditions. The result: Eighty percent of First State's business is new.

First State also reorganized its reinsurance program, transferring its hundreds of authorized and unauthorized reinsurance contracts to its parent, Hartford Fire Insurance Co., with which it now participates in a reinsurance pooling arrangement.

The result: First State gained $19.3 million on its 1984 income statement as a change in liability for unauthorized reinsurance.

That gain offset operating losses and an $11 million dividend to Hartford Fire, allowing First State to report only a slight erosion of its policyholders surplus, which slid to $65.5 million last year from $67.2 million in 1983.

First State also entered into an aggregate stop-loss reinsurance agreement with American Re-Insurance Co., under which First State ceded $52.8 million in reserves on future losses to American Re for an aggregate payment of $18.3 million, Mr. Doyle noted.


Mr. Doyle

The difference of $34.5 million was added to First State reserves for incurred-but-not-reported losses on general casualty business and will not impact the insurer's earnings or surplus, Mr. Doyle said.

"We wanted to have more 'sleep' insurance over the long term," he explained.

Along with these actions, First State—hoping to focus on its "bread and butter" casualty business—has eliminated or cut back several specialty units, including FIRSTECH, which handled high-technology risks.

First State expects its tougher underwriting stance to result in an underwriting profit in the second half of this year, according to Mr. Doyle.

However, profitability wasn't the story in 1984.

First State produced gross non-admitted and admitted direct premiums of $163.7 million last year, down slightly from $170.3 million in 1983.

Non-admitted business accounted for $113.6 million of the total, while $50.1 million was written in California, Massachusetts and Delaware, where First State is admitted.

Continuing a trend noted last year, First State's non-admitted business shrank while its admitted business grew: Non-admitted volume last year declined 11% from $127.6 million in 1983, while admitted volume grew 17% from $42.7 million in 1983.

However, First State retains its spot as the second-largest surplus lines insurer in the *Business Insurance* rankings.

Most of the 1984's admitted business—$33.8 million—was written in California, while Massachusetts produced $15.8 million and Delaware $520,239.

Along with its direct business, First State wrote assumed reinsurance premiums of $40.9 million, down 53% from $86.3 million in 1983. The company's assumed reinsurance business consisted of loss portfolio reinsurance, which is now being run off. First State is no longer assuming any reinsurance, Mr. Doyle says.

Altogether, First State reported gross premiums of $204.6 million in 1984, down 20% from $256.5 million in 1983. The business was nearly evenly divided between property and casualty.

Meanwhile, the insurer's net written premium volume declined dramatically, partly because of the decline in gross writings and partly because of reinsurance ceded to affiliate New England Reinsurance Corp. in addition to cessions to the Hartford Fire pool, Mr. Doyle said.

Net premiums amounted to $7.4 million—or 3.6% of gross writings—in 1984 compared with $38.6 million—or 15% of gross writings—in 1983.

Earned premiums also declined last year to $13.6 million from $34.1 million in 1983. Several factors accounted for the drop, Mr. Doyle said, including the large volume of new business on which premiums were still unearned and the extent of First State's reinsurance of the business.

While earned premiums plummeted, though, incurred losses and expenses rose by a third last year to $43.4 million from $33.1 million in 1983.

After adding in other underwriting expenses, First State produced a net underwriting loss of $32.7 million last year, compared with a loss of $10.5 million in 1983.

First State's pure loss ratio shot up to 319.3% in 1984 from 97.1% in 1983, while its expense ratio rose to 38.6% from 29.6% in 1983.

This added up to a combined ratio of 357.9% for 1984 compared with 126.7% in 1983.

The tripling of the insurer's loss ratio resulted both from the $34.5 million addition in IBNR reserves and from the drop in earned premiums, Mr. Doyle said.

First State reported investment gains of $7.4 million last year, down 37% from $11.7 million in 1983. Together with gains from a variety of other sources, the company finished the year with an aftertax net loss of $10.4 million compared with a gain of $5.3 million in 1983.

Mr. Doyle and Chester A. Abbey, First State's vice chairman, expect this performance to improve this year and in 1986, largely because of more exacting underwriting standards.

"We basically have a new book of business," Mr. Doyle observed about the results of last year's re-underwriting.

In the re-underwriting process, First State canceled some policies midterm, Mr. Abbey said.

More commonly, though, the company declined to renew multiyear policies that were up for renewal in their second or third year, Mr. Doyle added.

First State is also avoiding or refusing to write certain classes of business, Mr. Doyle noted. On the property side, the insurer is turning away risks such as grain elevators and restaurants of frame construction.

On the casualty side, the company is no longer writing pollution risks and is wary of directors and officers liability risks.

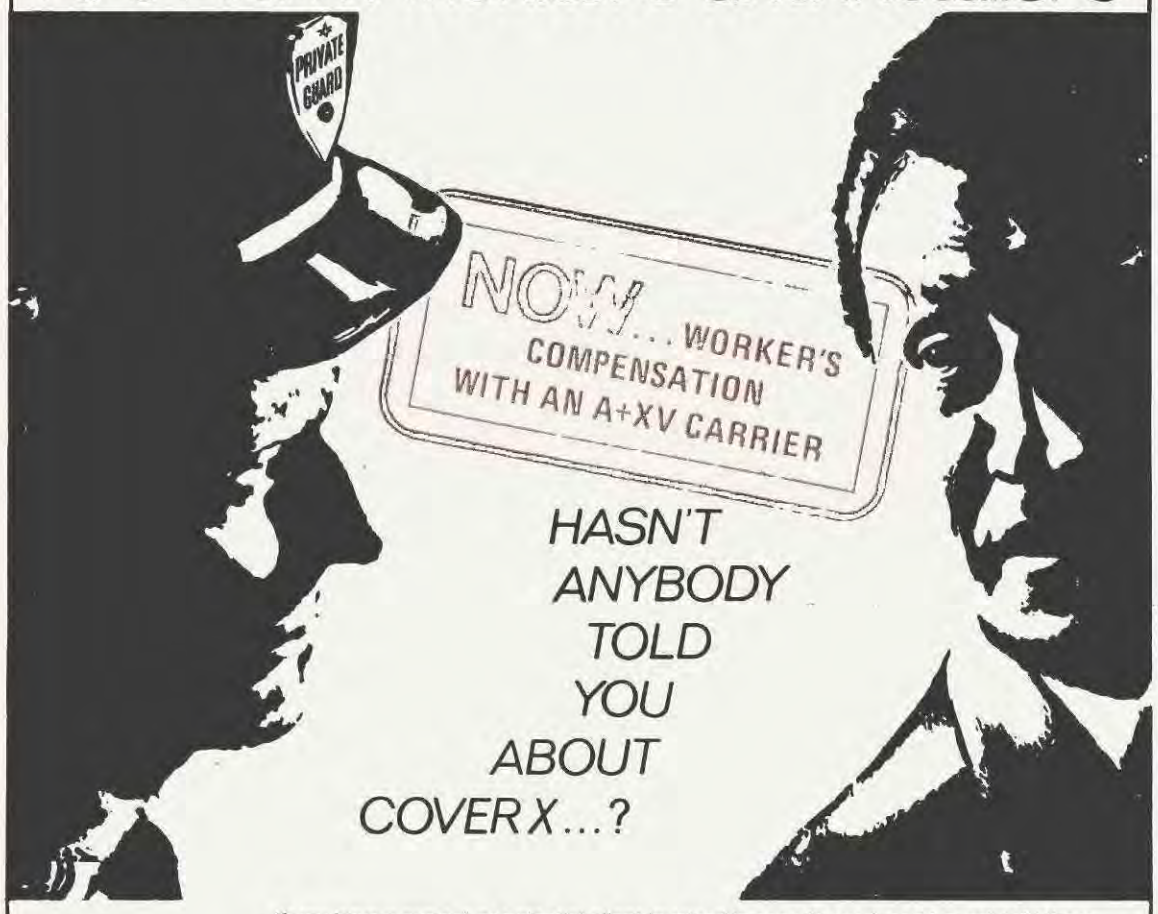
"We still will write D&O, but our emphasis is on E&O and away from D&O," Mr. Abbey said, adding that the emphasis on errors and omissions coverage doesn't include insurance agents' E&O, which First State will not write.

Mr. Doyle added that in any case, First State hasn't written any new D&O or E&O business this year.

Risks that the insurer prefers include brick and masonry buildings on the property side and lower-layer excess and first-layer umbrella coverages for medium-sized

Continued on page 18

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Continued from page 16

commercial accounts on the casualty side, Mr. Abbey says.

First State's move toward middle-market casualty risks began in early 1984, when the insurer phased out its national accounts division, which had offered property and casualty coverages to jumbo commercial buyers, he explained.



Mr. Abbey

Along with excluded classes of business, First State is tightening its terms on the business it does write.

For example, the insurer has "substantially" increased the minimum attachment point on umbrella policies, requiring at least $1 million in underlying insurance where it had previously required as little as $250,000, according to Mr. Doyle.

Capacity is down, but First State is still "a major player in the industry," Mr. Doyle says.

Excess and umbrella business accounts for about 85% of First State's casualty book, Mr. Abbey said.

Professional liability risks, including professional liability business written for financial institutions, accounts for an additional 10% of the book, while the remaining 5% is comprised of primary general liability business.

On the property side, about 50% of First State's book is all-risk coverage on real and personal property, while straight fire coverage accounts for about 25%.

The remaining 25% of the business is produced by inland marine business and various specialty risks, including cancellation and rain-out coverages.

Along with coverage restrictions, First State's gross capacity per risk has been cut to a fraction of what it had been a year earlier. Gross capacity now is $5 million per risk for property and casualty business, according to Mr. Doyle.

A year ago, the insurer's gross capacity was $34 million per property risk and $25 million per casualty risk.

Mr. Doyle noted that even with this drop in capacity, First State is still "a major player in the industry," especially since most other specialty lines insurers have experienced similar reductions in their capacity.

Mr. Doyle wouldn't comment on the company's net-line capacity per risk.

The general drop in capacity has allowed First State to be more selective about the risks it accepts because it is seeing a larger number of submissions from buyers scrambling for coverage, the company officials say.

This year has brought First State business that had been written by admitted insurers during the soft market, Mr. Abbey suggested.

Submissions at First State are up 100% this year over last year, he added.

On casualty risks, First State is quoting on about a third of the submissions and is binding coverage on about 20% of the risks it quotes. On property business, the insurer is quoting on about 40% of the submissions, and it is binding coverage on about 20% of the business that it quotes.

When First State refuses to quote on a risk, it is primarily because of poor loss experience or because the risk falls into a class that the insurer won't consider, Mr. Abbey explained.

"Of those we quote, price is the main reason we don't get the business," he added.

First State last year started raising rates across the board on property and casualty business, though Mr. Doyle declined to give any examples of the size of the increases it is demanding.

"We have sufficient pricing now for the second half of 1985 to make an underwriting profit," Mr. Doyle said.

Mr. Abbey added that the insurer may raise rates further if increases are needed.

"We will do what the situation bears to continue making a profit," Mr. Abbey observed.

Partly because of rate increases, First State's gross non-admitted, direct premium volume may hit about $140 million this year from $113.6 million in 1984, Mr. Doyle said.

The insurer's net line will also be

Continued on next page

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Continued from previous page

up by about 40%, partly because of the increase in gross writings but also because First State wants to retain a larger percentage of profitably underwritten risks.

"That's by design," Mr. Abbey explained. "It wasn't demanded by our reinsurers. It's because we are seeing adequate pricing on our business."

Last year, First State transferred all of its reinsurance contracts to Hartford Fire, which now reinsures First State in a pooling program that also includes Hartford affiliates New England Re and New England Insurance Co.

First State's 1984 annual statement shows $363.8 million in reinsurance recoverable from Hartford Fire on unpaid losses.

Most of this—$308.8 million—relates to losses on "other liability" business, while an additional $36.9 million relates to inland marine losses, according to the annual statement.

The statement also shows $110.3 million in premiums in force with Hartford Fire at the end of 1984, with unearned premiums estimated at $42.1 million.

In 1983, the insurer's annual statement had shown a list of about 291 reinsurers, many of which were unauthorized.

By entering the pooling arrangement with Hartford Fire, First State removed the unauthorized reinsurers from its statement, and with them any statutory liability for reinsurance that was not secured by withheld funds or letters of credit.

First State thus reported a gain of $19.3 million as a change in its unauthorized reinsurance liabilities last year, compared with a debit of $13.5 million in 1983.

This gain nearly offset the combined effects of First State's $10.4 million operating loss and the $11 million cash dividend paid to Hartford Fire, resulting in a drain on First State's surplus of only $1.7 million last year.

The insurer finished the year with surplus of $65.5 million, down from $67.2 million in 1983.

In an effort to focus its attention on its basic casualty business, First State has cut back several of its specialty units including:

- An associations and programs division, which had offered coverage for risks in various classes, including long-haul trucking, hotels, bottlers and hospitals as well as for trade groups and professional societies.

This division has been "dramatically cut back," Mr. Doyle said.

"There are some programs remaining, but very few," he explained.

- FIRSTECH, which had handled exposures for developing industries such as microelectronics, robotics, hydroelectric power, nuclear energy and medical technologies. FIRSTECH has been eliminated and its business is being run off, Mr. Doyle said.

In addition, First State Syndicate —a unit of New England Re that writes primary insurance and reinsurance on the New York Insurance Exchange—has written only a "very small amount" of business in 1985, and its continued operation "is still being discussed," according to Mr. Doyle.

"We see more than enough opportunity to write first umbrella and general casualty business, and are really concentrating on that area," he said, explaining the cutbacks.

First State—along with New England Re and New England Insurance Co.—is managed by Cameron & Colby Co. Inc. Cameron & Colby's officers are identical to those of the managed insurers.

Mr. Abbey, formerly president of Cameron & Colby and First State, was named vice chairman earlier this year, and was succeeded as president by Mr. Doyle, a longtime Hartford employee.

'We will do what the situation bears to continue making a profit,' comments Mr. Abbey.

Mr. Abbey had been named president in early 1984, when Richard E. Stone left to join L.W. Biegler Inc., a surplus lines affiliate of the Crum & Forster Group.

Other principal officers of Cameron & Colby and First State include Graves D. Hewitt, chief executive officer; Richard E. Willey, chairman; and Ralph J. Palmieri, executive vp.

First State carries a Best's rating of A-pooled, Class XIV.

—By Douglas McLeod

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International Surplus Lines Insurance Co.

100th Floor, Sears Tower, 233 S. Wacker Drive, Chicago, Ill. 60606; 312-876-3100

	1984	1983
Gross premiums	$118,157,243	$57,469,416
Non-admitted	$102,671,150	$48,883,788
Net premiums	$40,428,520	$13,192,205
Paid-in capital	$1,500,000	$1,500,000
Capital & surplus	$31,116,678	$53,572,488
Employees	233	207
Combined ratio	152.9%	58.7%
Commercial risks	100%	100%
Net income	NA	NA
Best's rating	NASN	A-plus

Unauthorized reinsurance and a drop in policyholder surplus cost Crum & Forster Inc.'s International Surplus Lines Insurance Co. a "rating not assigned" by A.M. Best Co.

Last year, ISLIC carried an A-plus rating.

"Our reinsurance recoverable was in excess of their standard, and they did not feel they were able to assess our reinsurance program," explains Richard E. Stone, ISLIC's chairman and chief executive officer of five months.

ISLIC's 1984 annual statement shows $6.2 million in reinsurance recoverable on paid losses and $105.2 million in reinsurance recoverable on unpaid losses. Reinsurance recoverable on paid and unpaid losses totaled only $27.2 million at year-end 1983.

In addition, ISLIC's policyholder surplus was reduced to $31.1 million from $53.6 million, principally by a $20 million dividend paid to Industrial Indemnity Co., the Crum & Forster subsidiary that owns the stock of ISLIC.

Crum & Forster is owned by Xerox Corp.



Mr. Stone

"Without the reduction in surplus, there probably would not have been a change in our rating," Mr. Stone said.

Losing a Best's rating is only one of several significant changes last year at ISLIC, the third-largest surplus lines insurance company in the United States, based on $102.7 million in direct premiums written on a non-admitted basis in 1984.

ISLIC wrote the most business ever in 1984 but also reported its first operating loss in its 14-year history and its worst statutory combined loss and expense ratio.

ISLIC wrote gross premiums of $118.2 million and net premiums of $40.4 million in 1984 but lost $3.3 million on a statutory basis, with a statutory combined ratio of 152.9%.

In 1983, ISLIC wrote $57.5 million in gross premiums and $13.2 million in net premiums, reported $12 million in net income and a statutory combined ratio of 58.7%.

And, ISLIC's capacity fell dramatically in 1985.

ISLIC has automatic capacity of only $5 million for professional liability risks and $2 million for casualty risks, down from $20 million in 1984 and $25 million in 1983.

In the face of these events, Mr. Stone, who became chairman and chief executive officer of ISLIC and its underwriting manager L.W. Biegler on March 1, is nonetheless upbeat and enthusiastic.

"We're putting our house in order for 1986 and beyond, refining our current activities and developing new areas of opportunity," he says.

ISLIC writes on a non-admitted basis in all states except Illinois, where it is licensed.

And, in spite of the rating loss, Mr. Stone says "brokers' support has been overwhelming."

Mr. Stone intends to regain a Best's rating for ISLIC.

"I have no problem with Best's," he says. "There is an agreement on my part and their part to work things out."

ISLIC can regain its rating by pooling its business with its A-rated parent, Industrial Indemnity. Or, ISLIC can regain its rating on its own, "which I prefer to do," Mr. Stone noted.

"There is the possibility that in 1985 some surplus could be returned to ISLIC," Mr. Stone said.

He admitted, however, that he does not expect ISLIC to be able to increase its surplus in 1985 from profits.

"We expect 1985 to be another difficult year, although we are working diligently to turn the corner on our underwriting results, and we are beginning to see some positive signs," Mr. Stone said.

While willing to discuss current activities at ISLIC, Mr. Stone declines to discuss the reasons for ISLIC's operating loss in 1984.

Continued on page 22



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Continued from page 22

firms and small to medium-sized insurance agencies.

There also will be "real opportunities in the casualty market, once the ISO-CGL issue settles down," Mr. Stone predicts, referring to claims-made commercial general liability form proposed for use by the Insurance Services Office.

Currently, the form has been approved for use in 27 states.

"As a major commercial umbrella underwriter, we prefer to move toward claims-made," Mr. Stone said.

ISLIC generally writes casualty insurance excess of $5 million to $10 million.

And, Mr. Stone speculates that the adoption of claims-made forms could create new insurance product opportunities for surplus lines insurers able to underwrite coverage to fill in potential coverage gaps.

Mr. Stone predicts the so-called buffer layer will re-emerge—the policy that fills a gap that can exist between the highest limit the primary insurer is willing to provide and the lowest limit the umbrella insurer is willing to provide.

"It will be a good opportunity in the not-too-distant future," Mr. Stone says. "A lot of umbrella carriers are moving up their attachment points," he said.

ISLIC's property insurance capacity under its treaty reinsurance remained the same as last year: $5 million.

ISLIC generally insures small to medium-sized property accounts as a quota-share participant on the first $5 million, avoiding larger accounts where its capacity is too small to make an impact.

"And there is still is some softness in the upper layers," Mr. Stone says of lower rates, "and I don't want to be there.

ISLIC lost capacity to write general and professional liability insurance as of Jan. 1, a victim of the shrinking reinsurance market.

But, Mr. Stone said he is not disappointed by the drop in capacity to $2 million for general liability insurance and $5 million for professional liability.

ISLIC won't lose premiums even though it is writing much smaller liability limits because "the opportunities exist to take in as much premium for a $5 million limit of professional liability coverage that once was received for $20 million," Mr. Stone said.

"I am not unhappy with the reduction in capacity as is uniformly being accomplished in the marketplace. The talent level in the industry as a whole is not sufficient to allow any one individual to put down $20 million."

Mr. Stone also expects ISLIC to emerge "better off" with lower limits of capacity "because we will be dealing with frequency as opposed to severity."

Historically, ISLIC has ceded so much business to reinsurers that its expense ratio was reported as a negative number because ceding commissions exceeded its expenses.

"The current state of the business, combined with the current state of the marketplace, will require higher net-line participations," Mr. Stone commented.

For ISLIC, "Those net lines will vary from line of business to line of business, but generally will fall between $250,000 to $500,000," he said.

Major reinsurers of ISLIC include underwriters at Lloyd's of London, Kemper Reinsurance Co., Skandia America Reinsurance Corp. and Munich Reinsurance Co.

Mr. Stone would not be pinned down on what rate increases insurance buyers can expect in 1986.

"In 1985, we are closer to saying rates are adequate, but certain lines require more actuaries' study before we're prepared to say we're adequately pricing," he said, adding casualty and professional liability insurance need more study.

Throughout the insurance business, "It's safe to say that price increases will continue for a minimum of 18 months," Mr. Stone added. "But there is the ever-possible shift at the end of that time to a situation where price reductions could occur," he said.

Before joining Biegler/ISLIC in June 1984 as vice chariman, Mr. Stone was president of Boston-based underwriting manager Cameron & Colby, which manages First State Insurance Co. He was also president of First State and New England Reinsurance Co., all Hartford Insurance Group subsidiaries.

Besides Mr. Stone, principal officers of ISLIC include S. Richard Vassallo, president and chief operating officer; Lonnie L. Steffen, senior vp/treasurer; Carmina M. Murphy, senior vp/secretary; and Walter L. Mueller, senior vp.

—By Kathryn J. McIntyre



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Evanston Insurance Co.

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

	1984	1983
Gross premiums	$127,993,751	$92,309,793
Non-admitted	$94,536,855	$59,905,891
Net premiums	$18,947,527	$9,605,983
Paid-in capital	$21,462,484	$20,712,484
Capital & surplus	$39,387,018	$39,251,006
Employees	NA	NA
Combined ratio	155.3%	128.6%
Commercial risks	100%	100%
Net income	$350,276	$3,047,739
Best's rating	A*	A

*—Contingent rating

Although premium volume increased significantly in the latter half of 1984, last year was disappointing for Evanston Insurance Co.

Due primarily to deteriorating results from underwriting in 1982 and 1983, Evanston posted a combined ratio of 155.3% in 1984, up from 128.6% in 1983.

Net income plunged to $350,000 from slightly more than $3 million in 1983, and Evanston's Best's rating was dropped to an A (contingent) from an A.

However, the Evanston, Ill.-based insurer's $94.5 million in direct, non-admitted premium has enabled it to retain its spot as the fourth-largest surplus lines insurer.

And Evanston expects to improve underwriting results this year as it continues to raise rates and deductibles. Rate increases averaged 78% in 1984 and are now averaging about 200%.

"We're very disappointed with the underwriting results of the Evanston Insurance Co., caused by deterioration in results for 1982 and 1983, which also impacted 1984," said Joseph J. Prochaska Jr., chairman and chief executive officer of Shand, Morahan & Co. Inc.

Underwriting manager Shand, Morahan is the majority stockholder of Evanston's parent company—Evanston Services Inc.—and manages Evanston's operations (see story, page 51).

In late 1982 and 1983 when the deterioration in underwriting results became evident, Evanston raised prices and increased reserves.

But, in 1984 Evanston realized an additional shoring up of reserves would be necessary to cover losses from 1982, 1983 and 1984.

According to Evanston's annual statement, its loss and loss expense ratio on long-tail liability lines deteriorated substantially for the years 1982 and 1983.

At year-end 1982, for example, Evanston calculated its loss and loss expense ratio at 102% for long-tail liability business. At year-end 1984, the 1982 loss ratio is reported as 170.4%.

Long-tail liability business written in 1983 was expected to produce a loss ratio of 156.4% but at the end of 1984, the loss ratio was increased to 241.9%.

"All that was felt in the 1984 calendar year which is why Evanston had such a high loss ratio in 1984," Mr. Prochaska explained.

Evanston had a net underwriting loss of $9.2 million in 1984 while investment income was $7.5 million.

Policyholder surplus in 1984 was $39.4 million up slightly from $39.3 million in 1983.

Rate hikes instituted by Evanston have cost it some business, but as the market tightens further Evanston renewal business is increasing and additional new business is coming its way, say Mr. Prochaska and Shand President Ellsworth L. "Mac" Calhoun.

The increase in premium volume due to these higher rates was first evident in the second half of 1984. Direct premium volume for that six-month period was $64.5 million compared with $43.1 million for the first six months of 1984.

In 1984, direct, non-admitted premiums rose 57.8% to $94.5 million, up from $59.9 million in 1983.

Gross premiums increased 38.7% to $128 million from $92.3 million in 1983.

Evanston's net written premium in 1984 nearly doubled to $18.9 million from $9.6 million in 1983.

The main source of Evanston's increased business is Shand, Morahan; Evanston participates in virtually all business that Shand underwrites.

Evanston has capacity for $20 million on most lines and at least $5 million on all lines down from $30 million and $10 million in 1984.

Evanston Services increased Evanston Insurance's capital and surplus this year by $15 million to $54 million, which should enable it to increase its premium volume this year, Mr. Prochaska says.

He estimates that Evanston's gross premiums could reach about $150 million by the end of the year.

For the first six months of 1985, gross direct premium volume was $66.3 million.

In 1984, Evanston significantly increased the amount of premium it retains before reinsurance.

Its current net line is about $700,000 to $750,000, although it can hit $1 million, says Mr. Prochaska. Last year, Evanston's net line was $550,000.

"Reinsurers are looking for insurers to have a meaningful retention of premium to continue their support," Mr. Prochaska explained.

Evanston's reinsurers include underwriters at Lloyd's of London and also Kansa Corp., based in Helsinki, Finland, which owns 41% of Evanston Services Inc.

Evanston specializes in professional liability insurance, including coverage for architects and engineers, insurance agents and brokers, lawyers, insurance companies and mutual funds/investment advisers. It also writes medical/hospital malpractice insurance.

It also writes computer crime coverage, excess workers compensation and claims-made products liability coverage.

At the end of 1984, Evanston withdrew from the environmental impairment liability market because of mounting losses, lack of reinsurance support and admitted insurers' moves to exclude coverage for sudden and accidental pollution under the comprehensive general liability policy.

The line had been one of Evanston's most successful, with premiums generated increasing almost fourfold to $27 million in 1984 from $7.7 million in 1983.

It has also ceased writing fidelity bonds for stockbrokers and financial institutions and all directors and officers liability insurance.

The fact that Evanston's Best's rating dropped to A (contingent) from A does not worry Mr. Prochaska, who does not believe this will have a significant impact on the insurer's business.

The contingency indicates that certain factors reviewed by Best fall below industry norms for an A rating, but, not substantially enough to warrant a full-step downgrade.

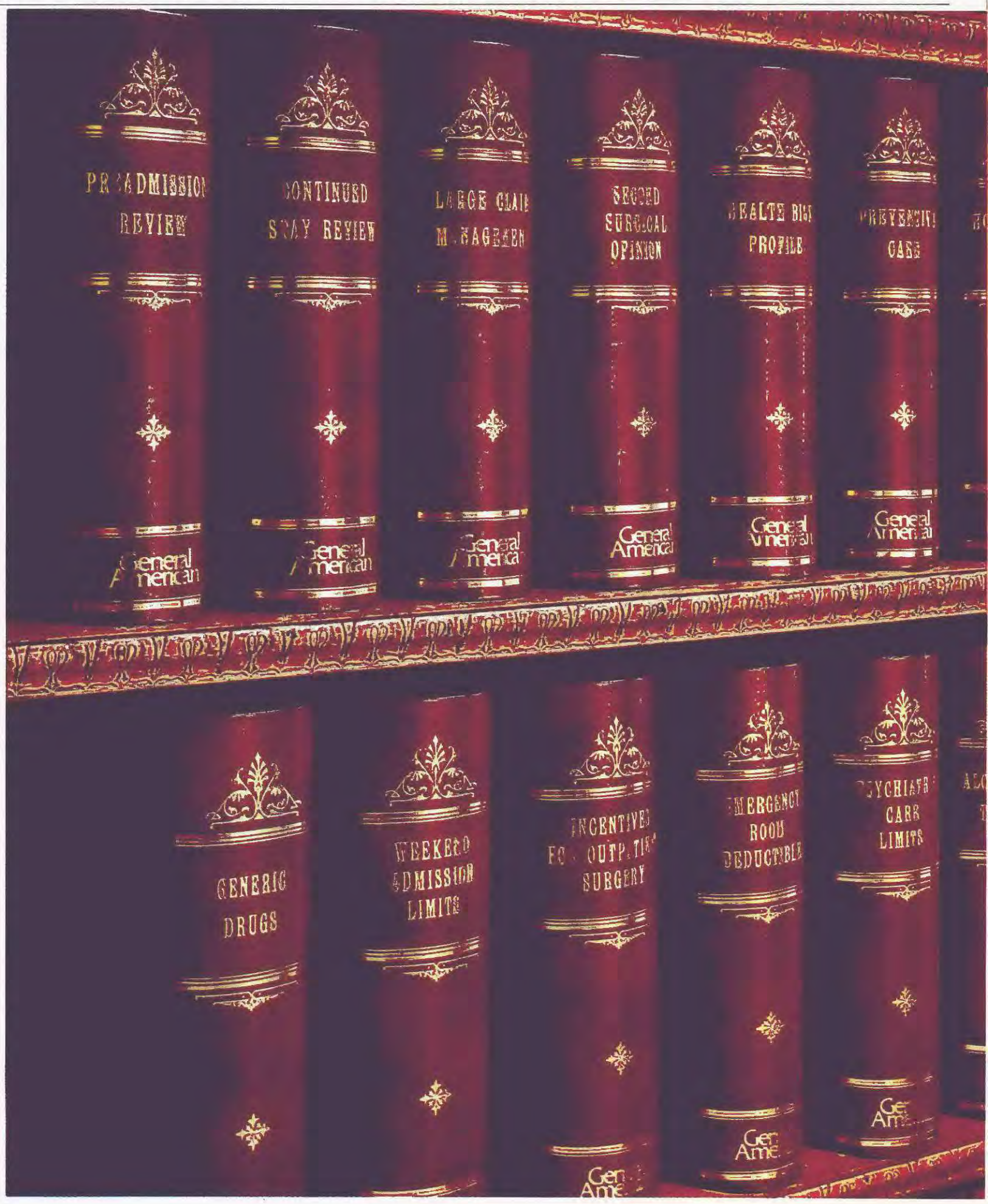
Mr. Prochaska says that since many of its competitors received ratings lower than A or fall into the "not assigned" category, Evanston is quite pleased it maintained an A rating, even if it is contingent.

In 1984, Evanston sold subsidiary Evanston Reinsurance Co. Proceeds were used to increase the capitalization of Insurance Co. of Evanston, an admitted insurer, to $21 million from $8 million.

Evanston is an admitted insurer in both Washington, D.C. and in Illinois.

Evanston has no employees; Shand, Morahan's staff handles Evanston's operations.

—By Stephen Tarnoff



Mutual Fire, Marine & Inland Insurance Co.

1760 Market St., Philadelphia, Pa. 19103; 215-563-7100

	1984	1983
Gross premiums	$189,736,162	$141,945,086
Non-admitted	$72,959,313	$62,484,000
Net premiums	$55,116,343	$41,923,002
Paid-in capital	NA	NA
Capital & surplus	$33,467,845	$37,179,491
Employees	65	62
Combined ratio	123.4%	122.6%
Commercial risks	90%	90%
Net income	-$1,197,112	-$1,807,934
Best's rating	Not assigned	B-plus

Mutual Fire, Marine & Inland Insurance Co. is taking steps to slow its premium growth and reverse two years of net losses.

Richard Guilfoyle, Mutual Fire, Marine's new president and chief executive officer, says gross premium volume should be cut by about a third in 1985 as the insurer more closely monitors volume written by its managing general agents.

Mutual Fire, Marine's gross premium volume increased 33.6% in 1984 to $189.7 million from $141.9 million in 1983. The insurer reported a 73% increase in gross premiums the previous year.

Gross premiums written on a direct, non-admitted basis grew 16.8% to almost $73 million in 1984 from $62.5 million in 1983, making Mutual Fire, Marine the fifth-largest surplus lines insurer surveyed by *Business Insurance*.

As the company's premium volume has grown, so have its operating and underwriting losses.

Although Mutual Fire, Marine's net loss of nearly $1.2 million in 1984 was less than the $1.8 million loss reported in 1983, underwriting losses totaled $12.7 million last year, compared with only $9.5 million in 1983.

Also, capital and surplus fell at year-end 1984 to $33.4 million from $37.1 million in 1983.

Last year's underwriting loss was "one of the worst losses the company has experienced," said Mr. Guilfoyle, who joined Mutual Fire, Marine in November from Reliance Insurance Co., where he was senior vp.

"The primary reason for the underwriting loss was the inadequate pricing, particularly in the excess/surplus lines side of the business," he said, adding that the company's assumed treaty reinsurance business, which makes up around 50% of the insurer's total book of business, also produced heavy losses because of inadequate pricing.

Mr. Guilfoyle explains the company was not pleased with last year's jump in premium volume, considering the pricing inadequacies of the soft market.

Now, with rates rising, he says the controls he is instituting at the insurer should help harness the unbridled growth.

"We've established the procedures and systems to monitor our written premium growth and what business we're booking on a weekly basis today," he explains.


Mr. Guilfoyle

"We're in much better control over the type of business we're writing and the volume of business we're writing than we were in prior years."

Frank Reilly, vp of underwriting, noted that last year "was the wrong time to be growing at that pace and (Mr. Guilfoyle) has put the controls in....

"We went from $141 million to $189 million partly from lack of controls. Now that's not an issue," he said.

Mr. Guilfoyle explained the insurer now is able to measure the specific volume of business produced by its managing general agents.

"We've also worked with the MGAs and established a budget for them and we monitor that budget compared to their actual production levels weekly," he said.

"The process enables us to evaluate actual results compared to what our plan is, as those results emerge weekly. That enables us therefore to communicate with the agents and the reinsurance market that we will either be slowing our growth down or shifting our book of business within the parameters that we establish in the plan."

The company has also reduced the number of MGAs that produce its business to about a dozen from about 30 last year, and there may be further cuts, according to Mr. Guilfoyle.

"You won't see the type of growth we had in 1984 in 1985. You're going to see a significant cutback on the gross side," said Mr. Guilfoyle.

Mutual Fire, Marine's entire book of business should generate around $120 million to $125 million in gross premiums this year, compared to last year's $189.7 million, he says.

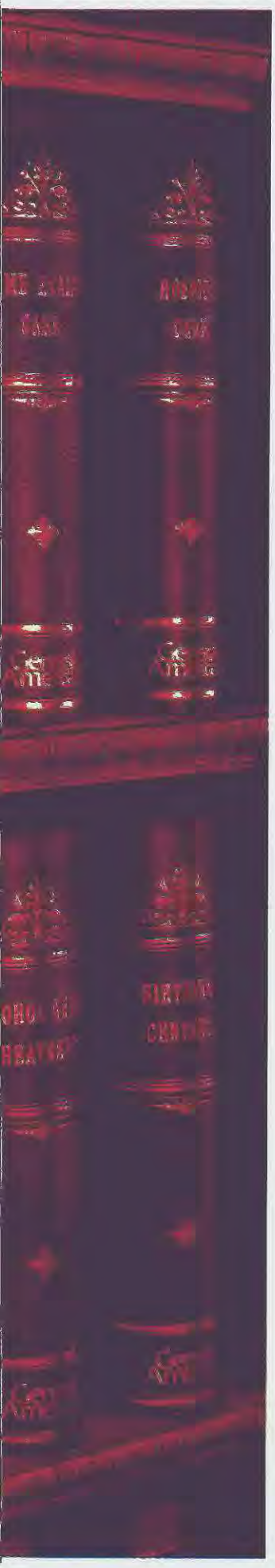
While Mr. Guilfoyle hopes to keep Mutual Fire, Marine's premium volume in check, he admits its combined ratio will continue to rise. Mutual Fire, Marine's combined ratio increased slightly last year to 123.4% from 122.6%.

Mr. Guilfoyle noted the company plans to stengthen reserves by $8 million to $12 million this year, which will offset the effect of rate hikes and add about four points to the combined ratio.

The insurer now holds a non-assigned rating from A.M. Best Co., compared with a B-plus last year. In 1983, Mutual Fire, Marine had an A rating.

Mr. Guilfoyle said Mutual Fire, Marine's rating was dropped this year because of the amount of business it cedes to foreign reinsurers.

Continued on page 28



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Continued from page 27

even though the company is "somewhat unique in that we have audited letters of credit on all of that Schedule F exposure. Best's has established a policy to ignore that.

"Certainly any change in the Best's rating has an effect on a company in the marketplace," Mr. Guilfoyle continued.

"It's difficult at this point to determine the marketplace effect. To date we have not seen any significant effect."

He added Mutual Fire, Marine is not expecting the rating to have a significant impact on business because "the company is solid from a financial point of view and it is more of a technical rating," rather than a lower rating than last year's B-plus.

Mutual Fire, Marine cedes business to about 40 overseas reinsurers and about 10 to 12 U.S. reinsurers, Mr. Guilfoyle says.

The insurer's business is more evenly balanced between assumed reinsurance and excess/surplus business, he notes.

The excess/surplus business is about a 50-50 mix of property and casualty risks.

"The type of (property) business we're writing is pretty well evenly distributed in the general property class," Mr. Guilfoyle explained. "We don't have a significant percentage of our business in one specific segment."

Mr. Guilfoyle adds it usually writes lower layers of excess liability coverage.

The company also writes a substantial amount of inland marine business, he says.

Mutual Fire, Marine traditionally has been an underwriter of railroad property coverages, but over the years, that business has become a smaller part of its book of business.

"We're virtually out of the railroad business," according to Mr. Guilfoyle.

Mr. Reilly added that, "We wouldn't be a factor any longer. We're not entirely out only in that we might have a couple of accounts that through the years have been profitable and we were able to buy some facultative reinsurance to keep us where we want to be from a net position.

"But we don't have a treaty to protect us any longer, so we just are not quoting railroad risks on an everyday basis," he said.

The company has also significantly reduced the amount of professional liability business it writes, including architects and engineers errors and omissions, medical malpractice and lawyers and accountants professional liability coverages.

These cuts were due largely to a lack of reinsurance capacity. "We have not been able to find reinsurance in several of those classes," said Mr. Guilfoyle.

For instance, the lack of reinsurance caused the insurer not to renew a malpractice policy written for members of the American College of Nurse Midwives, leaving 1,300 of the group's members to find coverage from another insurer (*BI*, June 24).

The program, which generated $550,000 in premium, was canceled because Mutual Fire, Marine could not find adequate reinsurance. The insurer had ceded 80% of this risk.

About half of Mutual Fire, Marine's assumed reinsurance business is pro rata property contracts, Mr. Guilfoyle says. About 20% of its assumed reinsurance business is excess-of-loss property, about 13% is excess-of-loss multiperil and about 10% is excess-of-loss casualty. It also writes a small amount of pro rata casualty reinsurance, he says.

Mutual Fire, Marine has hiked rates substantially in all lines in the past year, Mr. Guilfoyle says.

Property rates have risen 30% to 40%, he says, while some liability rates have risen more than 150%.

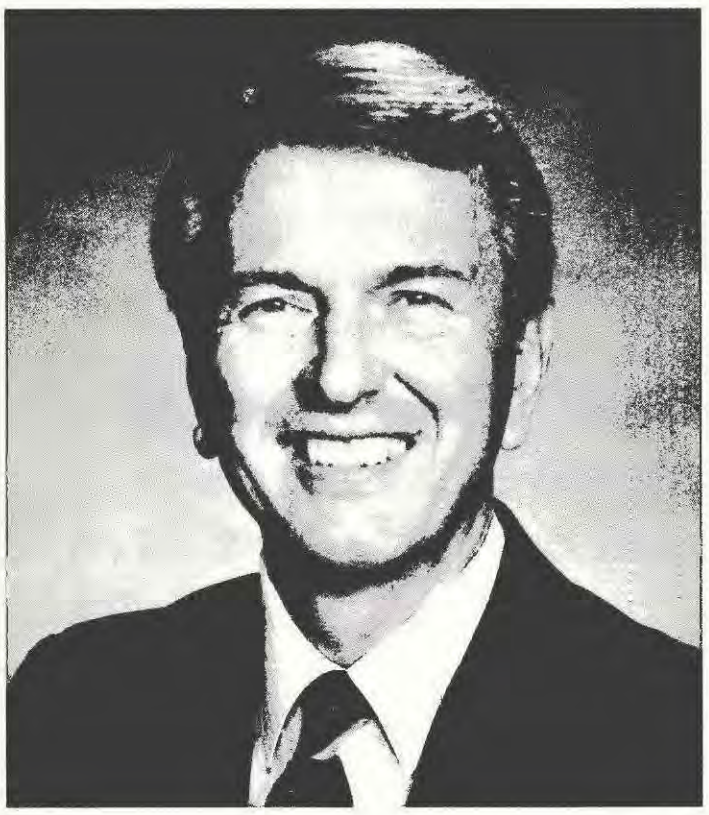
Professional liability rates rose 50% to 80% in the past year, he says, noting those increases were not sufficient and the insurer has cut back in these lines.

Mutual Fire, Marine is the parent and sole stockholder of UMI Underwriters Inc., which manages the insurer and nine subsidiaries. The subsidiaries include a realty company that is part owner of the Philadelphia office and a Bermuda-based captive manager, International Advisory Services.

Mutual Fire, Marine is an admitted insurer in Delaware, New York, Pennsylvania and Puerto Rico. Direct, admitted gross premiums totaled $27.2 million in 1984, compared with $15.9 million in 1983.

Other principal officers are: J.A. Matlack, chairman; Karen McGrath, vp-treaty underwriting and William Kautter, controller.

—By Michael Bradford



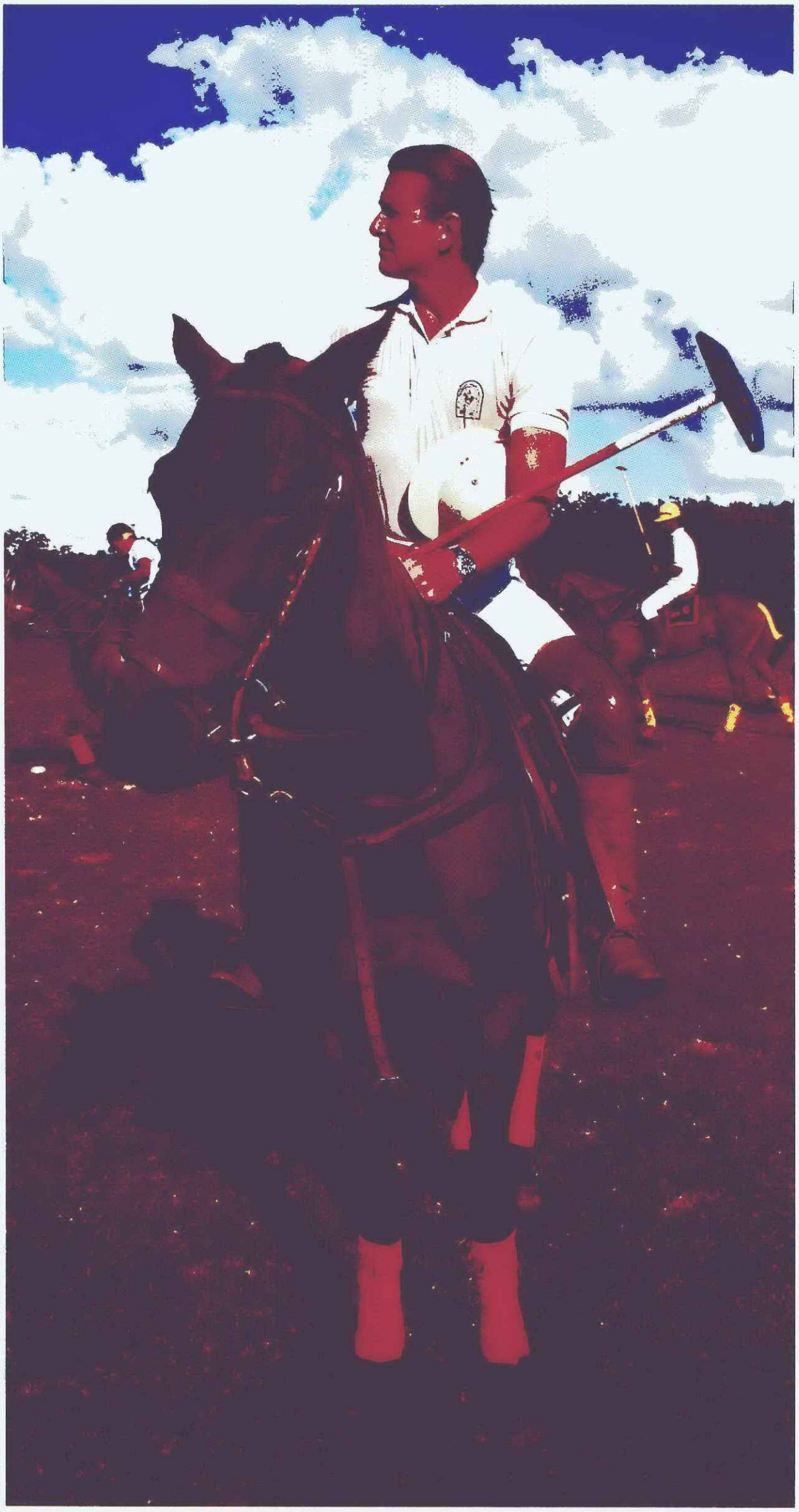
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SEPT. 3-6. Reinsurance Accounting & Finance for Cedents & Assumers seminar in Crotonville, N.Y., sponsored by Robert W. Strain Seminars Inc.; $1,245. Registrar, Strain Seminars Inc., P.O. Box 1000, Wingdale, N.Y. 12594; 914-832-9334.

SEPT. 6-7. Workers Compensation: Your Safety & Health Balance Sheet course in Los Angeles, sponsored by the University of Southern California; $250. Registrar, Office of Extension and In-Service Programs, Institute of Safety and Systems Management, University of Southern California, Los Angeles, Calif. 90089-0021; 213-743-6523/6524.

SEPT. 7-11. 18th Annual Canadian Conference in Jasper, Alberta, sponsored by the International Foundation of Employee Benefit Plans; $555 (Canadian) for IFEBP members; $645 (Canadian) for non-members. Pre-conference institutes will be held **Sept. 7 and 8**; $185 (Canadian) additional for members; $215 (Canadian) additional for non-members for each pre-conference institute. IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

SEPT. 9-10. Principles of Petroleum Insurance workshop in Dallas, sponsored by the Professional Development Institute and Self-Insurance Resource Inc.; $450. Also **Sept. 25-26** in Houston, **Oct. 16-17** in Denver, **Oct. 29-30** in Oklahoma City, **Nov. 6-7** in New Orleans and **Nov. 20-21** in Fort Worth, Texas. Jonathan Jeffrey, Professional Development Institute, P.O. Box 13288, NTSU, Denton, Texas 76203-3288; 817-565-2483.

SEPT. 9-10. Health Care Cost Containment Workshop in Seattle, sponsored by the Health Research Institute; $395. Also **Oct. 21-22** in Boston, **Nov. 4-5** in New York, **Dec. 9-10** in Chicago. Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

SEPT. 9-11. Risk Management Information Systems course in San Francisco, sponsored by the Risk & Insurance Management Society's Continuing Education Program; $545 for members; $645 for non-members. Also **Oct. 7-9** in Arlington, Va. Fran Jordan, Administrator-Continuing Education Program, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

SEPT. 9-13. Fundamentals of Industrial Hygiene Monitoring course in Long Grove, Ill., sponsored by the National Loss Control Service Corp.; $500; 10% discount for two or more registrants from the same company. Also **Nov. 11-15** in Long Grove. John Garis, NATLSCO, Long Grove, Ill. 60049; 312-540-2026.

SEPT. 9-13. Fundamentals of Money Management workshops in Philadelphia, sponsored by the International Foundation of Employee Benefit Plans; $700 for members; $825 for non-members. Registrar, IFEBP, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53005-0069; 414-786-6701.

SEPT. 9-13. Hazardous Materials: Handling and Disposal course in Los Angeles, sponsored by the University of Southern California; $675. Registrar, USC, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Calif. 90899-0021; 213-743-6523/6524.

SEPT. 9-14. Fifth Annual Educational Conference of the Self—Insurance Institute of America in San Francisco; before Aug. 15, for the full week: $495 for members, $470 for additional registrants from the same company, $595 for non-members; for the property/casualty sessions Sept. 10 and 11: $325 for members, $300 for additional registrants from same company, $395 for non-members; for the employee benefit sessions Sept. 11-14: $375 for members, $325 for additional registrants from same company, $445 for non-members. All fees increase $30 after Aug. 15. Registrar, SIIA, P.O. Box 15466, Santa Ana, Calif. 92705; 714-261-2553.

SEPT. 10. Data Workshop and NSDB Briefing in Seattle, sponsored by the Health Research Institute; free. Also **Oct. 22** in Boston, **Nov. 5** in New York, **Dec. 10** in Chicago. Workshop Coordinator, HRI, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

SEPT 10-12. Basic Safety Management seminar in Los Angeles, sponsored by the International Safety Academy; $445; $415 for three or more registrants from the same organization. Also **Nov. 5-7** in Boston; and **Dec. 2-4** in Houston. International Safety Academy, P.O. Box 8527, 1600 Arch St., 12 Tower, Philadelphia, Pa. 19101; 800-231-3147, 215-241-5800 in Pennsylvania.

SEPT. 10-12. Petroleum/Chemical Fire School in Marinette, Wis., sponsored by Ansul Fire Protection; $650. Also **Oct. 1-3** in Marinette. Sara Lambrecht, Ansul Fire Protection, 1 Stanton St., Marinette, Wis. 54143.

SEPT. 10-12. Establishing and Auditing an Effective Product Safety Management Program course in Chicago, sponsored by the National Safety Council; $375 for members; $470 for non-members. Russell Marhefks, Director-Product Safety Programs, National Safety Council, 444 N. Michigan Ave., Chicago, Ill. 60611; 312-527-4800.

SEPT. 10. Hospital Trustee workshop in Seattle, sponsored by the Health Research Institute; $195. Also **Oct. 23** in Boston, **Nov. 6** in New York, **Dec. 11** in Chicago. Workshop Coordinator, Health Research Institute, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

SEPT. 11. Health Improvement/Prevention Workshop in Seattle, sponsored by the Health Research Institute; $195. Also **Oct. 23** in Boston, **Nov. 6** in New York, **Dec. 11** in Chicago. Workshop Coordinator, HRI, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

SEPT. 11. Advanced "Post-Graduate" Cost Containment workshop in Seattle, sponsored by the Health Research Institute; $195. Also **Oct. 23** in Boston, **Nov. 6** in New York, **Dec. 11** in Chicago. Workshop Coordinator, HRI, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

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California Union Insurance Co.

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

	1984	1983
Gross premiums	$141,086,900	$116,366,692
Non-admitted	$62,489,380	$45,634,000
Net premiums	$42,180,583	$42,695,765
Paid-in capital	$1,800,000	$1,800,000
Capital & surplus	$17,698,000	$19,110,000
Employees	67	65
Combined ratio	131%	123%
Commercial risks	100%	100%
Net income	-$97,180	-$1,659,732
Best's rating	A	A

Papers are shuffling, phones are ringing and the coffee pot is perking. It's not yet 7:30 on a Friday morning, but you'd never know it by the activity in California Union Insurance Co.'s headquarters.

Cal Union traditionally has started the business day early, but today's look-under-every-rug search for commercial insurance coverages is placing even more demands on the time and energy of insurers with capacity.

Submissions to Cal Union have increased tenfold in recent months, its officers say. At the height of July renewals, Cal Union received about 300 property submissions and 600 casualty submissions a week—more than it saw in a whole month a year ago.

Six months into the year, Cal Union already had written the $150 million in premium allocated to it for the entire year by parent CIGNA Corp., reports Cal Union President Kenneth W. Woods. Cal Union will continue to write new and renewal business for the remainder of the year, but will concentrate on those risks with the most profit potential. As a result, it expects a slower rate of growth for the second half of the year.

When Cal Union projected the amount of business it could write this year, it assumed rate increases would average 80% to 100%, Mr. Woods explains.

But the market is turning so rapidly, rate increases at Cal Union are averaging more than 250%. "And, we haven't seen a leveling off yet," according to Michael P. Fujii, vp-finance.

During the past 12 months, the company was selective in the risks it wrote, and it will be even more selective now because of its capital and surplus position, Mr. Woods says. Policyholder surplus at year-end 1984 was $17.7 million.

Cal Union's capacity for casualty risks is down to $12.5 million from $20 million in April. It also can write up to $3 million for general property risks and $10 million for heavy property risks. Last year property capacity totaled $17 million.

Although Cal Union's capacity has been reduced, Vp and Secretary Nicolas Yuschenkoff says many insurers are only writing limits of $1 million now, if that much.

Cal Union is able to offer higher limits because it has shown its reinsurers that it can win substantial price increases, the officers claim.

Beginning in March 1984, Cal Union instituted an underwriting review program in which the price, limits and coverage terms of each submission were carefully examined, Mr. Yuschenkoff explains.

"The underwriter was instructed to get more money and limit coverage where needed, and to charge for extensions of coverage that in the past were given away for nothing," Mr. Yuschenkoff says. "Now we charge for everything."

On its total business, Cal Union averaged 215% premium increases in the first quarter of 1985, about 226% in the second quarter and about 255% by the middle of last month, the documents show.

The insurer also is imposing a variety of what it calls "betterments," coverage changes that reduce Cal Union's exposure but that are not quantified.

These include higher deductibles on property coverage, higher attachment points for excess liability coverage and more restrictions in coverage.

To prove his point, Mr. Yuschenkoff produces the review sheet for a casualty risk that Cal Union accepted earlier this year.

The policyholder paid Cal Union twice what it formerly paid Hartford Casualty Insurance Co., received less than one-third of the coverage limits it originally had and assumed a 67% larger self-insured retention.



Mr. Woods

For $37,800, it now receives $3 million in coverage after satisfying a $500,000 SIR. Previously, it paid $18,900 for $10 million with a $300,000 SIR.

Another casualty review sheet shows that Cal Union imposed a 424% premium hike, doubled the policyholder's SIR and slashed its limits in half. That buyer, which was switching to Cal Union from another insurer, now pays $55,000 for $5 million in coverage excess of $1 million. It previously paid $12,600 for $10 million excess of $500,000.

Despite the hard line the insurer is taking, 70% of its casualty policyholders are renewing with Cal Union, up from about 30% last year, Mr. Woods estimates. About 65% of its premium volume this year is from renewal business and about 35% from new business.



Mr. Yuschenkoff

But it is on new policies rather than renewals that Cal Union is generating the greatest rate increases.

These increases—which began during the third quarter of 1984 but really took off in the fourth quarter—helped Cal Union edge up one notch into the sixth position in the *Business Insurance* annual rankings of surplus line insurers, based on direct, non-admitted premiums.

Direct, non-admitted premiums totaled $62.5 million in 1984, an increase of 36.9% from 1983's $45.6 million.

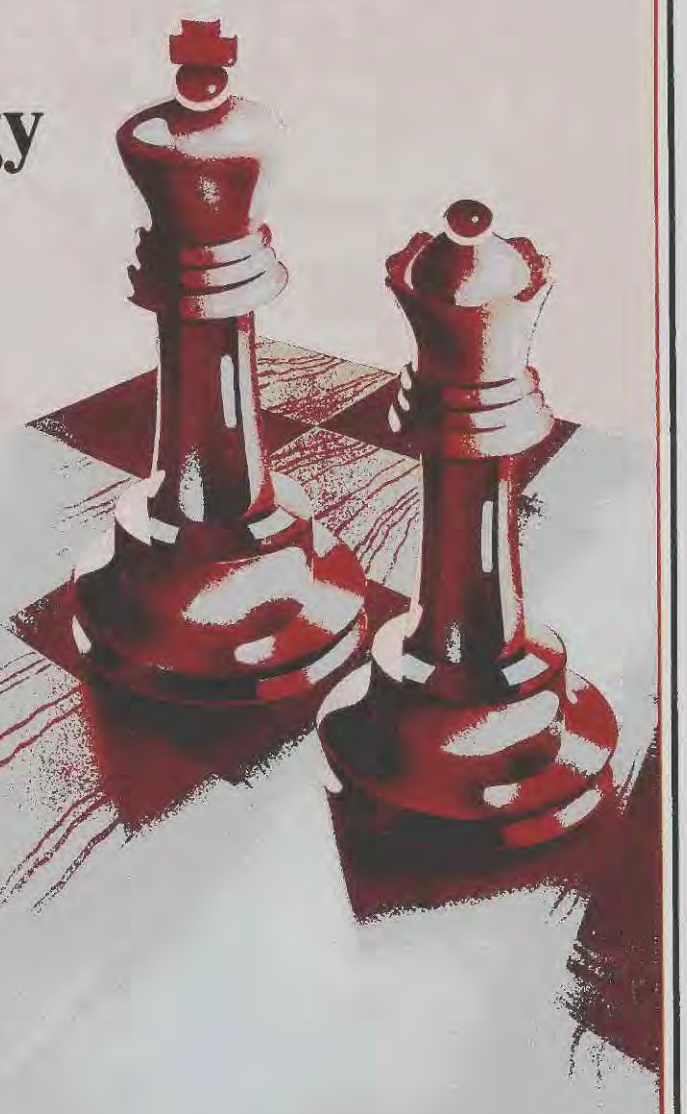
Its net written premiums, including premium generated by Cal Union's participation in the CIGNA Group Reinsurance Agreement Pool, fell slightly to $42.2 million from $42.7 million in 1983. Excluding the pool business Cal Union's net premiums grew 17.1% to $13.7 million from $11.7 million in 1983.

Gross premiums in 1984, including premiums assumed through the pool, were $141.1 million, compared with $116.4 million in 1983. If premiums assumed through the reinsurance pool are excluded, Cal Union was profitable in 1984, reporting operating income of $1.9 million.

Cal Union had an underwriting loss of about $3.6 million on its business in 1984, but this was offset by $5.6 million in investment income.

Continued on next page

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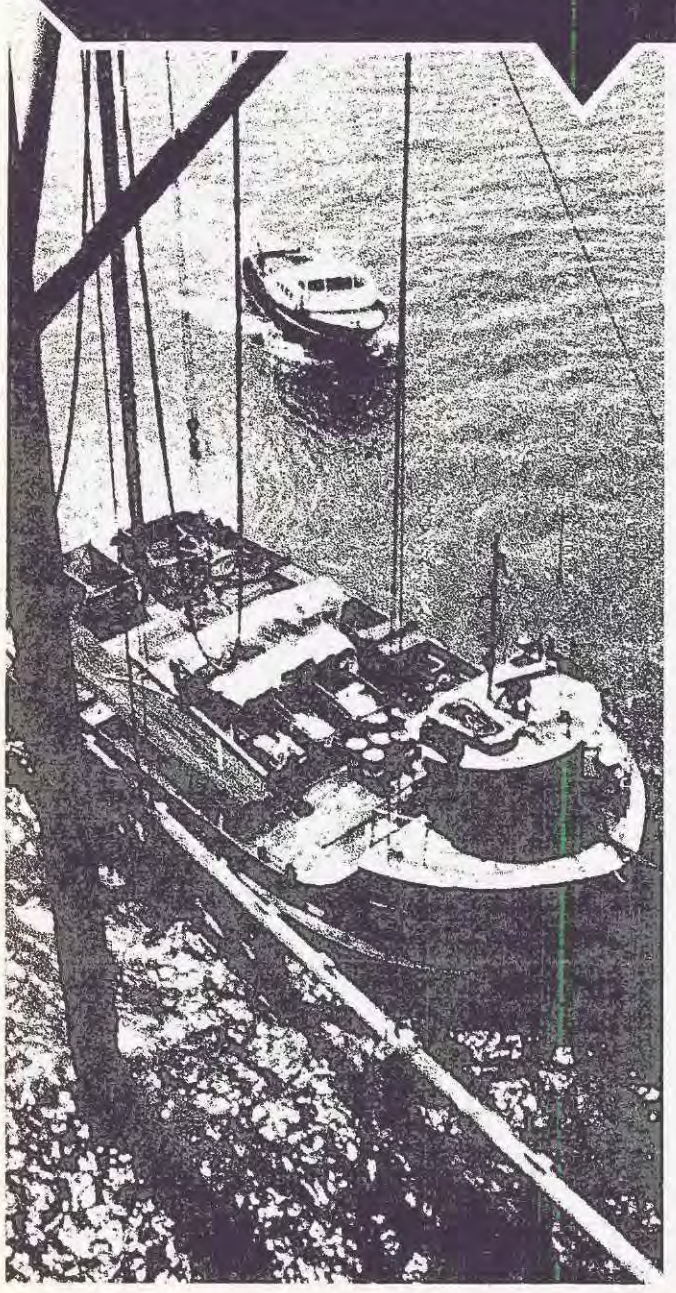
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Continued from previous page

Losses included $350,000 paid out on a satellite claim—Cal Union's biggest net-line loss last year—and numerous railroad losses, including Amtrak risks.

However, when business assumed through the reinsurance pool is included, Cal Union reports a net loss of $97,180 in 1984.

Cal Union's combined loss ratio in 1984 increased to 131% from 123% in 1983.

However, if the reinsurance pool business is excluded, Cal Union's combined loss ratio on the business it underwrote would be 128% for 1984 compared with 115.4% in 1983.

Cal Union continued to write heavy property and construction risks last year as well as railroad casualty and oil and utility casualty and property risks.

Property business has become a larger part of Cal Union's business over the past few years, and it now accounts for 50% of its premium volume.

But that trend is expected to reverse itself, and by the end of 1985 casualty risks will make up the majority of Cal Union's business, Mr. Fujii predicts.

The company is focusing more on casualty business because it is producing the greatest rate increases, according to Mr. Yuschenkoff.

Because rate-cutting was more drastic in the liability insurance market than in the property insurance market, the increases for liability coverages are larger now, he explains.

To handle the swell of business this year, Cal Union has had to curtail its efforts in other areas, like specialty product development.



Mr. Fujii

Two staples in Cal Union's specialty chest are no longer offered: recall insurance for food canners and general liability insurance for firms that install burglar alarm systems.

The company now underwrites only one food canners recall risk, and it is for a company that has been a Cal Union policyholder for about seven years.

Alarm installers liability insurance proved particularly difficult to write at a profit, Cal Union officials say.

"The courts have eroded our defenses," says Mr. Woods.

Cal Union insured firms that installed both residential and commercial alarm systems. However, it was the commercial alarm installations whose claims really rang out.

"Although we were still probably making money on it, we felt that with a series of adverse decisions in the courts, we'd be better off just dropping the line," he said.

"Any time there's a fire or a burglary, whether it's the mistake of the installer or not, we've had to pay," Mr. Yuschenkoff adds.

Cal Union still writes performance warranties through wholesaler Montgomery & Collins, also a CIGNA company.

Cal Union has issued about 10 such policies, which guarantee that design specifications are met in construction contracts.

The insurer sees hundreds of submissions for such coverage, but writes fewer than one in 10 of those submissions, according to Mr. Yuschenkoff's estimates.

Cal Union expects to generate about $6.5 million in written premiums from this line of business in 1985.

It also expects about $6.5 million in premium volume this year from a 2-year-old residential earthquake program sponsored by Independent Agents & Brokers of California in San Francisco.

Last year the program, which is called Property Owners Plus, brought premiums of about $4.2 million.

Cal Union expects its minimum premium requirement on property risks to peak at $25,000 in coming months, up from the current $5,000. The insurer imposes no per-risk minimum premium on the casualty side, but does require a certain amount of premium per $1 million excess layer.

While Fortune 500 risks traditionally have comprised the bulk of Cal Union's liability business, it is now trying to broaden this base by attracting smaller casualty risks and more risks from outside of California.

Montgomery & Collins is no longer the exclusive broker for the insurer's California risks, which make up about 20% of its total book of business.

Earlier this year, Cal Union gave surplus lines broker Stewart Smith permission to bring it California-based risks. All the business written in California is on an admitted basis.

"We're pleased with the business we get from Montgomery & Collins, but it tends to be property and some limited areas of general liability. We wanted to look at a little more business in California and of a slightly different mix," Mr. Woods says.

"Stewart Smith would bring in liability accounts we wouldn't otherwise see," he said.

To capture more business in the Midwest and East, Cal Union has appointed a wholesaler in Chicago and one in Lawrenceville, N.J., to drum up business for it.

These wholesale offices are former affiliates of Surplus Insurance Brokers of North America, a 6-year-old system of MGAs originally formed to generate business for Illinois Union Insurance Co., a Chicago-based CIGNA surplus lines underwriter.

SIBNA's name has now been changed to CIGNA Excess & Surplus Insurance Services.

The new MGA offices not only will bring new business to Cal Union but also will service renewals of policies brought to Cal Union by other wholesalers.

"We're looking for a book of business that we don't have," said Mr. Yuschenkoff.

"By working more closely with the wholesaler and giving him faster service, we hope he will then submit to us the medium account that can be underwritten out in the field quickly," Mr. Yuschenkoff explained.

But these new MGA offices will only handle the midsize, less-hazardous accounts. Major risk underwriting and renewals still will be handled at Cal Union's Wilshire Boulevard headquarters in Los Angeles.

The insurer, which traditionally has received business from a select group of about 100 wholesalers, now takes its risks from a smaller pool of about 75, all of which are licensed by the National Assn. of Professional Surplus Lines Offices. The insurer is receiving requests for new appointments by MGAs at the rate of about 10 per month, but can afford to be extremely selective.

"We can't handle the business we're getting now, so there's no reason to appoint new wholesalers," Mr. Woods says.

Cal Union once required a specific annual premium volume of the wholesalers that brought it business, but the market has changed that too.

"That's probably the least of our problems right now," Mr. Woods adds.

The bulk of Cal Union's business still comes from the major wholesale brokers. Montgomery & Collins is still the insurer's primary source of business, even though it is no longer its exclusive broker in California.

Leading producers for Cal Union in the first half of 1985, in order of premium volume generated, were: M&C; Swett & Crawford Group; AVRECO Inc.; Kirkweck & Curran in Jericho, N.Y.; and Stewart Smith.

Railroad Insurance Brokers Inc., a CIGNA unit whose production was eighth in volume for the first half of 1985, will rank as the second- or third-largest Cal Union producer at year-end based on renewals in July and August, Mr. Woods predicts.

Cal Union's lead reinsurers are:

North American Reinsurance Corp., American Reinsurance Co. and Munich Reinsurance Co., all in New York; Allstate Insurance Cos. in Northbrook, Ill.; and Kemper Reinsurance Co. in Long Grove, Ill.

Cal Union last was examined by an insurance department, the Florida department, in October 1984. Its policyholder surplus at year-end 1984 was $17.7 million, down $1.4 million.

Cal Union is admitted only in California. It has an A rating from A.M. Best Co.

Other officers of the company include John P. Rugee, vp-casualty, and Robert S. Cernok, vp-property.

—By Steve Taravella



SOME BROKERS WOULDN'T TOUCH A RISK THIS COMPLEX.

A simple metal clip.

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Montgomery and Collins, Inc.

a CIGNA company

Great Southwest Fire Insurance Co.

9501 E. Shea Blvd., Scottsdale Ariz. 85260-6719; 602-860-7747

	1984	1983
Gross premiums	**$90,179,991**	$85,481,187
Non-admitted	**$48,736,491**	$40,538,511
Net premiums	**$67,869,421**	$55,654,171
Paid-in capital	**$10,000,000**	$6,000,000
Capital & surplus	**$18,714,806**	$21,105,733
Employees	**159**	150
Combined ratio	**154.0%**	122.1%
Commercial risks	**41.8%**	51.0%
Net income	**-$25,806,108**	-$2,078,182
Best's rating	**C-plus**	A

Stunned by huge underwriting losses in 1984, Great Southwest Fire Insurance Co. is radically overhauling its underwriting strategy by returning to a small number of lines that historically have been profitable for the Sentry Group company and its surplus lines subsidiary.

But turning the 31-year-old insurer around is "going to take a hell of a lot of work," says Larry C. Ballard, president of Great Southwest and president and chief executive officer of Sentry Insurance a Mutual Co.

Mr. Ballard joined the Sentry Group in February from CNA Financial Corp. in Chicago where he was a senior vp.

Great Southwest in Scottsdale, Ariz., is an approved, non-admitted insurer in 23 states and the District of Columbia.

And, its results include the business of its subsidiary, Great Southwest Surplus Lines Insurance Co., an approved, non-admitted insurer in all states except Wisconsin and Arizona, where it is a licensed insurer.

All the subsidiary's $18.7 million in gross premiums are reinsured with Great Southwest, giving Great Southwest and its subsidiary $48.7 million in direct gross premiums written on a non-admitted basis.

The combined results rank the insurer as the seventh-largest surplus lines insurer in the country, based on the *Business Insurance* ranking.

The insurer's gross premiums totaled $90.2 million in 1984, up 5.5% from 1983 levels of $85.5 million.

Great Southwest lost $25.8 million in 1984 on $67.9 million in net written premiums. It hasn't been profitable since 1982 and hasn't shown an underwriting profit since 1981.

Mr. Ballard says he expects the insurer to post a loss in 1985, "but it will not be anywhere near the $25 million loss in 1984."

Great Southwest's problems, according to its president, are the result of an "undue emphasis on growth."

"The original markets of Great Southwest did not really offer the opportunity for outstanding growth, so they enlarged the market," Mr. Ballard explains. "And in enlarging their market they ran into problems that you run into whenever you enter new fields," he adds.

Great Southwest's $67.9 million in net written premiums in 1984 were up 21.9% from 1983 net written premiums of $55.7 million when the insurer recorded a loss of $2.1 million.

Great Southwest posted a combined loss ratio of 155.5% in 1984, compared with 122.2% for 1983. The insurer's combined loss ratio was 109.9% in 1982.

The increased loss ratio in 1984 includes deteriorating results on prior years, particularly 1982 and 1983.

Losses increased the most in "other liability" lines where, for example, the 1982 loss ratio deteriorated from 75.9% at year-end 1982 to 114.1% at year-end 1984.

Despite its huge underwriting loss in 1984, policyholder's surplus fell only $2.4 million to $18.7 million because $20 million was contributed to Great Southwest's surplus by Sentry.

The new underwriting approach at Great Southwest means the insurer will no longer offer coverage for liquor liability; animal mortality; "heavy umbrellas"; and liability coverage for nurses, police officers and security guards.

Instead, the insurer will focus on its traditional markets: commercial property, low-value dwellings, some special multiperil coverage, some general liability, and "a little bit of umbrella."

Mr. Ballard says these changes, which began in late 1984, will likely reduce the insurer's premium volume this year to 1980 levels, when it wrote just over $50 million in gross premium.

Policies will not be canceled as a result of the overhaul at Great Southwest, but will be allowed to run off, Mr. Ballard explains.

Mr. Ballard concedes that the soft insurance market of the early 1980s made it difficult for insurers to make a profit in any line of business, but he says that those lines that are being jettisoned by Great Southwest were responsible for most of the company's losses.

"Had we remained in our original market, we might have suffered a small loss, but we certainly would not have had the losses that we did," he maintains.

"When you're writing police and security liability, for example, or Arabian horse mortality or liquor liability, you've got problems," Mr. Ballard says. "And we proved it."

Such lines of business, he says, require a high level of expertise to underwrite properly. "And, quite frankly, I don't think we had the degree of expertise that would allow us to compete in a very closely priced marketplace," Mr. Ballard remarks.

Great Southwest's Best's rating tumbled from an A rating last year to a C-plus rating this year, which was given on a pooled basis to Sentry Group for the first time.

The company had an A-plus Best's rating in 1984 based on its 1983 results.

Mr. Ballard says that the insurer's C- plus rating has had little impact on submissions because Great Southwest has withdrawn from so many markets.

Mr. Ballard says about 100 specialty line brokers across the country produce business for Great Southwest.

In addition to Mr. Ballard, principal officers of Great Southwest include John Elsey, vp; Eugene Keating Jr., assistant vp; Bernard Hlavac, treasurer; and Caroline Gribance, secretary.

—By Robert A. Finlayson



St. Paul Surplus Lines Insurance Co.

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

	1984	1983
Gross premiums...	$66,795,847	$71,643,598
Non-admitted.	$48,452,174	$48,007,300
Net premiums. ..	$18,343,673	$23,636,297
Paid-in capital....	$2,000,000	$2,000,000
Capital & surplus..	$4,270,940	$6,494,671
Employees.....	184	115
Combined ratio...	131.0%	104.2%
Commercial risks.	100%	100%
Net income.....	-$2,057,105	-$1,622,789
Best's rating.....	A-plus	A-plus

St. Paul Surplus Lines Insurance Co. is moving back to the basics of traditional surplus lines insurance in an effort to turn around a two-year run of operating losses at the St. Paul Cos. Inc. subsidiary.

"Innovation is one thing, and it's always played an important role in the excess and surplus marketplace," said Kenneth Goldstein, president. "But we can't forget the key ingredients in successful underwriting—pricing integrity and doing what we know best."

St. Paul Surplus Lines' operating loss increased to $2.1 million in 1984, from $1.6 million in 1983. The combined loss and expense ratio jumped to 131% in 1984, compared with 104.2% in 1983. In 1982, the insurer reported net income of $437,489.

Part of the jump in the loss ratio in 1984 is attributable to worsening loss experience on business written in 1983.

"1984 was not a banner year at all," said James F. Duffy, senior vp of the specialty lines group of the St. Paul Fire & Marine Insurance Co., an intermediate holding company.

"The reasons for the losses was the poor selection of accounts and the pricing of risks," he said.

The operating loss cut into policyholder surplus, decreasing it to $4.3 million. But, St. Paul Surplus Lines carries a Best rating of A-plus, the rating assigned to members of the St. Paul Group.

Gross premiums written on a direct non-admitted basis grew only slightly, to $48.5 million in 1984 from $48 million in 1983, making St. Paul Surplus Lines the eighth-largest U.S. surplus insurer.

This year, St. Paul Surplus Lines expects to write as much as $70 million in direct premiums—$40 million to $50 million for casualty risks and $15 million to $20 million for property.

The insurer writes only commercial risks and only on a direct, non-admitted basis in 48 states. It does not write in Delaware, where it is licensed, or in New Jersey, where it has yet to win approval as a non-admitted insurer.

Total gross premiums fell in 1984 to $66.8 million from $71.6 million in 1983. In 1984, St. Paul Surplus Lines assumed $18.7 million in reinsurance from St. Paul Fire & Marine Insurance Co.

And, St. Paul Surplus Lines kept less business net in 1984: $18.3 million compared with $23.6 million in 1983.

But, St. Paul Surplus Lines began moving to more traditional business last year, according to Arthur B. McHugh, senior vp of the surplus lines division of Atwater McMillian, which holds all the stock of the insurer and is its underwriting manager (see story, page 53).

"We removed ourselves from the expected loss area and into the catastrophic kinds of risks," Mr. McHugh said.

The insurer decreased the amount of primary liability insurance it wrote in 1984 and increased its excess and umbrella underwriting. And, Mr. McHugh said, that trend will continue into 1985.

Specifically, in 1983, the company wrote about 45% in primary insurance (which Mr. McHugh defined as the first $100,000 layer), 35% in excess insurance and 20% in umbrella and excess umbrella.

In 1984, the company shifted its casualty writings to about 30% in primary insurance, 50% in excess insurance and 20% in umbrella and excess umbrella, he said.

And he said he expects that, in 1985, the company will write between 20% and 25% primary casualty insurance, 50% excess casualty and 30% umbrella and excess umbrella casualty.

In property insurance, its key business is written in primary layers (up to $10 million), particulary for mercantile and manufacturing firms, Mr. McHugh said.

And, casualty is growing from half to two-thirds of its business, with one-third property, which Mr. McHugh expects to continue.

The insurer also is purchasing less reinsurance. While the company reinsured about 50% of its

Continued on next page

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The Creative Link Between Insurers and Brokers

Continued from previous page
business in 1983, that percentage decreased to 45% in 1984 and will continue to fall in 1985, to between 35% and 40%, said Mr. Duffy.

He predicts other surplus lines insurers also will keep more of their business net.

While changing the business it writes, St. Paul Surplus Lines also began raising rates in 1984. Property rates rose 53% overall and casualty rates rose 41%.

This year, rate increases are averaging 180% for casualty insurance and 160% for property insurance, Mr. McHugh said.

And, he added, "We don't see any end to the price increases."

St. Paul Surplus Lines also is raising its minimum premiums, Mr. McHugh said. The minimum premium for property insurance was raised to $10,000, from $5,000 in 1984. On casualty risks, the insurer is requiring a $25,000 minimum premium or a $5,000 premium per-million-dollars of coverage, whichever is higher. Last year, the minimum premium was $10,000 per policy, with no specific minimum per million dollars of coverage.

Minimum deductibles stayed the same, however. The minimum for all property and casualty risks, except flood and earthquake, is $5,000; flood and earthquake risks require a $50,000 minimum deductible, Mr. McHugh said.

In late 1984, the insurer also stopped accepting manuscripted policy forms for both property and liability insurance.

The insurer also began in June to write primary product liability insurance on a claims-made form in response to the proposed claims-made commercial general liability forms, Mr. McHugh said.

Clients' reaction, he says, has been: "'Write it anyway.'"

The only product dropped last year was retroactive liability cover, first offered in 1983. But, no new products have been introduced and none is planned, he said.

Major producers are Swett & Crawford Group and Stewart Smith nationwide; Delaware Valley Underwriting Agency and the Fort Hill Insurance Agency on the East Coast; Tuley/Barnard & Associates Inc. in Texas; McAlear Associates Inc. in Michigan; and Neal Lloyd & Co. Inc. and Travis Pederson & Associates Inc. in Chicago.

—By Diane Lynn Kastiel

United National Insurance Co.

1737 Chestnut St., Philadelphia, Pa. 19103; 215-568-6200

	1984	1983
Gross premiums	$53,253,609	$25,527,407
Non-admitted	$47,508,645	$21,221,000
Net premiums	$6,6069,874	$3,770,762
Paid-in capital	$2,542,925	$2,542,925
Capital & surplus	$33,500,369	$28,238,572
Employees	57	40
Combined ratio	88.1%	93.2%
Commercial risks	86.8%	88.1%
Net income	$3,636,548	$2,732,626
Best's rating	B-plus	A-plus

United National Insurance Co. probably won't match its explosive 1984 growth this year, says Chairman Raymond Freudberg, but he nevertheless predicts a bright future for the 25-year-old company.

Last year, United generated $47.5 million in gross premiums on a direct, non-admitted basis, up 123.9% from $22.2 million in 1983. The growth made United the ninth-largest surplus lines insurer ranked by *Business Insurance*.

About 87% of its non-admitted business is related to commercial risks.

The company reported a total gross premium volume of $53.3 million in 1984, including $2.9 million in direct admitted premium and $2.8 million in assumed reinsurance. Net written premiums in 1984 totaled $6.1 million.

That compares with gross premiums of $25.5 million and net premiums of $3.8 million in 1983.

Net income increased 33% to $3.6 million from $2.7 million.

Mr. Freudberg says United's premium volume exploded last year for two reasons.

The hardening market "was definitely a major reason," he explained, noting that in the last half of the year, rate increases averaged 50%.

In addition, Mr. Freudberg says new business was also responsible for the premium growth. "Market conditions were changing. People were looking for new outlets for their insurance," he said.

Increases in United's capital and surplus "made us a more attractive company" for this business, he noted.

The company's capital and surplus stood at $33.5 million at year-end 1984, up from $28.2 million in 1983. About $2 million of that increase came from contributions by United's parent, American Manufacturing Corp., a privately held conglomerate.

In addition, American Manufacturing added $14 million to United's surplus in 1982 and 1983.

The bulk of United's business is made up of excess commercial multiperil, miscellaneous liability, property and workers compensation coverages, said Mr. Freudberg, who describes United as a "bread-and-butter" company.

United writes about 60% of its total business in-house, he says, with the remaining 40% underwritten by managing general agents and underwriting managers.

Mr. Freudberg stresses that all the wholesalers that produced the insurer's increased business last year are marketers with which United had previous experience.

"These were MGAs we had known for a long time," he says. "Our major producers are people who are largely recognized in the surplus lines industry."

While United's MGAs and underwriting managers may arrange reinsurance support for the business they write, all of the some 150 reinsurers on United's risks are dependable, Mr. Freudberg says, noting that 99% are domestically based and "practically all" are licensed in Pennsylvania.

But United's reliance on its reinsurers was responsible for A.M. Best Co.'s decision to drop United's rating to a B-plus from an A-plus. Mr. Freudberg explains Best noted that United's net retention was low compared with gross premium volume and that it was heavily dependent on reinsurers, some of whom —unbeknownst to United—had their own ratings lowered.

Mr. Freudberg says the downgrading has had no material impact on United's business. "We're turning down business every day."

Because of concern over regaining its A-plus rating, United is now in the process of weeding out several reinsurers. "I guess we've gone toward the strongest-rated reinsurers" says Mr. Freudberg, noting he is eliminating the reinsurers because of their Best's rating and not because of serious doubt about their financial stability.

United's largest line of business, which falls under the heading of "other liability," includes standard manufacturers' and contractors' liability and product liability coverages, says Mr. Freudberg. This business generated direct written premiums of $18.7 million in 1984.

United's second major line, commercial multiperil, generated $12.5 million in direct premiums last year, while property business generated $7.5 million.

Other lines of insurance written by United include workers compensation, automobile physical damage and ocean marine.

About 75% of United's business is in the working layers, while the other 25% is high-level excess coverage, he says.

Lines of business United no longer will write include liquor liability, because of problems obtaining reinsurance, and day-care centers.

It has also recently stopped writing municipal business, says Mr. Freudberg. Municipal liability risks generated about $3 million in gross premium during the 15 months before it stopped writing the business.

United will also not write medical malpractice or primary automobile coverage. In the product liability area, he says, it avoids the "dangerous" manufacturers, including those that produce medical supplies, pharmaceuticals and asbestos products.

The insurer avoids certain geographical areas as well, says Mr. Freudberg, primarily because they have "restrictive judicial systems" that tend to award high verdicts. These include southern Florida, New York, California and Texas. United also does little business in Louisiana for the same reasons.

United generally has an in-house capacity of about $5 million for excess liability layers, though he says the insurer can provide up to $10 million in coverage depending on reinsurance support.

United has increased its net line for liability risks to $50,000 from $25,000, while its net line on property risks has risen to $75,000 from $25,000.

United generated an underwriting profit of $718,839 last year, compared with $124,438 in 1983. Boosting profits, says Mr. Freudberg, were ceding commissions from reinsurers that enabled the insurer to "get a leg up" in reducing its expense ratio.

United had a negative expense ratio of 15.8% in 1984, and a loss ratio of 103.9%, giving it a combined ratio of 88.1% last year, compared with 93.2% in 1983.

The insurer generated $3 million in investment income last year, up from $2.8 million in 1983.

For the future, Mr. Freudberg predicts United will boost its gross premiums this year by 29% to 39%, to about $65 million to $70 million. "I hope we can keep it down to that," he says. "We don't want to overwrite and lose control of the business."

During this year's first quarter, United generated $14.8 million in gross premiums, up 97.3% from $7.5 million during the comparable quarter a year ago. Underwriting profits increased by 45.8% to $175,000 from $120,000.

Over the long haul, says Mr. Freudberg, "I see our little group of companies getting more and more into the traditional (admitted) commercial business as the rates develop and the rates get better."

United has two subsidiaries, Diamond State Insurance Co. and the Hallmark Insurance Co. Diamond State specializes in Pennsylvania surplus lines business, while the recently acquired Hallmark is licensed to do business in Wisconsin, Indiana and Illinois.

In addition to Mr. Freudberg, principal officers of United are Raymond S. March, vp; Seth Freudberg, vp-development; Norman M. Berger, secretary; John F. Kupka, vp-underwriting; and Gerard J. Durkin, vp-claims.

—By Judy Greenwald

Admiral Insurance Co.

1255 Caldwell Road, Cherry Hill, N.J. 08034; 609-429-9200

	1984	1983
Gross premiums	$60,984,750	$56,566,518
Non-admitted	$47,508,470	$44,049,216
Net premiums	$26,152,110	$25,926,917
Paid-in capital	$2,000,000	$2,000,000
Capital & surplus	$15,549,272	$11,737,891
Employees	11	10
Combined ratio	115.0%	118.1%
Commercial risks	99%	99%
Net income	$1,794,006	$721,706
Best's rating	A	A

Admiral Insurance Co. is armed with new capital and intends to double its gross property and casualty premiums to $100 million this year in the tightening market.

W.R. Berkley Corp., parent of the Cherry Hill, N.J.-based insurer, has contributed $10 million this year to the insurer's surplus. Together with contributions from earnings, Admiral's surplus now exceeds $28 million.

Admiral, the 10th-largest surplus lines insurer in the *Business Insurance* rankings, ended 1984 with $15.5 million in capital and surplus, up from $11.7 million the year before.

And, Berkley is committed to adding even more funds to handle Admiral's increasing business, almost all of which is commercial property/casualty insurance, says Admiral's management.


Mr. Snead

Admiral's new business "is coming from all areas," says President Michael J. Snead, adding this is partly because Admiral was able to retain its A rating by A.M. Best Co.

"Another reason is that in the soft market, many of the standard lines companies wrote surplus lines business," and now that the market is hardening, business is returning to surplus lines insurers like Admiral, he added.

Frederick H. Brown, senior vp of specialty operations for Berkley, explained that admitted insurers were "idiotic" in their pricing of coverage that should have been handled by surplus lines underwriters.

"They would take tough products liability risks for 10% or 20% of our prices—absolute lunacy out there."

Heavy commercial lines, professional liability, general liability, property and specialty lines of all types are returning to the surplus lines market, said Mr. Brown.

Mr. Snead said, "Because of other companies' shortage of capacity, we are able to put the proper pricing on, which accounts for the sizable increase in our volume, but not in our policy count."

He pointed out that policy count will grow only about 10% this year.

In 1984, Admiral's gross premiums written on a direct, non-admitted basis rose 7.9% to $47.5 million from $44 million in 1983.

Ninety-nine percent of Admiral's direct, non-admitted gross premiums were written on commercial risks during both years.

Admiral writes as an approved non-admitted insurer in 47 states, excluding Delaware, New Jersey and Texas, where it is an admitted insurer.

Its underwriting is conducted by three Berkley subsidiaries: Jersey/International Underwriting Managers Inc. in Cherry Hill, N.J.; Northwest/International Underwriting Managers Inc. in Seattle; and Southwest/International Underwriting Managers Inc. in Austin, Texas.

"Last year we wrote approximately $50 million in property and

Continued on next page

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Continued from previous page
casualty and $10 million in the financial guarantee area," Mr. Snead said.

"This year, we will probably double the property and casualty portion. . .and we will write $10 million again in financial guarantee," he predicted.

Financial guarantees written by Admiral are principally for real estate limited partnership syndications.

Of the $110 million in gross premiums Admiral expects to write this year, about half will be ceded to reinsurers, he said.

The insurer's gross premium volume in 1984 totaled almost $61 million, including $6 million of surplus lines business written by other Berkley companies and reinsured by Admiral. Net premiums totaled $26.2 million.

In 1983, Admiral's gross premiums totaled $56.6 million, while it reported $25.9 million in net premiums.

Admiral writes all forms of professional liability, except the "heavy classes" like hospital medical malpractice, Mr. Snead said. The insurer also underwrites "a lot of errors and omissions classes," he remarked.

But, coverage for one of those classes, insurance agents E&O, no longer will be available from Admiral.

The insurer stopped writing the coverage Jan. 1 in order to get a better idea of how the Insurance Services Office's new commercial general liability forms are going to affect the marketplace.

"We foresee a tremendous problem in insurance agents E&O coming as a result of these new forms," Mr. Brown said.

"You're going to have insurance agents sued all over the place because they didn't properly explain to their insureds the operation of these two forms. We all think there is going to be havoc in the marketplace for a while.

"We don't see any way to be able to price insurance agents E&O for the 1986 marketplace," Mr. Brown added.

Agents E&O insurance generated about $1 million in premiums for Admiral last year.

While Admiral writes very little medical malpractice coverage, it does specialize in errors and omissions coverages for medical-related projects. For example, coverage is written for engineers that design and build machines used in medical practices.

Admiral has an in-house capacity of $1 million for errors and omissions risks but rarely uses that except on umbrella coverages, Mr. Snead explained. Deductibles vary by class and range from $1,000 to $5,000.

Because its E&O coverage is written for smaller classes, minimum premiums are $5,000.

For product liability risks, Admiral can provide limits of $300,000 and "sometimes as much as half a million, depending on the product and the exposure," Mr. Snead explained.

The coverage is written over self-insured retentions and deductibles that range from $5,000 to $25,000. Minimum premiums are $15,000.

Admiral ended 1984 with net income of nearly $1.8 million, more than double its 1983 net income of $721,706.

Admiral's combined ratio dropped to 115% last year from 118.1% in 1983. Mr. Snead expects it to fall further in 1985.

"This year we expect it to come in at about 100%," Mr. Snead commented.

During the soft market, many companies did not put up sufficient reserves, Mr. Snead observed. "Now they are taking money out of current earnings to bolster up those reserves."

Admiral was guilty of that practice in earlier years, he says, "but we don't have to do it now," Mr. Snead said.

Admiral is "committed to the wholesaler's approach to surplus lines. We've found that if you deal with part-time retailers in surplus lines, often the business doesn't get properly handled," he said. "We chose to deal only with professional wholesalers."

Admiral deals with about 175 wholesalers. Some of the larger ones are Montgomery & Collins Inc., McAlear Associates Inc., Swett & Crawford Group and The Crump Cos.

Admiral is part of Berkley's Jersey International Group Inc.

In addition to Mr. Snead, principal officers of Admiral are: L.M. Oberg, executive vp and secretary; Martin J. Calpin and Jere J. Duffett, senior vps; and Kathleen C. Hagan, treasurer.

—By Michael Bradford

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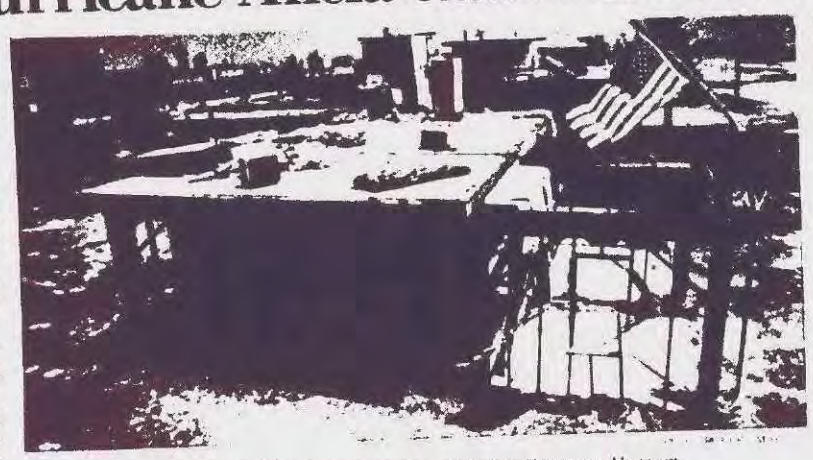
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WHERE WILL IT FALL? An ominous banner of ash laden clouds unfurls during July 22 eruption of Mt. St. Helens

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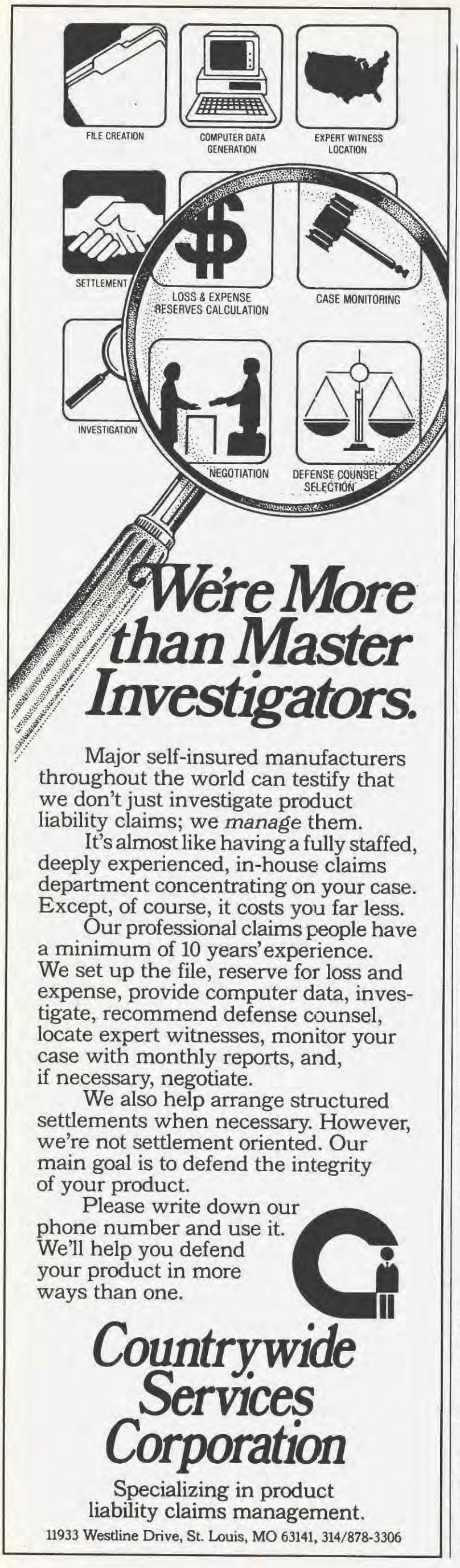
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Listings of additional surplus lines insurers

The following insurers specializing in surplus lines underwriting also completed questionnaires to be listed in this *Business Insurance* special report on the surplus lines insurance business.

Allianz Underwriters Insurance Co.

6435 Wilshire Blvd., Los Angeles, Calif. 90048; 213-658-5000

	1984	1983
Gross premiums	$50,355,823	$39,604,593
Non-admitted	$19,744,792	$16,157,080
Net premiums	$2,643,624	$910,064
Paid-in capital	$2,000,000	$2,000,000
Capital & surplus	$11,100,796	$11,359,225
Employees	76	75
Combined ratio	288.2%	250.9%
Commercial risks	100%	100%
Net income	($1,514,864)	($579,421)
Best's rating	Inapplicable	Inapplicable

Parent company: Allianz Insurance Co.
Year founded: 1979.
Specialties: All types of commercial property insurance, including difference-in-conditions and inland marine lines; casualty umbrella and excess liability in addition to gap or buffer layer business.
Approved non-admitted in: 47 states.
Admitted in: California, Missouri and New York.
Principal officers: John Gibson, president; William Sheppard, executive vp; Daniel Colacurcio, James Keegan, John Klag, vps.

Constitution State Insurance Co.

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

	1984	1983
Gross premiums	$40,922,544	$14,107,462
Non-admitted	$34,131,641	$6,300,000
Net premiums	$11,192,045	$7,740,880
Paid-in capital	$2,250,000	$2,250,000
Capital & surplus	$21,277,702	$20,089,956
Employees	20	9
Combined ratio	106.3%	109.9%
Commercial risks	95%	95%
Net income	$1,334,000	$1,131,000
Best's rating	A*	A*

*Rating of parent company.
Parent company: The Travelers Indemnity Co.
Year founded: 1979.
Specialties: Specialty casualty/property risks.
Approved non-admitted in: 47 states.
Admitted in: Connecticut, New Jersey.
Principal officers: Wheeler H. Hess Jr., chairman; Donald L. Cole, president; Russell D. Hendrickson, vp; Philip G. Smith, vp/comptroller; David N. Huit, assistant vp.

Great American Surplus Lines Insurance Co.

11353 Reed Hartman Highway, Cincinnati, Ohio 45241; 513-530-8900

	1984	1983
Gross premiums	$35,185,000	$22,848,379
Non-admitted	$35,185,000	$22,848,379
Net premiums	$6,774,691	$4,283,073
Paid-in capital	$10,999,995	$10,999,995
Capital & surplus	$18,082,088	$19,804,158
Employees	45	29
Combined ratio	136.1%	89.7%
Commercial risks	97.5%	96%
Operating income	$637,872	$3,223,513
Best's rating	A-plus	A

Parent company: Great American Insurance Co.
Year founded: 1977.
Specialties: Asbestos abatement contractors.
Subsidiaries: American Empire Insurance Co.
Approved non-admitted in: 49 states.
Admitted in: Delaware.
Principal officers: Joseph M. Walsh, president; Walter E. Snyder, vp-underwriting; Chet A. Nalepa, vp-claims; Lee Haas, assistant vp-data processing; T. Mathew Held, assistant treasurer.

Guaranty National Insurance Co.

100 Inverness Terrace E., Box 3329, Englewood, Colo. 80112; 303-790-8200

	1984	1983
Gross premiums	$68,850,092	$85,048,117
Non-admitted	$17,448,506	$33,625,883
Net premiums	$56,041,533	$62,570,406
Paid-in capital	$2,000,000	$2,000,000
Capital & surplus	$28,523,112	$23,151,593
Employees	232	271
Combined ratio	121.5%	115.5%
Commercial risks	97%	99%
Net income	($929,189)	($5,380,992)
Best's rating	B	B

Parent company: Guaranty National Corp.
Year founded: 1955.
Specialties: Automobile, miscellaneous professional liability, umbrella, general liability, property.
Subsidiaries: Landmark American Insurance Co., American Eagle General Agency Inc.
Approved non-admitted in: Alabama, Arizona, California, Delaware, District of Columbia, Florida, Georgia, Hawaii, Illinois, Indiana, Kansas, Louisiana, Maine, Maryland, Michigan, Mississippi, Missouri, Nebraska, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Virginia, Washington, West Virginia, Wisconsin.
Admitted in: Alaska, Arizona, Arkansas, Colorado, Georgia. Idaho, Iowa, Indiana, Kansas, Kentucky, Minnesota, Montana, Missouri, Nebraska, Nevada, New Mexico, New York, North Dakota, Ohio, Oklahoma, Oregon, Tennessee, Texas, Utah, Washington, Wyoming, U.S. Virgin Islands.
Principal officers: Roger B. Ware, president/chief executive officer.

Interstate Fire & Casualty Co.

55 E. Monroe St., Chicago, Ill. 60603; 312-346-6400

	1984	1983
Gross premiums	$114,725,105	$77,056,559
Non-admitted	$20,403,917	$13,633,986
Net premiums	$76,984,875	$52,165,181
Paid-in capital	$1,750,000	$1,750,000
Capital & surplus	$37,207,513	$29,161,099
Employees	NA	NA
Combined ratio	143.2%	106.3%
Commercial risks	88%	82%
Net income	($10,925,895)	($12,016,159)
Best's rating	A	A-plus

Parent company: Fireman's Fund Insurance Co.
Year founded: 1950.
Specialties: Excess/umbrella liability, primary medical malpractice.
Subsidiaries: Chicago Insurance Co., Interstate Indemnity Co.
Approved non-admitted in: 47 states.
Admitted in: Illinois, Michigan and U.S. Virgin Islands.
Principal officers: Patrick S. O'Flynn, chairman/president; Kenneth T. Batchelder, vp/secretary; John A. Dunbar, William E. Daley, vps; James T. McGill, vp/treasurer.

National Fire & Marine Insurance Co.

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

	1984	1983
Gross premiums	$11,433,557	$9,066,043
Non-admitted	$11,323,563	$8,687,103
Net premiums	$10,684,132	$11,193,625
Paid-in capital	$2,500,000	$2,500,000
Capital & surplus	$289,447,174	$269,034,574
Employees	48	34
Combined ratio	112.3%	106.2%
Commercial risks	99.9%	99.3%
Net income	$21,613,970	$13,926,906
Best's rating	A-plus	A-plus

Parent company: Berkshire Hathaway Inc.
Year founded: 1949.
Specialties: Commercial and public vehicles, general and excess liability.
Subsidiaries: Redwood Fire & Casualty Insurance Co.
Approved non-admitted in: 44 states.
Admitted in: Nebraska and New Jersey.
Principal officers: Roland D. Miller, president; Robert D. O'Connell, vp/treasurer; William D. Lyons, Gary W. White, Betty J. Peterson, vps.

Northfield Insurance Co.

Hamm Building, St. Paul, Minn. 55102; 612-298-0261

	1984	1983
Gross premiums	$10,230,408	$6,742,251
Non-admitted	$10,234,277	$6,742,251
Net premiums	$9,065,096	$5,843,935
Paid-in capital	$6,850,000	$1,850,000
Capital & surplus	$4,586,510	$4,804,071
Employees	NA*	NA*
Combined ratio	111.2%	116.8%
Commercial risks	91.4%	93.6%
Net income	($61,120)	$272,160
Best's rating	A-plus	A-plus

*Employees are shared with parent company.
Parent company: Northland Insurance Co.
Year founded: 1972.
Subsidiaries: Northland Casualty Co.
Approved non-admitted in: 43 states.
Admitted in: Delaware.
Principal officers: Gene G. Gopon, president; D.W. Elliot, senior vp; D.L. Pickad, John Iannucci, John McFarland, vps; Dan Zaborsky, vp/controller.

Pacific Insurance Co.

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

	1984	1983
Gross premiums	$30,430,922	$26,675,675
Non-admitted	$17,359,365	$16,171,211
Net premiums	$4,251,440	$3,562,605
Paid-in capital	$2,000,000	$2,000,000
Capital & surplus	$20,986,994	$20,120,950
Employees	NA	NA
Combined ratio	114.9%	109.1%
Commercial risks	100%	100%
Net income	$3,897,778	$2,226,254
Best's rating	A-plus	A-plus

Year founded: 1978.
Specialties: umbrella, professional liability.
Approved non-admitted in: 47 states.
Admitted in: California and New York.
Principal officers: Edwin V. Hughes, president; Eugene L. Allen, exeuctive vp; Mark Burk, Edmund N. Pascoe, N.D. Crisafulli, H.D. Boyd and W. Hall Wilson, senior vps.

Western World Insurance Co. Inc.

48 S. Franklin Turnpike, Ramsey, N.J. 07446; 201-825-3300

	1984	1983
Gross premiums	$41,249,423	$34,662,844
Non-admitted	$41,249,423	$34,662,844
Net premiums	$22,352,410	$15,368,341
Paid-in capital	$1,549,345	$1,549,500
Capital & surplus	$27,545,345	$25,751,359
Employees	103	95
Combined ratio	107.9%	105.3%
Commercial risks	100%	100%
Net income	$4,125,678	$4,411,516
Best's rating	A-plus	A-plus

Parent company: Westco Holding Corp.
Year founded: 1964.
Specialties: General liability, miscellaneous errors and omissions.
Subsidiaries: Tudor Insurance Co., Stratford Insurance Co.
Approved non-admitted in: 48 states.
Admitted in: New York, New Hampshire.
Principal officers: Derek Hughes, president; Claude M. Signore, senior vp/treasurer; Richard L. Smith, senior vp; Andrew S. Frazier, senior vp-finance; Francis J. Mastowski, John Caruccio, vps. ■

Swett ranks as largest wholesale marketer

Swett & Crawford Group

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

	1984	1983
Premium volume	$337,704,000	$289,975,000*
Gross revenues	$32,517,000	$26,782,000*
Employees	557	519
Commercial lines	100%	100%
Admitted business	70%	70%
Non-admitted	30%	30%

*—Restated

While 1984 was a year filled with change for Swett & Crawford Group Inc., 1985 looks like it will be a year of meteoric growth.

Last June, parent St. Paul Cos. Inc. combined the operations of Los Angeles-based wholesale broker Swett & Crawford and Swett's San Francisco affiliate Appleton & Cox with National Insurance Wholesalers Inc., a group of wholesalers acquired individually by St. Paul.

NIW includes IWest Insurance Managers Inc. in Stockton, Calif.; John H. Crowther Inc. in Minneapolis; Dana Roehrig & Associates Inc. in St. Petersburg, Fla.; and Montgomery General Agency Inc. in Ardmore, Pa.

Despite the size of the merger, which created the largest wholesaler ranked by *Business Insurance*, the operations have meshed well, according to Swett & Crawford Group management.

"There's a good feeling among people that we're all pulling with one oar, even though we have different energies, different individuals and different types of business," says President and Chief Executive Officer Joseph L. Fox, who joined Swett & Crawford in January.

Mr. Fox, 47, was formerly executive vp at Continental Corp., where he directed international operations and domestic specialty risk activities. Mr. Fox's appointment ended months of searching for a top executive to head the newly merged group.



Mr. Fox

"There's finally a feeling that there is something at the top, as opposed to uncertainty, and that's probably the biggest accomplishment. Decisions are now being made that were deferred previously," says James A. Bradley, executive vp.

The combined operations of Swett & Crawford Group reported a 1984 premium volume of $337.7 million, up 16.5% from just less than $290 million in 1983.

At the same time, gross revenues grew 21% to $32.5 million from $26.8 million.

"It was a pretty good year, all things considered. When one considers what the market was a year ago, it wasn't a major disappointment. I think the owners felt the return on their investment was better than they anticipated," Mr. Fox says.

The 1984 premium is close to what Mr. Bradley projected, but about $35 million short of what he had hoped it would be, he says.

However, Swett & Crawford expects to increase its premium volume substantially this year: Mr. Fox projects the group will report 1985 gross premiums of $475 million to $500 million, which would be a 40% to 50% increase over 1984.

That goal is a realistic one, judging from Swett's six-month performance this year. By June 30, the company had already generated $248.2 million in premium volume, 53% more than what the group generated during the first six months of 1984, when the units operated separately.

New business generated 70% of Swett's 1984 growth, while higher rates on existing business contributed 30%. But, with rates rising even further in 1985, growth should be split about 50-50 between new business and renewals.

Both Mr. Fox and Mr. Bradley speak of Swett & Crawford Group as one unified entity. Although the six member companies operate under a group banner, each is encouraged to retain its individual identity. Each still functions under its own name firstly and as part of the S&C Group secondly.

"We couldn't be much more pleased with the way everybody has adapted to the group concept. Hardly a day goes by that we don't see more and more cooperation between offices," Mr. Fox reports. "There are really no walls here."

Mr. Bradley points out that while maintaining their own personality, the companies have broadened their scope since the merger. They are all taking on a broader spectrum of commercial business and less of their specialty business.

"A lot of the premium growth we're seeing now is coming to us outside of our traditional fortes," he explains. IWest, for example, has specialized in liability coverages, but over the past year property business has grown to about 40% of its total book.



Mr. Bradley

The development of central offices, which are offices operated by individual group units that provide access to the resources of other members of the group, "is one of the evolutionary things we're seeing," Mr. Bradley says.

This new concept has also fostered frequent co-brokerage and reciprocal brokerage of business between the group's companies, which often take advantage of another unit's particular expertise.

So if one of Montgomery General's employees is asked to place an energy-related risk, he might tap Swett's Dallas or Houston offices, which specialize in such coverages. Or, someone at Swett in San Francisco, for example, may now seek advice from an IWest office without thinking, "Hmmm, that's a competitor," Mr. Fox says.

"That's starting to happen just automatically," he observes. "The broker wouldn't think twice about calling and asking, 'How do you think I should handle this?' or 'Could you handle this for me?'"

Seventy-five percent of Swett & Crawford's business is brokered to underwriters, while it acts as an underwriting manager or a managing general agent 25% of the time.

Swett & Crawford has binding authority in a few specialty lines, like environmental impairment insurance and directors and officers liability coverage, which it places with St. Paul; political risk insurance, which it places with St. Paul; and operators extra expense coverage for the oil industry, which it places with Lloyd's of London underwriters.

The group places 10% to 15% of its business with St. Paul affiliates, like Atwater McMillian Inc., up from only about 3% last year. It also places about 10% to 15% with Harbor Insurance Co., a Continental Corp. unit. Swett was owned by Continental from 1976 to 1983, when it was sold to St. Paul.

The group's other major markets include Admiral Insurance Co. in Cherry Hill, N.J.; Allianz Underwriters Insurance Co., Associated International Insurance Co., and California Union Insurance Co., all in Los Angeles; Columbia Casualty Co. in Chicago; First State Insurance Co. in Boston; Great American Surplus Lines Insurance Co. in Cincinnati; Industrial Underwriters Insurance Co. in Dallas; and Western World Insurance Co. in Ramsey, N.J.

About 70% of Swett's business is placed with admitted insurers, while 30% goes to the non-admitted market.

The pool of insurers with which the group places business sits at about 275 "and is shrinking daily," Mr. Bradley reports. Since it already works with virtually every

Continued on next page

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Continued from previous page
viable insurer, S&C is hard-pressed to replace capacity of companies that fell by the wayside.

About $80 million of the group's 1984 premium volume was placed with underwriters that are no longer writing, estimates Mr. Bradley. These include Northbrook Excess & Surplus Insurance Co. in Northbrook, Ill., Transport Indemnity Co. in Los Angeles and Gibraltar Casualty Co. in Newark, N.J.

Since January, S&C has begun to place business with seven new underwriting agencies and insurers. It is currently negotiating with three others, Mr. Bradley says.

"We can't overemphasize what a critical problem capacity is," says Mr. Fox.

Mr. Bradley says he could probably count on two hands the markets that will be able to write limits of $10 million at January 1986 renewals, and that many will only be able to write to $2 million on property risks and $4 million on casualty risks.

"Expectations should be curtailed quite a bit," he says. Risk managers will find coverages increasingly structured like a "checkerboard." Easily layered excess placements may be a thing of the past, he adds.

He reports the capacity shortage is not limited to U.S. insurers.

"The foreign insurance companies, outside of London, are literally not touching anything U.S. They've lost their shirts in the U.S. and are just retrenching," he says.

The rate increases on business handled by Swett are substantial. "How high is up?" laughs Mr. Fox.

Mr. Bradley notes that rate increases can vary by region.

"I haven't found anything like California anywhere else in the United States," says Mr. Bradley. Excess casualty coverage in California is one of the most expensive products right now, he notes.

When there is capacity, buyers are seeing average rate increases of 300% to 1,000% on excess layers of product liability and professional liability coverages, he says.

And, those rates are going up daily, Mr. Fox adds. Swett & Crawford has become a much-bigger player on excess umbrella placements but does not restrict itself to writing only the lower or upper layers, mainly because of its size.

But, the upper limits the company places are not nearly as high as in previous years. Mr. Bradley recalls numerous tales of Fortune 500 companies settling for liability limits of $75 million when they had $300 million a year ago. Limits of $100 million in any line are tough to arrange today, he says, noting $50 million may be the maximum for some risks, like commercial property coverage in California.

Among the hardest-to-place coverages are professional liability lines, particularly agents and brokers errors and omissions coverage.

"We know that there are agents and brokers out there—wholesalers and retailers—that either are bare or are getting by with a minimal amount," Mr. Fox says.

But, he is quick to point out that Swett is not among them. It secured renewal E&O coverage in the London market four months ago, albeit with a 100% rate hike.

"If we were to go in today, it would be 300% to 500%, and we wouldn't have gotten the limits we wanted," says Mr. Fox.

Some alphabet brokers that once purchased up to $300 million in E&O coverage now are pleased to have found $25 million, he said.

"There's been that much of a shrinkage in the market. There's not a dime's worth of brokers E&O coverage that can be bought in London today as a new placement —it's impossible," Mr. Fox says.

Mr. Fox reports that Swett could have cut its E&O premiums in half on numerous occasions over the past few years if it had switched insurers, but it didn't. He and Mr. Bradley believe this longstanding relationship with London insurers, plus Swett's reputation and good loss experience, enabled it to obtain the coverage.

That kind of loyalty can also help risk managers in the tightening market, they say.

"The long-term relationship has had a definite value added to both the insured and the retailer," Mr. Bradley says.

"After all these years, I can point to risk after risk where they're better-served by staying with a stable market," says Mr. Bradley. He says even insurers that have imposed underwriting moratoriums will make exceptions for the renewal of longstanding business.

S&C is receiving so many submissions now that some of its units have begun to restrict their accessibility. That's not unusual today: Mr. Bradley speaks of surplus lines insurers that last April limited the requests a broker could submit to 20 per month.

"If we weren't selective now, we'd just die from paper work. We'd be buried," says Mr. Fox.

But, the group may not have to worry about piles of paper much longer.

One of the ventures S&C is most excited about is the development of a state-of-the-art computer system, specifically tailored for wholesale insurance, which is expected to reduce much of its paper work.

The system, manufactured by Delphi Systems Inc. in Westlake Village, Calif., will have some elements from both insurer-oriented and broker-driven products and is expected to be installed in all 50 S&C offices by 1987.

"There's no question that if we don't eliminate the paper in our industry, we won't be able to function," Mr. Bradley says.

The system is now being installed at Swett's Los Angeles headquarters and at Montgomery General's offices. J.H. Crowther was the first Swett unit to receive the system late last year, followed by installation at Dana Roehrig's offices last month.

The system is expected to assist the group in underwriting, coverage binding and policy issuance, invoicing, marketing and telecommunications. It can interface with retail brokers' systems.

Mr. Fox will only say the cost of the system is "in the millions." But after "exhaustive cost-to-benefit studies," the company is convinced the money is well-spent.

Swett & Crawford has 50 U.S. offices: 17 operate as the Swett & Crawford brokerage unit; 13 as J.H. Crowther; 11 as IWest; four as Montgomery General; four as Dana Roehrig; and one as Appleton & Cox.

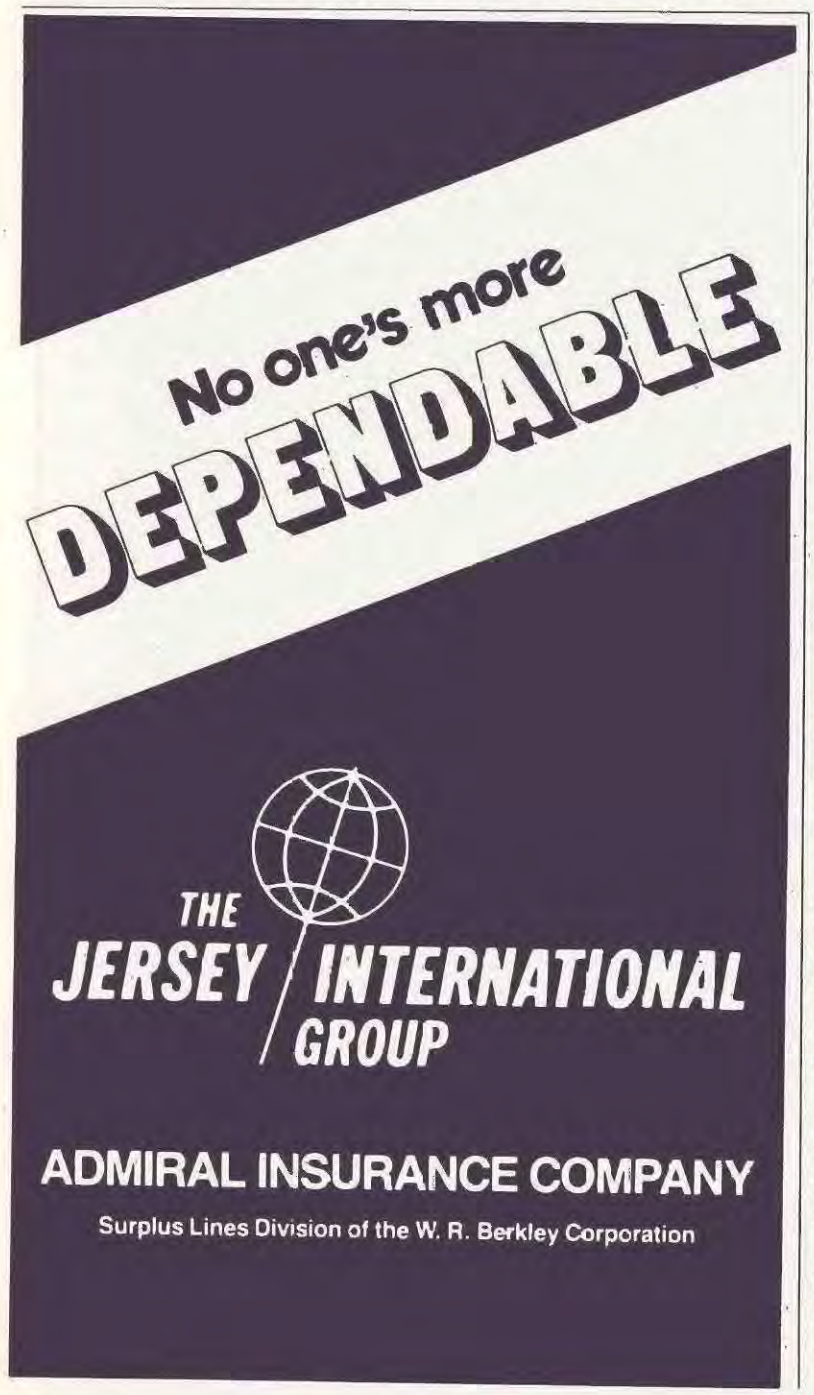
Besides Mr. Fox and Mr. Bradley, other officers include: Everett J. Souza, senior vp and chief financial officer; Ronald D. Wartick, president of J.H. Crowther; Thomas J. Sullivan, president of Montgomery General; Warren Stanley, president of IWest; and W. Dana Roehrig, president of Dana Roehrig & Associates.

Mac W. Henderson, president of Swett & Crawford, is also vice chairman at RFC Intermediaries Inc., a St. Paul unit he founded in 1972. He is scheduled to retire at year-end.

John R. Diehl, who was the group's interim chairman and chief executive officer pending Mr. Fox's appointment, has retired.

Swett is a member of both NAPSLO and AAMGA.

—By Steve Taravella



Stewart Smith Holdings Inc.

123 William St., New York, N.Y. 10038; 212-964-2929

	1984	1983
Premium volume	$216,000,000	$215,000,000
Gross revenues	$19,440,000*	$19,350,000*
Employees	220	211
Commercial lines	100%	100%
Admitted business	40%	60%
Non-admitted	60%	40%

*—*BI* estimate

Although its growth in 1984 was minuscule, Stewart Smith Holdings Inc.'s results in 1985 will be substantially different, thanks to the tightening insurance market.

The New York-based wholesale brokerage and managing general agent recorded premium volume of $216 million in 1984, up just $1 million, or 0.5%, from $215 million in 1983.

Stewart Smith does not release gross revenues, but *Business Insurance* estimates gross revenues to be 9% of premium volume, or $19.44 million in 1984, compared with $19.35 in 1983.

"We knew toward the end of 1983 and the beginning of 1984 that things were not going to change quickly enough to impact 1984," said Chairman Patrick J. Osborn, referring to the rising rates that are beginning to boost brokers' volumes. "But I would be surprised if that $216 million was not substantially exceeded this year."


Mr. Osborn

If the last half of 1985 is as productive as the first six months, the company will end the year with a premium volume exceeding $300 million.

By the end of June, Stewart Smith had recorded gross premiums of $154 million. At that rate, 1985 premium volume would be 42.5% higher than the $216 million recorded in 1984.

In contrast, Stewart Smith produced only $90 million in premium volume in the first six months of 1984.

Stewart Smith, the second-largest U.S. wholesale broker in the *Business Insurance* rankings, produces 70% of its premium volume as a broker while it generates the remaining 30% as a managing general agent.

All of Stewart Smith's premium volume in 1984 was derived from commercial lines, with 60% of its business placed with non-admitted insurers and 40% in the admitted market.

This is directly in contrast to 1983, when only 40% of its business was placed with non-admitted insurers and 60% with admitted insurers, reflecting the then-competitive insurance market in which admitted insurers were willing to write lines traditionally written by non-admitted insurers.

Although Stewart Smith's revenues will rise as insurance rates increase, the tightening reinsurance market also is forcing it out of certain lines of business. Because of a lack of reinsurance support, Stewart Smith no longer underwrites any environmental impairment liability or satellite launch insurance as an MGA. Both programs were developed by Stewart Smith in 1983.

"We didn't make the decision to pull out," said Mr. Osborn. "The reinsurers made it for us. We couldn't find enough market to support our program."

Stewart Smith stopped offering EIL coverage during the second quarter of this year. The coverage was written by Great American Surplus Lines Insurance Co. with limits of up to $20 million per occurrence and $40 million aggregate.

"In EIL's heyday, we might have placed as much as $10 million per year in premium," he said. "We were sorry to see it go, but we haven't lost any accounts because we couldn't handle EIL."

He says the brokerage revenue lost by its exit from the EIL market has "been more than made up for because of increased activity in other areas."

Although Stewart Smith no longer underwrites satellite launch insurance as an MGA, it still will broker the coverage, which is mainly underwritten by Lloyd's of London underwriters.

"It has lapsed really," said Mr. Osborn of the satellite launch insurance market. "One of the reasons was the increasing difficulty in putting together reinsurance because of large satellite losses."

Rates also have increased dramatically while limits have shrunk for other coverages placed by Stewart Smith, due largely to the across-the-board contraction in the reinsurance market, says Mr. Osborn.

Especially hard hit is the directors and officers liability markets.

"In the D&O market, everything has changed," notes Mr. Osborn. "More exclusions, bigger deductibles and higher premiums. Big jumbo risks have had their deductibles increased much more than the small commercial risks."

"In addition, premiums have gone up very dramatically,"says Mr. Osborn. "In some instances they've gone up 600%."

How much rates increase is determined by the type of business involved and if the company is a takeover target.

"Anybody that is tied in, for instance, to nuclear utilities or nuclear projects is really hard hit," remarked Mr. Osborn.

Capacity available for directors and officers coverage underwritten by Stewart Smith for Forum Insurance Co. in Chicago has been reduced to $15 million from $25 million.

Meanwhile, Stewart Smith remains the largest surplus lines aviation broker, Mr. Osborn says.

One of Stewart Smith's largest aviation clients is United Air Lines Inc., which purchases its hull, third-party liability and products liability coverages through Stewart Smith.

Stewart Smith places most of its aviation business in the London market, although a small amount of aircraft business is placed with Forum.

The tightening insurance market is stifling development of any new products by Stewart Smith this year. Surplus lines insurers are too busy underwriting traditional business that is returning to the non-admitted market to be interested in new products, Mr. Osborn said.

"Basically, insurers are not looking to write new products. They've got their hands full with general run-of-the-mill business and they're not interested in new, sophisticated types of insurance. They simply haven't got the time...nor have they got the premium capacity in many instances" for anything other than mainstream-type business, he says.

And, he says, with the Stewart Smith staff being "bombarded with mainstream business, it is difficult to devote time or effort to the exotic or unusual."

There is one exception, he points out. "The London market is much more willing to listen to unusual propositions, even today, despite all the restrictions. At the beginning of this year, we put together an unusual deal... London was the only place that took any interest in it at all." Mr. Osborn refused to elaborate on what the coverage

Continued on pa

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Chester A. Abbey, Vice Chairman
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Richard E. Willey, Chairman

Cameron and Colby

Rising to the Challenge of Change



Boston New York Atlanta Chicago San Francisco Los Angeles

Continued from page 42
volved.

While a number of different types of risks are returning to the surplus lines market, there has been a notable increase in the amount of property risks and products liability risks coming back to non-admitted insurers.

And some of those risks have been tough to place, Mr. Osborn remarked. "The very difficult risks are the major industrial concerns with heavy products exposures. The limits have been reduced dramatically."

Those businesses with heavy products exposure "must be very concerned that they can't find adequate limits," he added.

"My guess is that all of them have insurance at some level or other. They might be taking a hell of a self-insured retention, which might run into many millions of dollars in some instances," Mr. Osborn said.

"But somewhere down the line, I would guess that all of them have gotten some protection—albeit, measurably less than that which they had before."

Stewart Smith places business for "thousands" of brokers of "all sorts," says Mr. Osborn.

"The large brokers, of course, use us for underwriting and MGA-type business," he says.

"But, there also is increasing evidence that the major brokers are turning back to the traditional, non-aligned surplus lines brokers because they simply haven't got the time, the staff or the expertise in many instances to place coverages themselves as they were able to do in the soft market."

Small to medium-sized retailers that might have been able to place business in the soft cycle also are turning to brokers like Stewart Smith for more marketing muscle in the hard market, Mr. Osborn says.

'Major brokers are turning back to the traditional, non-aligned, surplus lines brokers because they simply haven't got the time, the staff or the expertise. . . to place coverages themselves. . .' Mr. Osborn said.

Stewart Smith is tapped by brokers placing international exposures because of Stewart Smith's connection to the London market through its parent, Lloyd's of London broker Stewart Wrightson Group P.L.C.

The major markets tapped by Stewart Smith are Lloyd's, California Union Insurance Co., Columbia Casualty Co., First State Insurance Co., Harbor Insurance Co. and Admiral Insurance Co.

In addition to placing D&O and aviation risks for Forum, Stewart Smith has underwriting authority for Forum for public officials liability risks. It also is an MGA for Associated International Insurance Co. in Los Angeles for limited partnership liability and excess D&O coverages; Calvert Insurance Co. in New York for trustees fiduciary liability and D&O for non-profit organizations; and Constitution State Insurance Co. in Hartford, Conn., for property/casualty risks.

Calvert and Associated are owned by Stewart Wrightson Insurance Co. Holdings Inc., a subsidiary of Wrightson Holdings. Until the beginning of 1984, Calvert accepted all its business exclusively from Stewart Smith. However, its portfolio is now being broadened to include certain other specialty business. Associated, however, has tightened its criteria for accepting risks.

Although Stewart Smith reported last year that it would seek to expand through acquisitions, none was made in 1984 or during the first six months of this year.

"We couldn't find any that fit the requirements we had established," Mr. Osborn said, declining to elaborate on what type of acquisitions the company had considered. "There are none specifically planned."

The number of employees at Stewart Wrightson increased to 220 in 1984, up from 211 in 1983.

As a brokerage and managing general agent, Stewart Smith is keeping a close eye on the current controversy over the new commercial general liability forms introduced by the Insurance Services Office.

But the brokerage doesn't foresee any major difficulties associated with the new claims-made and occurrence forms that are to be implemented Jan. 1.

"There is such a shortage of capacity, that if the market as a whole moves to the claims-made form, insurance buyers will either have to accept that philosophy or be unable to buy the limits that they require," said Mr. Osborn.

"If reinsurers insist on claims-made, I don't think there will be any alternative.

"While it has its drawbacks, it also has some plusses. I don't see it being such a terrible thing as a lot of people make it out to be. It's livable," he said.

"We were probably the first major market in 1962 to start to sell directors and officers liability," which always has been on a claims-made form.

"It's accepted, and no one would dream of asking for it on anything but a claims-made basis," Mr. Osborn said.

Stewart Smith has four major offices: in New York, Chicago, Los Angeles and Dallas. Smaller offices are located in Boston, Philadelphia, Pittsburgh and San Francisco.

In addition to Mr. Osborn, principal officers of the company are John R. Rogers, vp of finance, and George N. Gibbs Jr., senior vp. Former President Martin E. McConnell retired in July.

Stewart Smith is a member of NAPSLO.

—By Michael Bradford

The Crump Cos. Inc.

5350 Poplar Ave., Memphis, Tenn. 38119; 901-761-1550

	1984	1983
Premium volume	$190,000,000	$160,000,000
Gross revenues	$17,571,000	$14,682,000
Employees	250	236
Commercial lines	99%	99%
Admitted business	80%	80%
Non-admitted	20%	20%

Submissions are triple the number a year ago and commissions are double at Crump Cos. Inc.'s excess/surplus/specialty offices, says Earl R. Lanning.

"The 10 offices that report directly to me had a commission increase of 102.5%" for the first half of 1985, compared with the same period in 1984, said the vp of Crump Cos. Inc. and executive vp of Crump London Underwriters, Crump's wholesale brokerage subsidiary.


Mr. Lanning

"I've seen some good years when the market turned, but nothing comparable to this," said Mr. Lanning, who has handled surplus lines for Crump for 25 years.

Crump Cos. Inc., the ninth-largest retail brokerage company in the country, also ranks as the third-largest wholesale broker based on $190 million in premiums placed by its surplus lines offices in 1984, less than 10% of which were generated by Crump retail offices.

That's an 18.8% increase in premiums in 1984 compared with 1983, even though big rate increases weren't widespread until the end of 1984.

And, Crump's revenues on wholesale business increased almost 20% to $17.6 million in 1984 from $14.7 million in 1983.

Growth in 1984 was substantially larger than in 1983, when premiums grew only 6% and gross revenues grew a mere 2.3%.

There are two reasons for the dramatic premium volume hike so far in 1985, Mr. Lanning said. "Rate hikes probably account for 50% of the increase. The other 50% is from more submissions."

Reactivated wholesale facilities in California are writing a lot of new yacht business, Mr. Lanning said, and another California facility is experiencing a surge of new municipality business.

Many other classes of business are flocking back to the surplus lines marketplace because standard lines insurers are turning their backs on them, he said.

The biggest premium increases are coming from four areas:

"Umbrella business is our biggest single line, and our biggest single increase," Mr. Lanning explained, noting that umbrellas represent one-third of Crump's excess/surplus volume. "There are more umbrella submissions and the prices are skyrocketing."

In addition, Mr. Lanning said that Crump's largest growth in new E/S business is coming from commercial property, bank bonds and truck business—particularly long-haul trucking.

"We're not writing a large number of bank bonds, but almost all of it is new business. We're experiencing a huge increase in truck business in this office because we represent several specialty markets, including two A-plus rated companies," he said.

The A-plus rated truck markets are National Indemnity Co. of Omaha, Neb., and Northland Insurance Co. of St. Paul, Minn.

Mr. Lanning said many lines that were not coming to the E/S market last year are commonly submitted this year, such as: product liability; tough general liability classes; buffer layer excess coverages; commercial property accounts; professional liability lines; truck business; bank bonds; any bid business; and big property accounts.

Lines that Crump is having a difficult time placing include directors and officers liability, malpractice, municipal liability and high limits of umbrella coverage. These lines are coming with reduced limits, higher deductibles and premium increases of 300% to 500% or more, according to Mr. Lanning.

Some lines are difficult to place at any price, he said.

If the client is a "honky-tonk" bar rather than a restaurant, it's nearly impossible to place liquor liability coverage with an insurer, Mr. Lanning said. "You talk about going dry. We're going to have a lot of counties and a lot of states going dry as far as liquor liability is concerned," he quipped.

In addition, Mr. Lanning knows of no markets for water-slide liability coverage, virtually no markets for environmental impairment liability, and few insurers, if any, that will write directors and officers coverage for an operation that is less than three years old.

He added: "We are writing D&O coverage for financial institutions now but, with so many exclusions that, essentially there is no coverage, and I don't recommend it to clients." He said insurers are now excluding any suit brought against the financial institution by a government agency, suits brought by the policyholder against itself, and suits brought against a director because of the institution's financial impairment.

In 1984, the wholesaler placed 80% of its business with admitted insurers, unchanged from 1983. And, it has not changed significantly in the first half of 1985 either.

"Normally when the market gets tight, the non-admitted business does pick up, but this time the London market is just as tight or more so," he said.

Lloyd's of London and London-based underwriters operate mostly as non-admitted insurers in the United States.

While Crump is collecting much larger premiums and is getting a lot more business from existing producers, only about 10% of its premium volume increase is attributable to new producers.

Not more than 15% of Crump's E/S business comes from the national retail brokers, he said. About 35% is from regional brokers and the remaining 50% is brought by large independent agencies.

"Considerably less than 10% of our business is from Crump Cos.

Continued on page 46

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Continued from page 44

Inc.," Mr. Lanning added, but he said that Crump Cos. Inc. is submitting about twice as much business to the E/S market this year as it did last year.

In 1984, Crump's wholesale business was conducted primarily as broker, not an MGA as in the past, Mr. Lanning said. Its premium volume is 56% brokerage business, 30% underwriting business and 14% MGA business.

"The change is due to the fact that in the soft market our high premium accounts, which make up our brokerage business, virtually all left us and went to the standard companies," Mr. Lanning explained. Now, "90% of our growth has been in the brokerage area, because in the hard market our large accounts came back to us."

In 1983 the wholesaler reported that 55% of its premium volume was generated through its role as managing general agent, 30% through brokerage and 15% through underwriting.

Crump's MGA business has not declined, Mr. Lanning stressed. "Our MGA business just doesn't grow like the others in this kind of market, because it's the kind of business that stays with us in the soft market," he said.

Crump's MGA business includes: virtually all truck business; miscellaneous malpractice coverages (such as ambulances, ambulance attendants and nursing homes); and general liability coverages through contracts with Western World Insurance Co. Inc. in Keene, N.H.; some Lloyd's of London contracts for property insurance; and a variety of other company contracts with some Crump offices.

Business brokered or written by Crump involves primarily small to medium-sized commercial accounts. "We see relatively few Fortune 500 accounts, and no personal lines accounts," he said.

Some of Crump's E/S facilities specialize, Mr. Lanning said. For instance, the Crump-Davis offices in Dallas and Houston specialize in gas and oil risks. The G&M Surplus Lines office in New Orleans specializes in ocean marine accounts.

S.J. Petrakis in San Francisco and Arcadia, Calif. specializes in municipalities. Crump Aviation Underwriters in the Memphis, Tenn., home office writes aviation coverage, Mr. Lanning said.

Business in all of Crump's wholesale departments is up, and they are not experiencing a slump in submissions in any lines.

But, while Crump is seeing an increase in E/S submissions, the capacity problems affecting the standard insurers are affecting the nonstandard markets as well. Capacity is, "for the most part, as tough as I've ever seen it," Mr. Lanning said.

"Whereas last year every company was coming to us wanting to pay us extra commission or some kind of incentive to get us to write business with them, this year it's exactly the opposite. They're saying: 'Here's our cap, and you cannot exceed it,'" Mr. Lanning said. And, he stressed that the caps insurers are imposing are firm.

For example, Lloyd's of London asked Crump to cancel $250,000 in premiums because the broker inadvertently exceeded its cap by that much. Mr. Lanning said that when this has happened in previous years, Lloyd's simply pointed out that the broker had gone over its cap and should write no more business. It never before asked Crump to cancel the business it has already written.

The canceled business was truck physical damage insurance, Mr. Lanning said, and Crump was able to place virtually all of this business with its other markets.

Decreasing capacity poses a serious problem, Mr. Lanning said. "The absolute key to our success for the last five months of this year is. . .not going to be: 'Can we write the business?' or, 'Can we get competitive pricing?' It's going to be: 'Will we have a place to put the business?' That's the only question," he said.

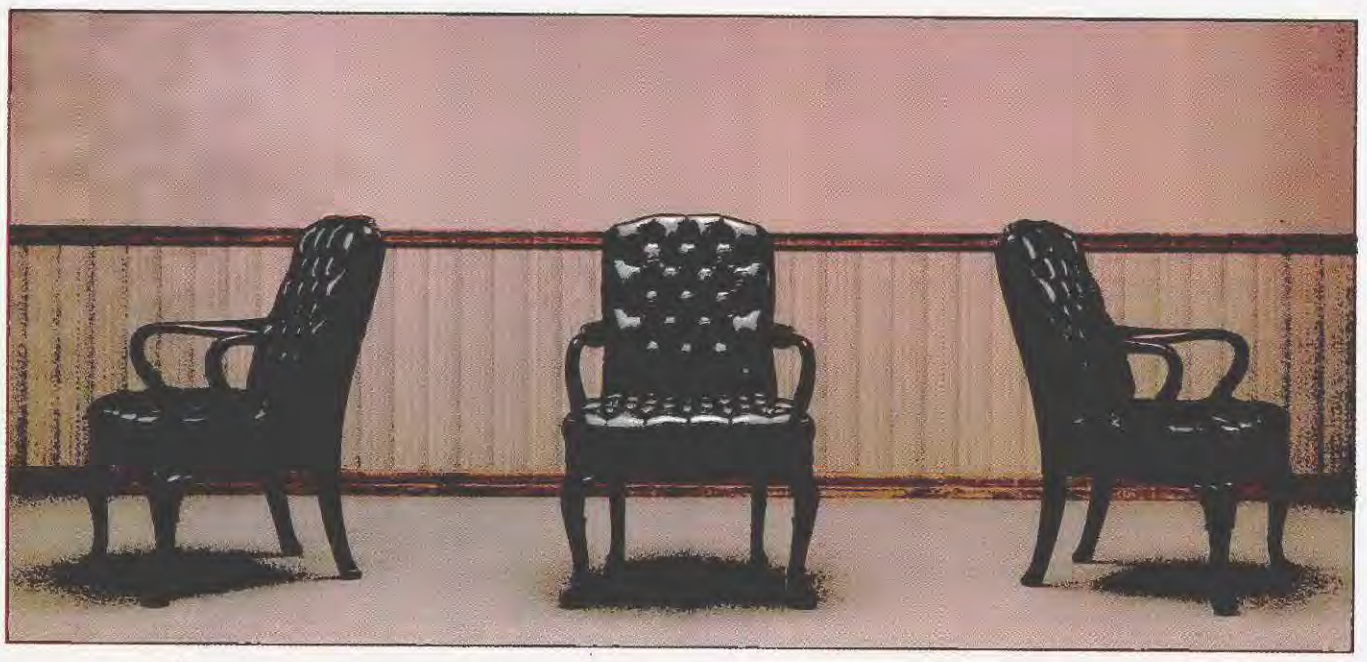
And, reinsurance markets are tightening more than insurance markets, he pointed out. "That's where a large part of the problem lies. Reinsurers refuse to answer phone calls because they have more business than they want already," Mr. Lanning said.

He added that a lot of reinsurers do not want to do business with general agents at all, because in the last few years they "have allowed themselves to be talked into doing things they shouldn't have done" by general agents, Mr. Lanning said.

And, Mr. Lanning does not anticipate that the 1986 market will differ significantly from 1985. He predicts: "In January, markets will open up and write some business because it will be a new year, but they will use up their capacity before they get half-way through. As fast as the higher premiums are earned, long-tail losses will be eating them up."

However, after 1986 Mr. Lanning anticipates that a lot of insurers will see a "real opportunity" in the specialty lines area, and that "top-qual-

Continued on next page



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Continued from previous page
ity brokers will be able to get adequate markets."

Although rate hikes may appear excessive to many, Mr. Lanning said that "on most classes we are just approaching 1978 rates. Rates had gone down so far over the soft market of the past seven years that they have a long way to go back.

"I don't think we're completely back yet," he added, "and we have a number of years of inflation to make up beyond that."

He said he knows of no insurers offering new or improved products. "No markets are willing to consider new products, because they have all the premiums they want with the products they feel comfortable with."

He added that in January there will be a new umbrella product to conform to changes in the general liability policy, but it "will not be new and improved, as the commercials go."

Mr. Lanning predicts that in time insurers will have no choice but to use the ISO claims-made form. D&O and most malpractice coverages are now being written on claims-made forms anyway, and London has been using claims made for professional liability and products coverage "for many years."

Many reinsurers "will force insurance carriers to switch" to claims made, he added.

The wholesaler places no more than 6% of its business with any one insurer, and only four insurers have more than 2% of its business.

Crump's E&S facilities place 6% of their business with Southern American Insurance Co. in Memphis, Crump's underwriting subsidiary. In addition, they place close to 5% of their business with Reliance Insurance Group, 6% with Lloyd's of London and about 3% with Monarch Insurance Co., which is primarily aviation business.

"We have a good spread of markets," Mr. Lanning said, "and are not heavily dependent on any one insurer. We intentionally feel we should have a wide spread of business so, if one insurer pulls out, we are not left out in the cold."

Crump has been left out in the cold. In late October 1984, Crump was forced to close its Crump London Illinois office in Chicago when Employers Mutual Casualty of Des Moines, Iowa—which wrote more than 75% of the Chicago office's business—decided to discontinue all business with general agents in the Chicago area.

The Chicago office wrote mostly package policies for small businesses such as restaurants and contractors—"not typical E&S lines," Mr. Lanning said. This is the only E&S facility Crump closed during 1984 and 1985.

In April 1985, Crump reactivated its E.H. Crump of California offices in San Diego, Long Beach and Los Angeles. In addition to a specialty yacht program through Reliance Insurance Group, the offices are writing normal E&S lines.

In July 1985, Crump opened Crump Mid Atlantic in Trevose, Pa. The office will concentrate on umbrellas and products coverages, primarily for large commercial industrial accounts that fall just below the Fortune 500 companies.

No new offices are planned.

In 1984 the wholesaler increased its number of employees to 250 from 236 in 1983. It has added about 15 more employees in 1985, in response to the hard market, Mr. Lanning said.

In addition to Mr. Lanning, top officers include: Sidney A. Stewart, chairman and CEO; James M. Power, president and COO; and Donald A. Thomas, Edward B. Morrow Jr. and Gordon E. Noble, executive vps.

Crump is a member of AAMGA and NAPSLO.

—By Linda J. Collins

Montgomery & Collins Inc.

3700 Wilshire Blvd., Suite 400, Los Angeles, Calif. 90010; 213-480-4501

	1984	1983
Premium volume	$158,983,465	$118,165,386
Gross revenues	$14,361,415	$10,545,294
Employees	163	160
Commercial lines	100%	100%
Admitted business	65%	70%
Non-admitted	35%	30%

Montgomery & Collins Inc. is exploding into its second half-century with unprecedent premium growth.

So far this year, the Los Angeles-based CIGNA Corp. subsidiary, founded in 1935, is breaking company records as premium volume through July has grown 105% over the same period last year.

"It's at a historic rate," says Robert P. Keul, president of M&C.

There are, however, clouds on the horizon. A lack of capacity may put the brakes on premium growth in the latter part of the year.

"We're just going to have a great year—if we still have some markets at the end of the year," adds Gus Doering Jr., vp of operations.

Mr. Doering notes that while the amount of business being offered to M&C is increasing every month, "the market situation is going the other way."


Mr. Keul

M&C's premium volume in the first seven months of 1985 grew to $180 million through July, compared with $87.6 million for the same period last year, an M&C record. Mr. Keul would not offer a projection for M&C's total premium volume in 1985 because of the uncertainty about market capacity in the coming months.

Gross revenues rose 84.5% for the first seven months, hitting $15.5 million compared with $8.4 million for the same period in 1984.

The dynamic growth M&C has shown this year comes on top of an outstanding 1984.

Premium volume rose 34.6% to $159 million from $118.2 million in 1983, making M&C the fourth-largest wholesale broker surveyed by *Business Insurance*.

Gross revenues grew 36.2% in 1984 to $14.4 million, compared with $10.5 million in 1983.

Mr. Keul explains that M&C's huge increase in premium volume for the latter half of 1984 and first half of 1985 is the result of price increases on both renewal and new business.

Rates are up 200% to 400% on some accounts, he says, and business that had been placed with the admitted market is now shifting back to the surplus lines market.

"Here again, it's business that in the late '70s and early '80s went into the admitted market, when they elected to take our renewal and cut it by 25% to 75% and absorbed it," according to Mr. Doering.

"Now that is being thrown back into the surplus lines market, and I think that's going to continue."

That trend began last year, as M&C placed 35% of its business with non-admitted markets, up from 30% the previous year.

Mr. Keul says that product liability coverage is the best example of a line that is heading back to the non-admitted market. He says that admitted companies were writing such coverage for $2 per $1,000 of coverage, when it should have been written at rates of $15 to $25 per $1,000 of coverage.

Just about every type of property and casualty coverage is now being offered to the surplus lines market, Mr. Keul says.

It's really crazy," remarks Mr. Doering. "I think everybody can understand why products are back in this market. It should have been all along.

"But along with that, there's some other classes that don't make a lot of sense to me," Mr. Doering comments.

"Apartment buildings are even tough to place now, so it's not just the obviously hazardous classes, like tough products."

Despite the record-setting premium growth this year, M&C is looking carefully to the future.

The decrease in capacity, which Mr. Keul calls Montgomery & Collins' No. 1 concern, cuts across all lines of business, including both admitted and non-admitted insurers.

"I think I was paying attention during the last cycle, and I didn't see all these people backing up saying, 'No I'm not writing another dime.' It's never happened before," remarks Mr. Keul.

Mr. Keul and Mr. Doering explain that they are not so much concerned that markets will stop writing because of financial difficulties, but that they will reach their premium-to-surplus limits and stop accepting business for the remainder of the year.

"We know which markets we have now, and they all look good and they all look sound," Mr. Doering explains. "But who's going to come to us next week and say, 'We're very sound financially, but we just hit our premium cap and you're not going to send us anything for the rest of the year?'"

Mr. Keul says many insurers are saying that while they will entertain new business, they have changed their ground rules dramatically from the soft market.

Such new conditions include adequate lead time to study a submission, higher-layer participation and elimination of telephone quotes on business.

The competitive market, according to Mr. Keul, created a lot of "sloppy habits" because insurers were looking to increase premium volume and were less concerned about the accuracy and completeness of coverage submissions.

"It's been a revelation for people to have to really change their ways," he remarks. "I'm talking about going back to a retail broker and saying, 'OK, for us to handle your business we need more than just the (insured's) name and address.'"

But, the market turn has had advantages for M&C.

Not only is M&C producing much more business than it was just one year ago, but also the broker now is able to keep a larger slice of the pie, Mr. Keul says.

During the competitive market, surplus lines brokers were forced to give retailers the lion's share of the commission on the business they placed because the retail broker had less need for the wholesaler, he explains.

Now the tables are turned.

"Today's marketplace doesn't necessarily indicate that we have to do that," Mr. Keul says.

Continued on next page

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Continued from previous page

But, he notes that generally in a tight market overall commission rates drop as policyholders question big commissions in light of huge premium increases.

About 55% of Montgomery & Collins' premium volume is brokered business, 44% is placed with markets for which the company acts as managing general agent and 1% is written with Royale Belge I.R., a Belgian company for which M&C is the exclusive U.S. underwriting manager.

Mr. Keul notes primary general liability placements with Royale Belge are picking up this year because of pricing improvements

He says the insurer turned away business during the soft market.

"It looked at it very professionally and said, '$750 for that account is not proper, when it should be $7,500, we'll wait until it comes back around,'" he says. "Now we can get an order in that facility much easier because those $750-dollar people are sellin' shoes."

M&C's largest markets continue to be Pacific Employers Insurance Co., which accounted for 40% of its premium volume, and California Union Insurance Co., which accounted for 15%. Both are CIGNA units based in Los Angeles

Pacific Employers is an exclusive M&C market for both umbrella and excess casualty coverage.

Cal Union writes property and excess casualty risks for M&C on an exclusive basis in California and on a non-exclusive basis in other states.

Other major markets to which M&C brokers business include Jersey/International Group Inc. the managing general agent for Admiral Insurance Co. in Haddonfield, N.J.; Allianz Insurance Co. in Los Angeles; L.W. Biegler Inc. in Chicago; Cameron & Colby in Boston; Shand, Morahan & Co. Inc. in Evanston, Ill.; Industrial Underwriters Insurance Co. of Dallas; and Lloyd's of London.

Admiral is a primary liability facility for M&C and its market for a special facility that provides financial guarantee coverage for limited partnership ventures.

Allianz is used by M&C for property risks, while Lloyd's underwriters and Cameron & Colby are offered property and excess casualty coverages.

M&C uses L.W. Biegler for general liability, errors and omissions and other professional liability placements.

Shand, Morahan, as underwriting manager for Evanston Insurance Co. and others, is a market for professional liability coverage for M&C. Industrial Underwriters is used for umbrella risks.

M&C holds binding authority for Western World Insurance Co. Inc. in Ramsey, N.J.; Great Southwest Fire Insurance Co. in Scottsdale, Ariz.; and Guaranty National Insurance Co. in Denver.

Also, M&C last year received binding authority for Scottsdale Insurance Co. in Scottsdale, Ariz.

All of these markets are used for primary general liability placements, Mr. Keul says.

In addition to picking up binding authority for Scottsdale, there were several other changes during 1984 in the markets M&C uses.

The surplus lines broker was using Transport Indemnity Co. in Los Angeles as a market for property and umbrella coverages. But, earlier this year, Transport Indemnity abruptly stopped writing business and canceled existing policies (*BI*, June 3).

Mr. Keul says that M&C has found other markets to replace most of that business—primarily excess property risks.

During 1984, St. Paul Insurance Co. terminated its binding authority agreement with M&C, which has placed small casualty business with that insurer.

Mr. Keul says loss ratios on business it places under its MGA agreements have remained stable over the past few years, but he declined to release any figures.

About 40% of M&C's business is generated by the alphabet brokers, Mr. Keul notes, while 60% comes from regional brokers. That's about the same mix as in the past.

He says several areas of liability coverage in which M&C specializes —including municipalities, hospitals and schools—are much more difficult to place now.

Hospital liability placements are also difficult, Mr. Keul says.

"Here again, it's because the facultative reinsurance market is drying up," he says.

Montgomery & Collins will add several brokers to its staff in 1985, Mr. Keul says, but it is not planning to open any new offices.

M&C currently has offices located in Los Angeles; Boston; Buffalo, N.Y.; Charlotte, N.C.; Chicago; Columbus, Ohio; Dallas; Denver; Detroit; Hartford, Conn.; Honolulu; Houston; Indianapolis; Kansas City, Mo.; New Orleans; New York; Philadelphia; Sacramento, Calif.; San Francisco; and San Jose, Calif.

Montgomery & Collins International, an affiliate that places heavy overseas construction risks, is located in Los Angeles.

Principal officers in addition to Mr. Keul and Mr. Doering are: Robert B. Angle, Warren D. Miller and Michio Nekota, regional vps; and William D. Long and George Patitucci, underwriting vps.

—By Robert A. Finlayson

L.W. Biegler Profit Center

100th Floor Sears Tower, 233 S. Wacker Drive, Chicago, Ill. 60606; 312-876-3100

	1984	1983
Premium volume	$277,127,000	$216,651,000
Gross revenues	$27,713,000*	$21,665,000*
Employees	233	207
Commercial lines	100%	100%
Admitted business	57%	70%
Non-admitted	43%	30%

*—*BI* estimate*

Crum & Forster Inc.'s Chicago-based underwriting manager L.W. Biegler is increasing the amount of insurance it writes on a non-admitted basis, but controlling its overall growth this year.

In 1984, 43% of Biegler's record $277 million in premiums written was placed with International Surplus Lines Insurance Co., a Crum & Forster surplus lines insurance company managed by Biegler.

This year, about half of Biegler's premiums will be placed with ISLIC.

In 1983, only 30% of Biegler's $216.7 million in premiums was written on behalf of ISLIC.

This year, ISLIC ranks as the third-largest surplus lines insurer in the United States based on 1984 premiums of $102.7 million written on a direct, non-admitted basis (see story, page 20).

And Biegler, which specializes in underwriting professional liability, directors and officers liability, excess casualty and primary property insurance, ranks as the largest underwriting manager in 1984 and the second-largest wholesaler.

"In 1984, we were able to reintroduce ISLIC," says Biegler's chairman and chief executive officer of five months, Richard E. Stone.

Mr. Stone joined Biegler in June 1984 as the appointed successor to founder Louis W. Biegler, who retired March 1.

"Where we are unable to obtain the necessary and proper rate increases, we are switching to our non-admitted carrier," Mr. Stone explains of the movement of business to ISLIC.

As a non-admitted insurer, ISLIC can charge rates that are higher than those approved by state regulators for use by admitted insurers.

ISLIC writes on a non-admitted basis in all states except Illinois, where it is licensed.

"Just about any of the business we see today we can put in ISLIC," says Mr. Stone, who also is chairman and chief executive officer of ISLIC.

And, all lines of liability and property business are being underwritten by ISLIC. The rates needed determine whether ISLIC is the chosen insurer.

This movement of business back to ISLIC is in sharp contrast to the past several years, when admitted insurers were competing for business. Biegler had to place more and more business with admitted insurers in order to retain accounts that otherwise would have purchased insurance from admitted insurers.

"In the last four or five years, brokers demanded admitted paper," Mr. Stone recalled.

The major admitted insurers for which Biegler underwrites are Crum & Forster's International Insurance Co. and North River Insurance Co. Biegler also holds underwriting authority for U.S. Fire Insurance Co., also a Crum & Forster company.

"Now, brokers are taking non-

Continued on next page



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Continued from previous page
admitted paper as quickly as admitted paper," Mr. Stone observed.

Biegler underwrites 96% of its business as an underwriting manager, with only about 4% of its premiums brokered to non-Crum & Forster insurers. Business placed with non-Crum & Forster insurers includes premiums paid for annuities to satisfy structured settlements.

Overall, Biegler's premiums grew 27.9% in 1984, to $277.1 million, a record high for the underwriting manager.

A combination of rate hikes and new business created the growth, according to Mr. Stone.

This year, Mr. Stone expects premiums to be flat, or only slightly higher. Biegler/ISLIC's capacity is sharply reduced from 1984 and Biegler is reviewing and redefining what risks it wants to underwrite.

Capacity for professional liability risks is down to $5 million and for general and umbrella liability down to $2 million. In 1984, capacity was $20 million for each, and in 1983 it was $25 million.

Biegler can offer limits of $10 million for professional liability insurance when it arranges facultative reinsurance.

"I hope there will be some return to normalcy in the facultative market. It is drying up now," Mr. Stone observes.

And, last month Biegler stopped writing new or renewal directors and officers liability insurance for financial institutions—an insurance product that several insurers are dropping due to big losses.

Biegler also stopped underwriting banker's blanket bonds, which it pioneered several years ago.

Rate hikes on other liability and property business written in 1985 are expected to compensate for premiums lost on the discontinued business. Hikes range from 75% to 300% and up, Mr. Stone said.

In addition, "several new products are under consideration," Mr. Stone said, "but at the present time our energies are directed toward strengthening our underwriting and claims capabilities."

Biegler recently also reduced the sources from which it will accept business by 80%. "We are down to less than 1,000 producers," Mr. Stone said.

About 80% of Biegler's producers are wholesale brokers, which place business for retail brokers unable to find markets for their clients' risks. The other 20% are retail brokers which also hold surplus lines licenses.

Biegler also has established minimum premium levels by line of business.

The combination of reducing the number of producers from which it accepts business and establishing mimimum premium levels is reducing the number of submissions Biegler sees in some lines.

But, Biegler is seeing a "tremendous number of not-for-profit submissions for directors and officers liability insurance—and that's one of the primaries where we've raised the premium limits," Mr. Stone said. Biegler will write the insurance only if generates at least a $2,500 premium.

Submissions for umbrella insurance, corporate directors and officers liability and miscellaneous types of errors and omissions insurance also are growing.

Biegler employed 233 people at year-end 1984, up from 207 at year-end 1983. Some employees were added primarily in the claims department, but most of the additional employees, 22 to 25 people, came on board with the September 1983 acquisition of an agency in Miami, now named L.W. Biegler Inc. of Florida.

Biegler closed its San Francisco office in May this year and consolidated it with its Los Angeles office because there was a "duplication of effort," Mr. Stone said.

In addition to Los Angeles and Miami, Biegler maintains an office in Toronto, Ontario.

In premium volume, mix of business at Biegler is remaining fairly stable. In 1985, about 38% is casualty insurance, about 34% is related to directors and officers and professional liability insurance, 16% to property, 5% to business written by the L.W. Biegler syndicate on the Illinois Insurance Exchange, 4% from business brokered to other insurers and 3% produced by its Canadian office in Toronto.

In addition to Mr. Stone, other principal officers of Biegler include S. Richard Vassallo, president and chief operating officer; Lonnie L. Steffen, senior vp and treasurer; Carmina M. Murphy, senior vp and secretary; and Walter L. Mueller, senior vp.

Biegler is a member of NAPSLO.

—By Kathryn J. McIntyre

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spotlight report

Sayre & Toso Inc.

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	1984	1983
Premium volume	$231,509,000	$208,570,000
Gross revenues	$24,174,000	$27,569,000
Employees	458	500
Commercial lines	100%	100%
Admitted business	86%	85%
Non-admitted	14%	15%

If Sayre & Toso Inc. adopted a motto, "getting back to basics" might be inscribed above the door of the managing general agent's Los Angeles headquarters.

Sayre & Toso's officers already use that phrase often to describe the Mission Insurance Group unit's position in today's tightening insurance market.

"Our aim is to get back to basics, to what we do well and what we do best," explains Executive Vp John B. Colavecchio.



Mr. Colavecchio

To get back to those basics, the 80-year-old company last year embarked upon a major re-underwriting program, in which the MGA began writing only the risks that it believes will be profitable and imposed triple-digit rate hikes.

But, at the same time it is attempting to return to its roots, Sayre & Toso is undergoing several major changes.

Most prominently, Sayre & Toso is now writing most of its business for a new Mission Insurance Group unit, Mission American Insurance Co.

Mission American was formed earlier this year when MIG's main shareholder, American Financial Corp., injected $75 million to bolster MIG's surplus (*BI*, March 18; May 23).

Before Mission American started operations on July 1, Sayre & Toso had underwritten most of its business for other MIG affiliates, principally Mission Insurance Co. However, earlier this year, A.M. Best Co. gave Mission Insurance Co. and the other Mission risk-bearing units an "omitted" rating, Best's lowest rating.

Mission American will not be eligible for a Best's rating until 1991 under Best's rating rules.

An MIG spokesman attributed the other Mission insurers' omitted rating to the company's 1984 losses. MIG reported a $198 million loss in 1984, compared with a $15 million loss the previous year.

In another major move, Sayre & Toso is no longer including the other members of Mission's managing general agency division in its results. Sayre & Toso's results had previously included three other Mission MGAs: George S. Kausler Ltd., SFO Inc. and West Coast Insurance Marketing Corp.

An MIG spokesman says all operational and administrative ties among Sayre & Toso and the three other MGAs have been dissolved.

Last year, Sayre & Toso on its own generated a premium volume of $231.5 million, up 11% from the $208.6 million generated by the MGA in 1983. That made Sayre & Toso the second-largest underwriting manager/MGA ranked by *Business Insurance*.

If the other three members of MIG's managing general agency division had been included in Sayre & Toso's results, premium volume in 1984 would have totaled $263 million, up about 10% from $238.6 million in 1983.

Despite Sayre & Toso's increased volume, its gross revenues declined in 1984 by about 12% to $24.2 million from $27.6 million.

Mr. Colavecchio attributed the increase in 1984 premium volume to rate hikes the company has been implementing on both property and casualty risks.

The MGA is currently obtaining average increases of 450% on casualty risks and 320% on property risks, says Kevin F. Jeffery, senior vp.

In addition, it is regularly seeking higher property deductibles and higher attachment points on liability coverages.

Sayre & Toso may have been one of the first major wholesalers to take action against the years of rate cutting, according to Mr. Colavecchio.

Sayre & Toso launched a four-step plan at the beginning of last year to put its house in order.

It first mandated that no policy would be renewed at less than its expiring premium. The second step was put into effect in March 1984, when Sayre & Toso branch offices in certain regions began requiring 15% to 35% average rate increases.

Phase Three began in July 1984, when Sayre & Toso imposed 30% to 90% minimum rate increases across its book of business.

The year's fourth and final step began in September, when the company began renewing only the business it believed would be profitable, either by charging a higher rate, increasing the deductible or restricting coverage terms.

"It was very surprising that all throughout our four underwriting phases, the brokers seemed to accept it without too much difficulty," says Mr. Colavecchio. "They realized after the six-year rate cycle on the downward side that some correction was necessary."

Sayre & Toso is now in a fifth phase, which emphasizes that each piece of business must produce an underwriting profit. "Whatever is needed to make each account specifically profitable, that's where we are today," he says.



Mr. Jeffery

This re-underwriting program has forced Sayre & Toso to let some renewal business lapse. Its in-force policy count has dropped some 15%, about what Sayre & Toso expected to lose, said Mr. Jeffery.

Because of its increased selectivity, Sayre & Toso does not expect to increase its volume in 1985.

"In all likelihood, with our programs as we've instituted them now, we would be comfortable remaining up where it was in 1984," Mr. Jeffery says.

Sayre & Toso's first-half 1985 results bear this out. Sayre & Toso generated $129.4 million in premium volume in the first half, down about 4% from the $135.4 million it generated during the first six months of 1984.

Gross revenues totaled $17.7 million, about the same as during first half of last year.

Mr. Jeffery says, despite the reduced volume, coverage requests are "up dramatically" in 1985 for both property and casualty risks, although he can't estimate by how much. About 40% of Sayre & Toso's submissions are brought by the alphabet brokers, but it routinely accepts business from regional and local brokers as well.

"A lot more business is moving because it doesn't have a home anymore," says Mr. Jeffery.

Sayre & Toso writes business on behalf of six insurers, all of which are Mission Insurance Group affiliates: Mission Insurance Co., Mission National Insurance Co., Holland America Insurance Co., Mission Insurance Co. of Texas, Holland-American Lloyd's and Mission American Insurance Co.

Mission American will become Sayre & Toso's primary risk-bearing market as it receives licenses in all states. The insurer, currently admitted in about 20 states, has applications pending in others.

Sayre & Toso wrote its first policy for Mission American on July 1 in California.

As policies now written by Mission Insurance Co. and the other units come up for renewal, Sayre & Toso will try to funnel them into Mission American. In those states where Mission American is not yet licensed, policies are still being renewed with Mission Insurance Co. and the other units, despite the omitted Best's rating, Mr. Colavecchio and Mr. Jeffery say.

They concede that the absence of a Best's rating for Mission Insurance Co. has cost Sayre & Toso some new and renewal business.

"I can't say that it hasn't hurt. Yes, it has, some. But there's been a pretty good allegiance on the part of our insureds and brokers to the group," says Mr. Colavecchio.

Mission Insurance Co. will continue to operate after Mission American obtains its licenses, "but at a different level," he says.

Mission American was established as "a clean company" with no liabilities, only assets, Mr. Colavecchio explains. Mission American reported capital and surplus of $93.4 million as of March 31, the most recent date for which MIG can provide information.

Sayre & Toso will write on behalf of Mission American the same business it wrote for the other Mission companies. It specializes in excess umbrella liability coverages and excess monoline property coverages, "classes of business that have traditionally produced a profit for us," he says.

Developing specialty coverages is not a priority at Sayre & Toso at the moment, he says.

Sayre & Toso offers capacity of $5 million per casualty risk and $2 million per property risk. That's down from $20 million for property and casualty risks a year ago, but Sayre & Toso isn't worried by the reduction, which principally reflects reinsurance cutbacks.

"We feel the capacities we have are more than adequate for Sayre & Toso to use in this marketplace," Mr. Jeffery says. "Very few carriers are putting out more than $5 million on any casualty line."

Mr. Colavecchio points out that even when Sayre & Toso could have written $20 million a year ago, it was limiting itself to writing $10 million. "The $10 million was more than sufficient in today's marketplace," he says.

Today, the MGA is writing fewer and fewer major, "prestige" accounts by itself. Instead, Mr. Colavecchio says, it may take only part of an excess placement on such large risks, and concentrate on lower layers, like the first excess layer of an umbrella program.

Last year, about 57% of Sayre & Toso's business was casualty risks and about 43% was property risks, according to Mr. Jeffery.

The majority—96%—of Sayre & Toso's business is placed as an MGA. But, the company occasionally seeks to broker risks that its own underwriting criteria prohibit it from taking to a Mission unit.

The markets to which it brokered the most business last year are: Fireman's Fund Insurance Cos. in Novato, Calif.; Interstate National Corp. in Chicago; Wausau Insurance Cos. in Wausau, Wis.; Compass Insurance Co. in Dallas; Lloyd's of London broker Willis Faber P.L.C.; Agricultural Excess & Surplus Insurance Co. in Cincinnati; and Shand, Morahan & Co. Inc. in Evanston, Ill.

Eighty-six percent of Sayre & Toso's premium volume in 1984 was placed with admitted insurers.

Like other wholesalers, Sayre & Toso says it's increasingly concerned about reinsurance stability.

The MGA has cut its list of acceptable reinsurers in half over the past year, to about 100 companies, most of which are domestic, Mr. Colavecchio says. Because of market conditions, Sayre & Toso keeps reinsurers "under current daily scrutiny," he says.

MIG has also made some changes at the three other members of its managing general agency division, whose results are no longer combined with Sayre & Toso's.

MIG sold George S. Kausler Ltd.'s wet marine business to New Orleans-based Underwriters Marine Services Inc. early this year, but retained some of Kausler's property and casualty business.

The divested risks represent 500 to 600 policies in the United States and Canada that generated $12 million to $13 million in premium, estimates Greg L. Sterck, president of UMS, which is the exclusive underwriting manager for CIGNA Corp.'s Pacific Employers Insurance Co.

Kausler is still an operating entity, according to Mr. Colavecchio, but is not taking on new business.

Another member of the group, Kansas City, Mo.-based SFO Inc., mass markets specialty programs through agents and brokers for bowling alleys, supermarkets, grocery warehouses, shopping centers and restaurants.

West Coast Insurance Marketing writes wholesale life, health and employee benefit-related products, and designs and markets software programs for underwriters.

Sayre & Toso has 17 offices throughout the nation.

The firm's other principal officers are W.A. Greenup, president, and H.R. Lankford, executive vp.

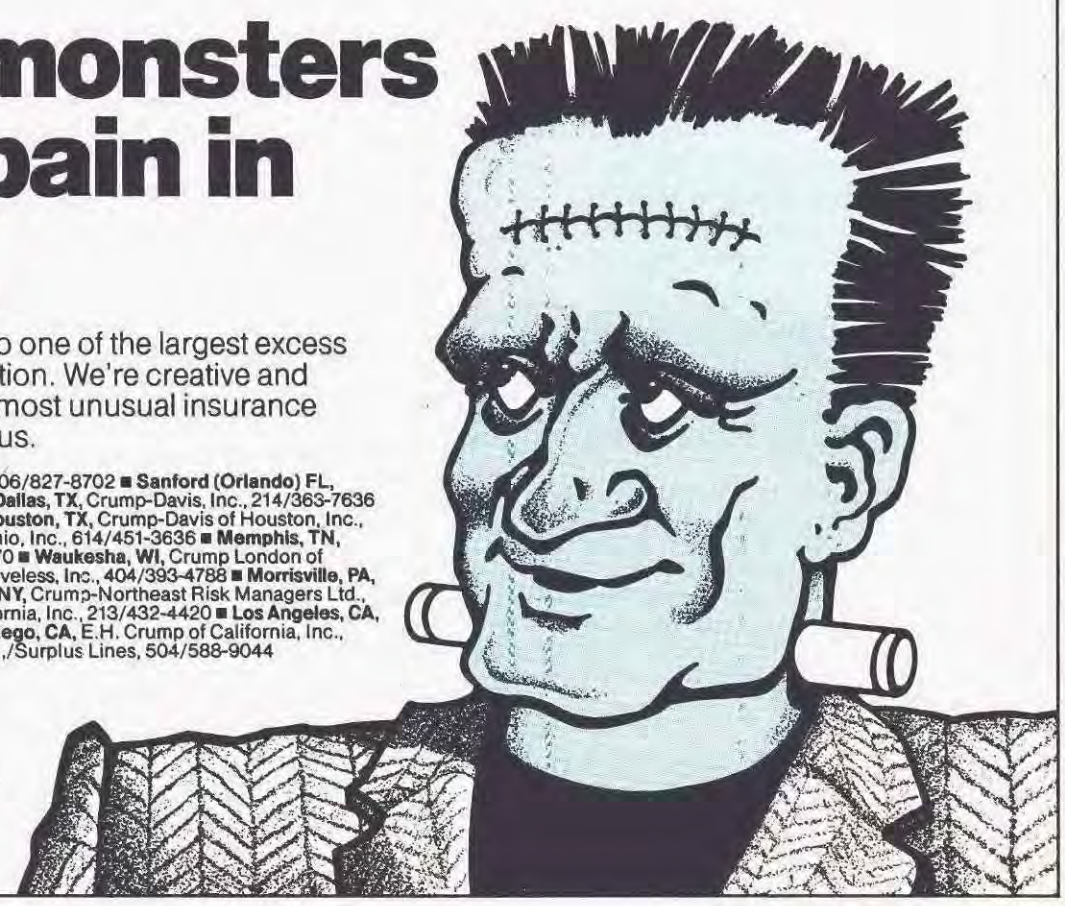
Sayre & Toso is a member of NAPSLO and AAMGA.

—By Steve Taravella

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Shand, Morahan & Co. Inc.

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

	1984	1983
Premium volume	$226,729,000	$201,823,916
Gross revenues	$22,673,000*	$20,182,000*
Employees	444	453
Commercial lines	100%	100%
Admitted business	52%	64%
Non-admitted	48%	36%

*—*BI* estimate

Despite Shand, Morahan & Co.'s predictions that insurance buyers would go elsewhere rather than accept the hefty rate increases it was demanding, the underwriting manager increased premium volume by 12.3% in 1984.

And, as the market continues to tighten this year, it expects premium volume to increase about another 10%.

Shand predicted that its 1984 premium volume would total only $175 million to $200 million because it expected to lose business due to rate increases. But, it ended the year with $226.7 million in gross premiums, up from $201.8 million in 1983.

Shand attributes the increase to unanticipated new business in the environmental impairment liability and hospital malpractice areas in 1984, and an overall increase in buyers' acceptance of Shand's rate increases.

This year, gross premiums are expected to be around $250 million, despite the fact that Shand has pulled out of the EIL market, which produced $27 million in premium volume in 1984.

"I think there's no question premiums will be up" due to rate increases, says Chairman and Chief Executive Officer Jospeh J. Prochaska Jr.

Shand, a subsidiary of Alexander & Alexander Services Inc. in New York and the fourth-largest underwriting manager in the United States, began to raise rates 10% to 30% in October 1982 in response to the erosion of underwriting profitability.

And because of deteriorating losses on business written in prior years, Shand continued to raise rates and deductibles each year into 1985.

Last October and November, for example, Shand premium increases averaged about 78% over 1983, said Shand President E.L. "Mac" Calhoun.

And, in the last three months, increases have averaged more than 200%.

The largest rate increases—as high as 400%—have been for professional liability coverages for lawyers, insurance agents and brokers and the real estate industry.

Shand specializes in professional liability coverages.

Losses were "significantly more than we anticipated," for large law firms in 1982, 1983 and 1984, said Mr. Calhoun. As a result, increases on renewals for some firms have been 375% to 400% compared with rates sought last October.

Similarly, underwriting losses also have continued to deteriorate for real estate errors and omission coverage and insurance agents and brokers liability coverage.

While losses for architects and engineers have been at anticipated levels, rate increases still have averaged 135% to 140% on renewals compared with last year.

Although its higher rates cost Shand a substantial amount of business over the last few years—especially association business for lawyers and the real estate industry—Shand is beginning to see an increase in renewal business on architects and engineers, product liability and general liability coverages.

It also is seeing more new business, but it is not writing a tremendous amount because some buyers still balk at Shand's high rates.

Increasing rates did not help Shand offset underwriting losses on the business it produced in 1984.

Although Shand will not quantify how large those losses have been, Evanston Insurance Co., a surplus lines insurer that is partly owned by Shand and whose business in 1984 was produced solely by Shand, recorded a 155.3% combined ratio in 1984, up from 128.6% in 1983 (see story, page 26).

Loss experience "has not been acceptable," says Mr. Prochaska.

In fact, mounting losses and lack of reinsurance support forced Shand to drop out of the EIL market last year, despite demand for the product.

Shand stopped underwriting the coverage in part because of court decisions that have broadened liability for policyholders and provided coverage to policyholders

Continued on next page

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(Exclusively through Agents and Brokers)

Continued from previous page
that was not intended by insurers, said Mr. Calhoun.

Those developments led to the withdrawal of reinsurer support, he added.

"It became so you didn't feel confident at all about being able to underwrite a price," says Mr. Calhoun.

Shand also stopped writing fidelity coverage for stockbrokers and financial institutions, directors and officers liability insurance for financial institutions and other corporate D&O insurance.

Meanwhile, Shand believes that underwriting experience on agents and brokers professional liability coverages will continue to deteriorate.

One reason for continued losses, Mr. Calhoun says, will be the move to the new claims-made commercial general liability form Jan. 1 and the eventual inclusion of defense costs within policy limits next year.

This will require "massive" education efforts within the insurance industry, says Mr. Calhoun, and will likely lead to more claims against agents and brokers if policyholders do not understand the new form.

Despite the new underwriting losses it expects to see on the agents/broker coverages it writes, Shand officials believe the claims-made form ultimately will enable insurers to better control losses.

But Mr. Prochaska emphasized that the claims-made form is not the whole answer for insurers.

The CGL form going to claims-made is not the panacea," he says, emphasizing that proper underwriting standards still must be maintained.

Most of the professional liability coverages Shand writes are already on a claims-made form and Shand has offered a claims-made CGL and umbrella form since 1976, although it has written little CGL or umbrella coverage.

Among Shand's major markets are Evanston Services Inc., which is 52% owned by Shand and receives slightly more than 50% of its business, up from 40% last year.

Evanston Services Inc. includes Evanston Insurance Co. and Insurance Co. of Evanston, an admitted insurer that began operation in 1980.

Last year, Shand placed 48% of its business with non-admitted insurers compared with 36% the year before.

This is due to a change in the mix of business Shand is underwriting. For example, as EIL and hospital malpractice business grew in 1984, the surplus lines market was tapped more. At the same time, the association lawyers and Realtor liability coverage that had been placed in the admitted market decreased, said Mr. Calhoun.

Despite the fact that Shand has dropped out of the EIL market, it expects to place more business in the surplus lines market in 1985.

In addition to Evanston Services, Shand underwrites for Mutual Fire, Marine & Inland Insurance Co.; Utica Mutual Insurance Co., for an insurance agents' association errors and omissions liability program; General Accident Insurance Co. of America; and AGC Insurance of Australia, for an Australian architects and engineers program.

Shand also has limited underwriting authority for lawyers professional liability coverages for certain syndicates at Lloyd's of London.

Shand has authority from the six insurers for which it underwrites to bind reinsurance with 36 reinsurers, down dramatically from 78 last year due to the tightening reinsurance market.



Michael A. Marcotte
Shand's officers include Mr. Beam, left, Mr. Prochaska and Mr. Calhoun.

This constriction in the reinsurance market has reduced Shand's capacity some, although it believes it has substantially more capacity than many other markets.

Shand has capacity of $20 million on most lines—including architects and engineers, lawyers, insurance agents and brokers professional liability coverage—and at least $5 million on all lines. This is down from $30 million on most lines last year and a minimum of $10 million for all lines.

However, underwriters make individual determinations on how much coverage to provide on any individual risk, said Mr. Prochaska.

"There's no question that the reinsurance market continues to tighten, and that's causing a contraction of capacity both in terms of dollar limits and number of reinsurers," says Mr. Prochaska.

But, Shand contends that because it began increasing rates earlier than its competitors, it has been able to maintain more capacity.

Shand also believes it is ahead of the market in identifying areas where significant rate increases are necessary. This, its officials say, has increased its credibility in the marketplace.

Shand does business with between 1,700 and 2,000 retail brokers nationwide, although the bulk of its business comes from about 200 brokerages.

Capacity problems and underwriting losses have caused Shand to hold back on developing any new products.

"We've really been trying to concentrate capacity first on servicing renewals and generating new business in existing lines," Mr. Prochaska says. "That is straining the capacity that we have so we are not moving into any really new products."

"Our prime emphasis for this year is a solid return to underwriting profit," says Mr. Calhoun.

The company also plans no acquisitions this year or major personnel changes. In 1984, it employed 444 persons down from 453 in 1983.

Mr. Calhoun expects the market to get even tighter for the next six to 12 months. He anticipates reinsurance renewals at year-end will be tougher than last year. "I don't see capacity returning to the marketplace or increasing until rates have been brought to adequacy and enough time has passed for that to be demonstrated to reinsurers," Mr. Calhoun adds.

"We feel that while rates in general are being corrected, there is still a need for further rate increases."

Besides Mr. Prochaska and Mr. Calhoun, other principal officers include Max W. Beam vice chairman; Richard A. Adler, executive vp; Robert H. Libby, executive vp and secretary; and Robert N. Listorn, executive vp.

Shand, Morahan is a member of NAPSLO.

—By Stephen Tarnoff

Cameron & Colby Inc.

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

	1984	1983
Premium volume	$212,559,000*	$213,181,000*
Gross revenues	$21,255,900**	$21,318,100**
Employees	400	449
Commercial lines	100%	100%
Admitted business	46%	40%
Non-admitted	54%	60%

*—Direct writings only
**—*BI* estimate

Cameron & Colby Co. Inc. executives are hoping that rate increases, accompanying a re-underwriting of much of its non-admitted direct book of business, will boost its direct premium volume in 1985.

The direct premium volume of the insurers managed by Cameron & Colby held steady last year following a January 1984 restructuring of the companies.

Boston-based Cameron & Colby is the exclusive underwriting manager for First State Insurance Co., New England Insurance Co. and New England Reinsurance Corp. All are units of Hartford Fire Insurance Co.

Gross direct premium volume of the Cameron & Colby-managed companies amounted to $212.6 million in 1984, down marginally from $213.2 million in 1983.

First State accounted for $163.7 million of the direct volume, while New England Insurance accounted for $47.3 million. The remaining $1.6 million was produced by First State Syndicate, a subsidiary of New England Re that writes direct insurance and reinsurance on the New York Insurance Exchange.

Overall gross written premiums —including the reinsurance assumed by New England Re and a small amount of reinsurance assumed by First State—dropped 21% to $495 million last year from $626.6 million in 1983.

Overall net premiums dropped nearly 28% to $122.4 million from $169.9 million in 1983.

Cameron & Colby President Lawrence S. Doyle says the firm is looking for rate hikes and coverage restrictions on business written for First State, which he says may report non-admitted gross premiums of $140 million this year, up from $113.5 million in 1984. He adds, however, that First State Syndicate has "hardly written any business at all in 1985" and that its future is being "discussed."

In January 1984, Hartford Fire reorganized the Cameron & Colby-managed operations to separate direct non-admitted business, direct admitted business and reinsurance.

New England Insurance Co. was formed to write direct admitted business, while First State was to focus primarily on non-admitted business and New England Re was to write only reinsurance.

While New England Re—which had previously written some direct business—wrote only reinsurance in 1984, the separation wasn't complete for First State. First State's $163.7 million in 1984 direct premiums included $50.1 million in admitted business written in California, Massachusetts and Delaware.

In addition, First State reported $40.9 million in assumed reinsurance premiums last year, although Mr. Doyle commented that First State no longer assumes reinsurance.

Cameron & Colby's officers carry identical titles with the three managed companies. Besides Mr. Doyle, other officers include Graves D. Hewitt, chief executive officer; Richard E. Willey, chairman; Chester A. Abbey, who was promoted to vice chairman from president earlier this year; and Ralph J. Palmieri, executive vp.

Cameron & Colby is a member of NAPSLO.

—By Douglas McLeod

Atwater McMillian Inc.

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

	1984	1983
Premium volume	$145,185,000	$122,032,000
Gross revenues	$14,519,000*	$12,203,000*
Employees	184	114
Commercial lines	100%	100%
Admitted business	67%	61%
Non-admitted	33%	39%

*BI estimate

Atwater McMillian Inc. will concentrate its underwriting business this year in the non-admitted market with St. Paul Surplus Lines Insurance Co.

The St. Paul Cos. Inc. underwriting management subsidiary ranks as the ninth-largest insurance wholesaler, based on a $145 million premium volume in 1984. Its 1984 premiums were up 19% from a 1983 premium volume of $122 million.

In the first quarter of 1985, premiums written by Atwater McMillian totaled $79 million, an increase of 11.3% from the $71 million in premiums it wrote in the first half of 1984.

And, company executives are predicting that Atwater McMillian will underwrite $170 million in premiums in 1985—an increase of 17.2%.

The St. Paul, Minn.-based underwriting manager writes surplus lines and special risks commercial insurance on behalf of three St. Paul affiliates: St. Paul Surplus Lines Insurance Co., St. Paul Fire & Marine Insurance Co. and Athena Assurance Co.

In 1984, Atwater McMillian wrote the majority of its business—67%—with St. Paul Fire & Marine and Athena, both admitted insurers.

Only 33% of its premium was placed with St. Paul Surplus Lines. St. Paul Surplus Lines writes as a non-admitted insurer in all states except Delaware, where it is licensed, and New Jersey, where it has not been approved as a non-admitted insurer.

Similarly, in 1983, 61% of Atwater's business was written with St. Paul Fire & Marine and Athena, compared with 39% at St. Paul Surplus Lines.

However, this year the company is increasing the amount of business it writes on a non-admitted basis with St. Paul Surplus Lines to about 50% of its total premiums, according to Robin Critelli, who is vp of marketing for Atwater McMillian.

The switch is the result of strong price increases at St. Paul Surplus Lines and the marketplace's reduced capacity, Ms. Critelli said. (see story, page 35).

As a non-admitted insurer, St. Paul Surplus Lines is permitted to charge rates that are higher than those approved by state insurance departments for use by admitted insurers.

Atwater McMillian expects to increase the amount of casualty insurance St. Paul Surplus Lines writes to two-thirds of the insurer's business, compared with one-third for property insurance.

Atwater McMillian's capacity for casualty risks is $10 million, but "it's rare that it happens," says Arthur B. McHugh, senior vp of the surplus lines division of Atwater McMillian.

Usually, the casualty limit written doesn't exceed $5 million, Mr. McHugh says.

Mr. McHugh said Atwater McMillian's casualty business in 1985 will be about 20% to 25% primary, 50% excess and 30% umbrella and excess umbrella.

And, Mr. McHugh added, Atwater McMillian plans to focus its writings on high-risk property insurance business. Most of it will be written in primary layers of up to $10 million.

Atwater McMillian writes business for about 200 wholesale brokers, a number that hasn't changed much since 1983, according to Ms. Critelli.

Atwater McMillian will not offer any new property or casualty insurance products this year, Ms. Critelli added.

Atwater McMillian employed 184 people at year-end 1984, an increase of 60% from 115 in 1983. Employees of the St. Paul Fire & Marine Insurance Co. who were servicing business underwritten by Atwater McMillian were moved to the underwriting manager's offices in 1984.

The principal officers of Atwater McMillian are Kenneth F. Goldstein, president; Mr McHugh; and Janet R. Nelson, senior vp-specialty risk division.

Atwater McMillian is a member of NAPSLO.

—*By Diane Lynn Kastiel*

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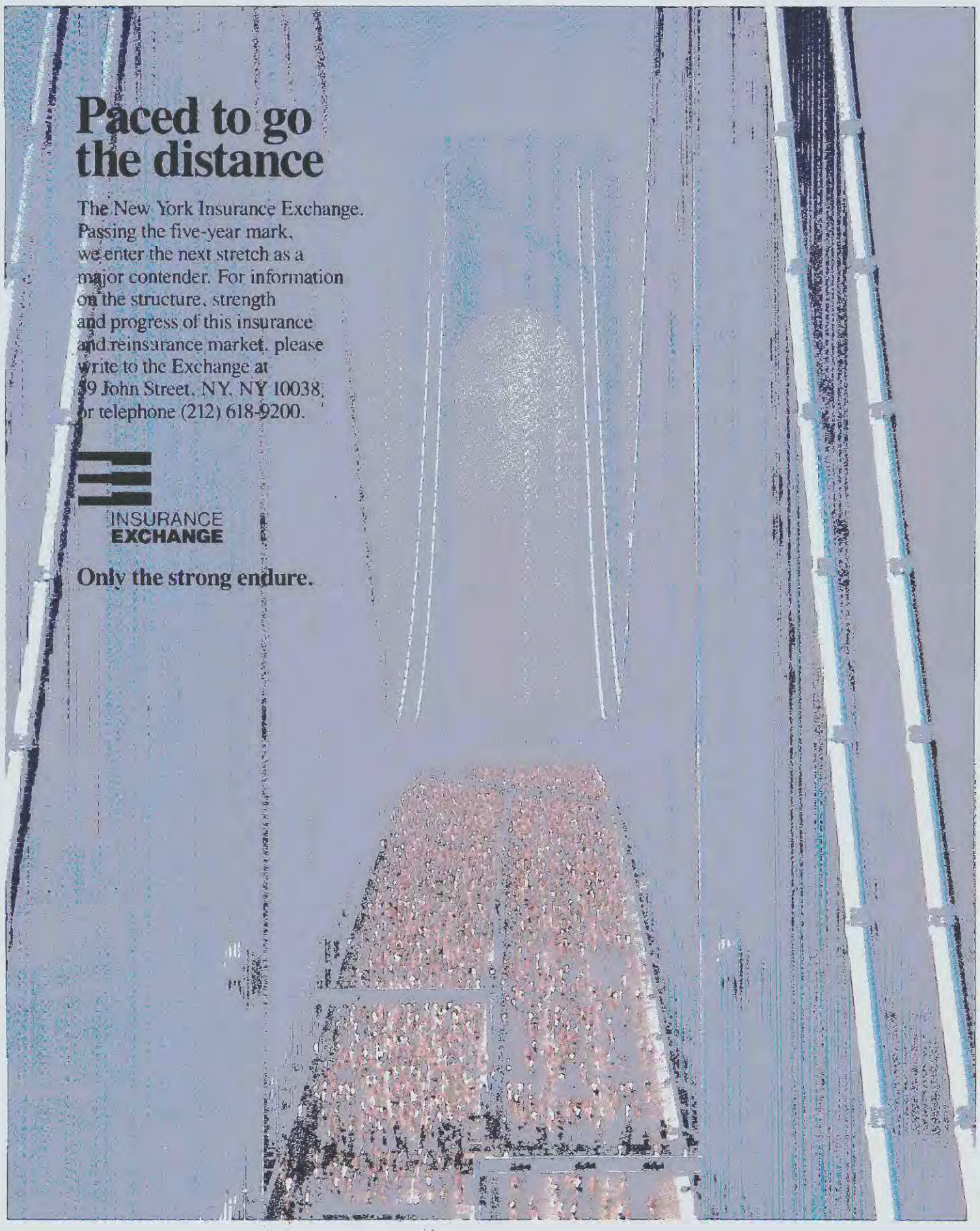
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Victor O. Schinnerer & Co. Inc.

5028 Wisconsin Ave. N.W., Washington, D.C. 20016; 202-885-9500

	1984	1983
Premium volume	$144,000,000	$125,000,000
Gross revenues	$14,400,000*	$12,500,000*
Employees	137	130
Commercial lines	100%	100%
Admitted business	95%	90%
Non-admitted	5%	10%

*—*BI* estimate

After posting a 15% increase in premium volume in 1984, Victor O. Schinnerer & Co. Inc. is expecting a "large jump in total premium volume this year," says Vp Douglas C. Dolan Jr.

"During most of '84, up until late in the third quarter, we were still in a relatively soft market," Mr. Dolan says.

Now that rates are firming and some competitors are limiting capacity or withdrawing from certain lines, he expects a lot more business to come Schinnerer's way.

Although the market did not tighten until the latter part of the year, increasing rates and reduced competition pushed Schinnerer's premium volume to $144 million, up 15.2% from $125 million in 1983, making it the sixth-largest underwriting manager/managing general agent in the *Business Insurance* rankings.

Most of the increased premium volume at Schinnerer, a subsidiary of Marsh & McLennan Cos. Inc., came from rate increases on existing business, says Mr. Dolan.

For example, rate increases on existing business have boosted Schinnerer's premium volume for its line of architects and engineers liability insurance, which is Schinnerer's trademark and makes up 70% of its book of business.

The program was pioneered by Schinnerer in 1957.

Mr. Dolan says architectural and engineering firms with revenues of $5 million or less, the clients covered by the basic architects and engineers program, are paying 35% to 39% more for the coverage.

And, competitors also have withdrawn from the market for architects and engineers coverage, allowing Schinnerer to pick up additional business.

"We saw through 1984 a number of competitors withdrawing or restricting their availability of the coverage," Mr. Dolan notes. "We've picked up a good amount of new business and existing programs."

The basic architects and engineers coverage is written by CNA Insurance Cos. under an exclusive agreement. The basic program offers limits up to $25 million, the same limits available last year.

"We have arranged coverage up to $75 million, but it's a rarity that that much is ever needed," says Mr. Dolan.

Mr. Dolan says the program should see significantly greater growth in 1985 than in 1984 "because of the way the market has changed in the last six months."

The basic coverage protects architectural and engineering firms in private practice and includes coverage for all phases of building design administered by architects; electrical, structural, mechanical and civil engineers; landscape professionals; and surveyors.

Schinnerer's architects and engineers programs historically have been written on a claims-made form with defense costs included in the policy limits, Mr. Dolan says.

In addition to the basic coverage, which protects a firm's day-to-day operations, a project insurance program is available that covers an entire design team for a particular project during design and construction and a discovery period afterward.

Rate hikes and the withdrawal of competitors also have spurred growth in Schinnerer's other major line, real estate agents errors and omissions coverage, where Mr. Dolan says rates are up 20% to 40%.

The real estate program, underwritten by The Travelers Insurance Cos., was introduced in 1983 and later that year was endorsed by the National Assn. of Realtors. The endorsement prompted a significant increase in the number of applications received and policies written for the coverage.

Although he would not release specific figures, Mr. Dolan says premium volume for the coverage more than doubled in 1984 over 1983.

In addition to the rate increases, the pullout of several insurers from the real estate E&O market has spurred growth, Mr. Dolan says.


Mr. Dolan

"In California, particularly, the . . .program has become virtually the only standard market left for real estate errors and omissions," he says.

Typical buyers are small firms with eight to 10 licensed agents and $250,000 to $400,000 in annual revenues. They usually purchase limits of $1 million or less, Mr. Dolan says.

Available limits have been reduced to $5 million from $10 million, he says, because of lack of demand for the higher limits.

Minimum deductibles are $1,000 and range as high as $25,000 for the real estate agents coverage. But, Mr. Dolan says, deductibles typically range from $1,000 to $2,500.

The coverage currently is written on a claims-made form that does not include defense costs within policy limits. However, Travelers has indicated its intentions to adopt the new Insurance Services Office's commercial general liability forms and ISO's proposal to include defense costs within policy limits.

While there has been no specific mention of including defense costs in limits of the real estate coverage, Mr. Dolan says if Travelers does so with other coverages, "I assume there will be a move to do that within the real estate program."

While Schinnerer's architects and engineers and real estate agents E&O programs have shone, others have not fared as well.

For example, it temporarily is not a market for lawyers professional liability insurance, and its TAXRIGHT program has been shelved.

Mr. Dolan explains that United States Liability Insurance Co., which had written Schinnerer's lawyers professional liability program, decided at the beginning of the year that the coverage was "a line they weren't comfortable with and didn't continue."

He says Schinnerer currently is looking for another insurer to write the coverage, which offered limits of $2 million and was being run "on a profitable basis."

"A lot of carriers that have been in (lawyers professional liability) for the past five to seven years are either totally withdrawing from it or drastically increasing rates. I feel it's an opportune time for a soundly underwritten program to enter the market and become a stabilizing force," Mr. Dolan explains.

"Unfortunately, we can't convince a carrier of the wisdom of that," Mr. Dolan said.

In 1983, Schinnerer introduced TAXRIGHT, which offered protection to individuals in case of an Internal Revenue Service audit.

Although Schinnerer had high hopes for the innovative coverage, it met with resistance from state regulators and did not meet growth and premium projections.

TAXRIGHT provided coverage up to $100,000 to pay extra taxes due as the result of an IRS audit that revealed a misinterpretation of tax codes. It also provided up to $1,000 in professional fees to prepare for the audit.

Penalties and interest were not covered by the policy, nor were additional taxes caused as a result of mathematical errors, failure to report income or fraud.

Premiums for the coverage, which was written by Central National Insurance Co. of Omaha, Neb., began at $100.

The coverage is "in limbo," Mr. Dolan says, adding it "may be reintroduced in some altered state" at a later date.

But, Schinnerer still offers several other specialized coverages, including errors and omissions coverage for non-profit organizations and a directors and officers liability package for both for-profit and non-profit organizations.

Both are written by Federal Insurance Co. in Short Hills, N.J., a Chubb Corp. unit. And both programs offer limits up to $25 million.

Deductibles for the D&O and E&O programs range from $2,500 to $25,000.

In addition, Schinnerer continues to market its excess professional liability and general liability program for hospitals, although it offers less capacity.

Mr. Dolan explains that, due to a contraction in the reinsurance market, limits available for the coverage, which is written by Travelers, have shrunk to $28 million from $35 million.

That contraction has had a minimal impact on the Schinnerer program, he says.

"We only had one or two insureds that had higher limits than $28 million."

However, the rates for the excess coverage have gone up dramatically, he says. "In some areas, premiums have as much as doubled."

In addition, Schinnerer now requires policyholders to increase their retention: to $500,000 from $100,000 for small hospitals and to $1 million from $100,000 for medium-sized to large hospitals.

About 13,000 active producers, agents and brokers of all types place business with Schinnerer.

These producers range "from the one-person agency to the major alphabet houses," Mr. Dolan says.

Most of the company's business in 1984 was written in the standard market: About 95% was written by admitted insurers, and just less than 5% was written by non-admitted insurers.

In 1983, about 90% was in the admitted market, and around 10% was by non-admitted insurers.

CNA is still the largest underwriter of Schinnerer business, since it writes the architects and engineers coverage.

The real estate agents E&O program and excess hospital coverage written by Travelers comprise 20% of Schinnerer's business.

About 90% of Schinnerer's premium volume is generated as an underwriting manager, with just less than 10% as a managing general agent. Brokerage business makes up less than 1% of Schinnerer's premium volume.

Schinnerer is an underwriting manager for underwriters at Lloyd's of London, Continental Casualty Co., Travelers Indemnity Co. and Federal Insurance Co.

The company added seven employees in 1984, giving it 137.

Aside from its Washington headquarters, the company 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 Paul L. Genecki and Thomas F. Tucker, senior vps.

—By Michael Bradford

Directory of MGAs, wholesale brokers, underwriting managers

a

Acadiana Special Risks Inc.

1616 Jefferson St., Lafayette, La. 70501; 318-237-2000

	1984	1983
Premium volume	$2,500,000	$2,000,000
Gross revenues	$220,000	$150,000
Employees	4	3
Commercial lines	100%	100%
Admitted business	20%	80%
Non-admitted	20%	80%

Year founded: 1978.
Type of business: 100% broker.
Broker for: Primarily Interstate Fire & Casualty Co., Chicago Insurance Co., Highlands Insurance Co., Lloyd's of London.
Specialties: Oil lease operators, consulting engineers.
Principal officers: Glenn Hebert, president/secretary; Kathleen Cramer, vp.
Membership: NAPSLO, Louisiana.

Alexander Underwriters General Agency Inc.

Box 105051, Atlanta, Ga. 30348; 404-981-7100

	1984	1983
Premium volume	$26,199,596	$21,590,210
Gross revenues	$7,806,883	$6,347,91:
Employees	110	100
Commerc.al lines	50%	55%
Admitted business	70%	85%
Non-admitted	30%	15%

Parent company: International Indemnity Group Inc.
Year founded: 1974.
Type of business: 80% underwriting manager; 20% managing general agent.
Branch offices: Orlando, Fla.; Columbia, Tenn.; Baton Rouge, La.
Affiliated companies: International Indemnity Co., Florida International Indemnity Co.
Underwriting manager for: International Indemnity Co., Florida International Indemnity Co.
MGA for: Protective Indemnity Insurance Co. of Florida Inc.
Specialties: Non-standard private passenger auto, commercial auto.
Principal officers: James A. Alexander, president; Farris A. Alexander, vp/secretary; C. Glenn Alexander, vp/treasurer; Joseph E. Murphy, vp-marketing; Benny Byrd, vp-underwriting.
Membership: AAMGA, NAPSLO.

All Lines Insurance Agency Inc.

2800 S. Taylor Drive, Sheboygan, Wis. 53081; 414-458-8700

	1984	1983
Premium volume	$1,500,000*	$900,000*
Gross revenues	NA	NA
Employees	5	6
Commercial lines	95%	95%
Admitted business	32%	34%
Non-admitted	68%	66%

*BI estimate.
Parent company: Heritage Mutual Insurance Co.
Year founded: 1971.
Type of business: 45% managing general agent, 55% broker.
MGA for: Great Southwest Surplus Lines Insurance Co.
Broker for: Primarily J.H. Ferguson & Associates, Employers Reinsurance Corp.
Principal officers: John R. Holden, chairman; Robert D. Mac Ewen, president.
Membership: NAPSLO.

Allied General Agency Inc.

5670 S. Syracuse Circle, Suite 320, Englewood, Colo. 80012; 303-694-9603

	1984	1983
Premium volume	$26,282,000	$22,781,00(
Gross revenues	$3,066,000	$2,834,00(
Employees	74	6(
Commercial lines	48%	56%
Admitted business	76%	92%
Non-admitted	24%	8%

Parent company: McM Corp.
Year founded: 1897.
Type of business: 91% managing general agent, 9% broker.
Branch offices: Phoenix, Ariz.; Dallas.
Subsidiaries: Blackburn, Nickels & Smith Inc., Minneapolis; Kenneth I. Tobey, Seattle and Portland, Ore.
MGA for: Occidental Fire & Casualty Co. of North Carolina, Summit Home Insurance Co., American Reliable Insurance Co., Great Southwest Fire Insurance Co., National Indemnity Co., Jefferson Insurance Co. of New York, Monticello Insurance Co., Balboa Insurance Co., American Modern Home Insurance Co., Allied Fidelity Insurance Co., Guaranty National Insurance Co., Northland Insurance Co., National Fire & Marine Insurance Co., Diamond Guaranty Insurance Co., Lloyd's of London, Terra Nova Insurance Co. Ltd., Bryanston Insurance Co. Ltd., Bishopsgate Insurance Co. Ltd.
Broker for: Primarily Admiral Insurance Co., Evanston Insurance Co., Shand, Morahan & Co., Chicago Insurance Co., L.W. Biegler Inc., First State Insurance Co., Ranger Insurance Co., J.H. Ferguson & Associates Inc., Pine Top Insurance Co., Interstate Fire & Casualty Co, Stewart Smith, Lloyd's.
Specialties: Excess and surplus lines, non-standard auto.
Principal officers: Huck A. Tompkins, president; A.R. McLaughlin, president; A.R. Wood, executive vp; Ed Mills, Harold Anderson, senior vps; Ron Howard, vp/treasurer.
Membership: NAPSLO, AAMGA.

American Builders & Contractors Insurance

2787 Bristol, Suite 102, Costa Mesa, Calif. 92626; 714-540-5588

	1984	1983
Premium volume	$1,000,000	$640,000
Gross revenues	$180,000	$108,000
Employees	10	5
Commercial lines	100%	100%
Admitted business	100%	100%

Year founded: 1982.
Type of business: 80% managing general agent, 20% broker.
MGA for: Atlanta International Insurance Co.
Broker for: Atlanta International Insurance Co., Pacific States Casualty Co., Fremont Indemnity Co.
Specialties: Shopping centers, industrial parks and office parks.
Principal officers: Michael Kane, president.

American Eagle General Agency Inc.

4435 O St., Lincoln, Neb. 68505; 402-483-2991

	1984	1983
Premium volume	$2,800,000	$2,300,000
Gross revenues	$300,000	$250,000
Employees	8	9
Commercial lines	99%	99%
Admitted business	50%	55%
Non-admitted	50%	45%

Parent company: Hull & Co. (pending).
Year founded: 1972.
Type of business: 60% managing general agent, 40% broker.
MGA for: Constitution State Insurance Co., Rockwood Insurance Co., Guaranty National Insurance Co.
Broker for: Primarily International Surplus Lines Insurance Co.
Specialities: Umbrella liability, workers compensation.
Principal officers: James L. Hippard, president.
Membership: NAPSLO, AAMGA.

American Insurance Markets

12610 E. Northwest Highway, Dallas, Texas 75228; 214-279-3607

	1984	1983
Premium volume	$18,000,000	$14,000,000
Gross revenues	$5,600,000	$4,700,000
Employees	57	45
Commercial lines	50%	40%
Admitted business	80%	90%
Non-admitted	20%	10%

Continued on facing page

Continued from facing page

Year founded: 1976.
Type of business: 10% underwriting manager, 80% managing general agent, 10% broker.
Underwriting manager for: Southwest American Lloyd's Insurance Co.
MGA for: Insurance Co. of North America, Morrison Assurance Co., National County Mutual Insurance Co., Western Fire Insurance Co.
Broker for: Primarily Fireman's Fund Insurance Cos.
Specialties: Large property risks.
Principal officers: Charles McDearmon, president; Gage Forrest, executive vp; Ron Fous, vp-commercial; Mary Carlson, vp-marketing; Dean Cheatham, comptroller.

Anderson & Murison Inc.

800 W. Colorado Blvd., Los Angeles, Calif. 90041; 213-255-2333

	1984	1983
Premium volume	NA	NA
Gross revenues	$1,791,000	$1,745,000
Employees	31	31
Commercial lines	90%	95%
Admitted business	75%	75%
Non-admitted	25%	25%

Year founded: 1965.
Type of business: 10% underwriting manager, 80% managing general agent, 10% broker.
Branch offices: Mesa, Ariz.
Underwriting manager for: American Modern Home Insurance Co., Canal Insurance Co., Great Falls Insurance Co., Jefferson Insurance Co. of New York, Great American Surplus Lines Insurance Co., Penn-America Insurance Co., Southern Insurance Co., Universal Security Insurance Co, Colonia Insurance Co., Lloyd's of London.
Broker for: Primarily Gen-Star Insurance Co., Employers Reinsurance Corp., First State Insurance Co., L.W. Biegler Inc.
Principal officers: David F. Anderson, president; Horst L. Lechler, senior vp; William V. King, vp/controller.
Membership: NAPSLO, AAMGA.

Arlington/Roe & Co. Inc.

5546 Shorewood Drive, Indianapolis, Ind. 46220; 317-257-9123

	1984	1983
Premium volume	$3,400,000	$2,700,000
Gross revenues	$500,000	$360,000
Employees	14	11
Commercial lines	43%	40%
Admitted business	70%	70%
Non-admitted	30%	30%

Year founded: 1964.
Type of business: 85% managing general agent, 15% broker.
MGA for: Foremost Insurance Co., Great Southwest Fire Insurance Co. Empire Fire & Marine Insurance Co., National Indemnity Co., Midwest Mutual Insurance Co., Northfield Insurance Co., Northland Insurance Co., American Modern Home Insurance Co., Great American Surplus Lines Insurance Co., Century Surety Co., General Agents Insurance Co.
Broker for: Primarily Chicago Insurance Co., Royal Insurance Co., Employers Reinsurance Corp., Lexington Insurance Co., Imperial Casualty & Insurance Co., Alliance Insurance Co., Twin City Fire Insurance Co.
Principal officers: Francis L. Roe, president; James A. Roe, executive vp.
Membership: NAPSLO, AAMGA.

Atlantic Underwriters Inc.

30800 Telegraph Road, Suite 4852, Birmingham, Mich. 48010; 313-258-9510

	1984	1983
Premium volume	$6,034,500	NA
Gross revenues	$529,566	NA
Employees	3	NA
Commercial lines	100%	NA
Admitted business	100%	NA

Year founded: 1983.
Type of business: 100% managing general agent.
MGA for: Ranger Insurance Co.
Specialties: Shopping centers.
Principal officers: Theodore Kelter, chairman; Douglas Guldan, 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 on page 53.

Avreco Inc.

200 W. Monroe, Chicago, Ill. 60606; 312-663-1500

	1984	1983
Premium volume	$55,000,000	$45,000,000
Gross revenues	NA	NA
Employees	35	30
Commercial lines	100%	100%
Admitted business	40%	60%
Non-admitted	60%	40%

Parent company: Cameron General Corp.
Year founded: 1962.
Type of business: 100% broker.
Branch offices: New York; Phoenix, Ariz.
Broker for: Primarily First State Insurance Co., Cameron & Colby Co. Inc., California Union Insurance Co., Columbia Casualty Co., American International Group Inc., Royal Insurance Co. of America, Harbor Insurance Co.
Principal officers: Fred Pearson, president; Ron Moore, executive vp.
Membership: NAPSLO.

b

L.W. Biegler Profit Center

100th Floor, Sears Tower, 233 S. Wacker Drive, Chicago, Ill. 60606; 312-876-3100

See profile on page 48.

J.H. Blades & Co. Inc.

P.O. Box 22003, Houston, Texas 77027-2003; 713-780-8770

	1984	1983
Premium volume	$99,153,000	$88,428,000
Gross revenues	$5,142,400*	$4,550,000*
Employees	106	110
Commercial lines	100%	100%
Admitted business	70%	70%
Non-admitted	30%	30%

*Includes commissions only.
Parent company: Crum & Forster/Xerox Corp.
Year founded: 1952.
Type of business: 35% managing general agent, 65% broker.
Branch offices: Dallas; Tulsa, Okla.
MGA for: United States Fire Insurance Co., International Insurance Co., International Surplus Lines Insurance Co., Lloyd's.
Broker for: Primarily Lloyd's, United States Fire Insurance Co., First State Insurance Co., Interstate Fire & Casualty Co., Fireman's Fund Insurance Cos.
Specialties: Oil and gas, financial institutions, manufacturers and contractors.
Principal officers: Benjamin D. Wilcox, president/chief executive officer; James W. McGrath, executive vp; Marianne Ryan, senior vp-finance; John E. Fox and Martin Taylor, senior vps.
Membership: NAPSLO, Texas Surplus Lines Assn.

Bliss & Glennon Inc.

23868 Hawthorne Blvd., Torrance, Calif. 90505; 213-772-0214

	1984	1983
Premium volume	$4,500,000	$3,300,000
Gross revenues	NA	NA
Employees	13	11
Commercial lines	85%	70%
Admitted business	75%	75%
Non-admitted	25%	25%

Year founded: 1966.
Type of business: 85% managing general agent, 15% broker.
MGA for: Universal Security Insurance Co., Western World Insurance Co., Foremost Insurance Co., Homeland Insurance Co., Lloyd's of London.
Broker for: Primarily Admiral Insurance Co., Chubb Custom Insurance Co., First State Insurance Co.
Principal officers: Donald F. Glennon, president; Robert P. Abramson, vp/treasurer; Joyce Warne, secretary; Corinne Jones, assistant vp.
Membership: NAPSLO, AAMGA.

Bliss-McKnight Inc.

301 Prospect Road, Bloomington, Ill. 61701; 309-663-1393.

	1984	1983
Premium volume	$850,000	$700,000
Gross revenues	$100,000	$80,000
Employees	2	2
Commercial lines	95%	95%
Admitted business	90%	90%
Non-admitted	10%	10%

Parent company: Bliss Group Cos.
Year founded: 1978.
Type of business: 15% underwriting manager, 60% managing general agent, 25% brokerage.
Underwriting manager for: National Fire & Casualty Insurance Co.
MGA for: Constitution State Insurance Co., Great Southwest Fire Insurance Co., Capitol Indemnity Corp.
Broker for: Primarily J.H. Ferguson & Associates Inc., Victor O. Schinnerer & Co. Inc., Shand, Morahan & Co. Inc.
Speciality: Truck liability.
Principal officers: John McKnight, executive vp; James Bliss, president; Roger Kennell, vp-underwriting.
Membership: NAPSLO.

Brown & Riding Insurance Services Inc.

107 South B St., San Mateo, Calif. 94401; 415-579-0172

	1984	1983
Premium volume	$7,000,000	$5,000,000
Gross revenues	$700,000	$500,000
Employees	10	8
Commercial lines	99%	99%
Admitted business	80%	78%
Non-admitted	20%	22%

Year founded: 1980.
Type of business: 25% managing general agent; 75% broker.
MGA for: Alliance Insurance Co., Lloyd's of London.
Broker for: Primarily RLI Insurance Co., Associated International Insurance Co., Home Insurance Co., Admiral Insurance Co., Royal Excess & Surplus Insurance Co., Fireman's Fund, International Surplus Lines Insurance Co., First State Insurance Co., Chicago Insurance Co.
Specialties: High-tech products, primary liability, professional liability, property.
Principal officers: B. Peter Brown, president; David F. Riding, executive vp; Richard B. Schlesinger, vp; Ramon C. Howing, vp; Kaycie Palmer, assistant vp.
Membership: NAPSLO, AAMGA.

Geo. F. Brown & Sons Inc.

55 E. Monroe St., Chicago, Ill. 60603; 312-346-6400

	1984	1983
Premium volume	$35,596,000	$43,433,000
Gross revenues	$3,595,000	$4,308,000
Employees	NA*	NA*

Continued on next page

Guide to *BI* directory of wholesale marketers

Business Insurance's 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 to be listed.

Following the company name, address and telephone number, each listing includes 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 investment income.

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 relating to the insurance it has written.

A broker places 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.

Locations 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.

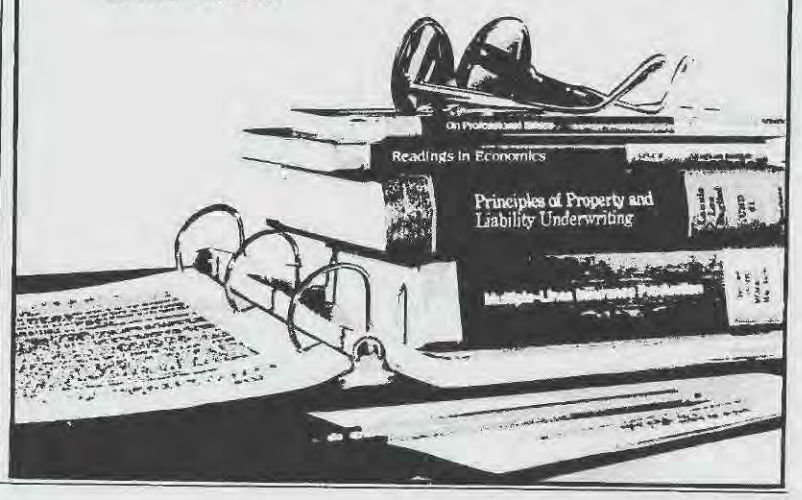
In addition to this directory of wholesale marketers, a listing of surplus lines insurers that also responded to a *Business Insurance* questionnaire appears on page 40.

Although we make every effort to provide complete and accurate information, *Business Insurance* is unable to verify all figures supplied by responding companies.

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Continued from preceding page

Commercial lines	98%	95%
Admitted business	50%	50%
Non-admitted	50%	50%

*All are employees of the parent company.

Parent company: Interstate National Corp.

Year founded: 1912.

Type of business: 9% underwriting manager, 14% managing general agent, 77% broker.

Branch offices: Atlanta, Chicago, Houston, Los Angeles, San Francisco.

Underwriting manager for: CNA Insurance Cos.

MGA for: Lloyd's of London.

Broker for: Primarily Genstar Insurance Co., International Surplus Lines Insurance Co., Admiral Insurance Co.

Specialties: Commercial property/casualty.

Principal officers: Patrick S. O'Flynn, president; John G. Graff, senior vp; Chris Morrish, Ronald Reich, Robert Tiemeyer, Robert Mestayer and Roy Cody, vps/branch managers.

Membership: NAPSLO, AAMGA.

C

Cambridge General Agency

1825 Sacramento St., San Francisco, Calif. 94109; 415-441-8500

	1984	1983
Premium volume	$25,000,000	$20,000,000
Gross revenues	$2,200,000	$2,000,000
Employees	27	26
Commercial lines	80%	80%
Admitted business	50%	50%
Non-admitted	50%	50%

Year founded: 1966.

Type of business: 100% managing general agent.

Branch offices: Covina, Calif.

Subsidiaries: Plymouth Adjusting.

Specialties: Bank-related business.

Principal officers: A. Mason Blodgett, Wesley Luekens, John Goggin, David Garcia and Kenneth Lee.

Membership: NAPSLO, AAMGA.

Cameron & Colby Co. Inc.

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

See profile on page 52.

Century Underwriters Inc.

Investment Building, 239 Fourth Ave., Pittsburgh, Pa. 15222; 412-281-7252

	1984	1983
Premium volume	$4,500,000	$4,093,000
Gross revenues	$369,000	$366,000
Employees	10	10
Commercial lines	85%	85%
Admitted business	75%	75%
Non-admitted	25%	25%

Year founded: 1965.

Type of business: 18% underwriting manager, 82% broker.

Underwriting manager for: Lloyd's of London, Sphere Drake Insurance Co.

Broker for: Primarily Rockwood Insurance Co., Westmoreland Casualty Co., The Home Insurance Co., Security Insurance Co., Mid-Continent Insurance Co., Lexington Insurance Co., Foremost Insurance Co., Aegis Security Insurance Co., Zurich-American Insurance Co.

Principal officers: Eugene J. Marsalek, secretary/treasurer; Pat Cawley, vp.

Membership: NAPSLO.

Charter House Inc.

P.O. Box 40346, Nashville, Tenn. 37204; 615-269-4024

	1984	1983
Premium volume	$6,153,037	$2,673,582
Gross revenues	$535,454	$259,672
Employees	7	3
Commercial lines	100%	100%
Admitted business	100%	100%

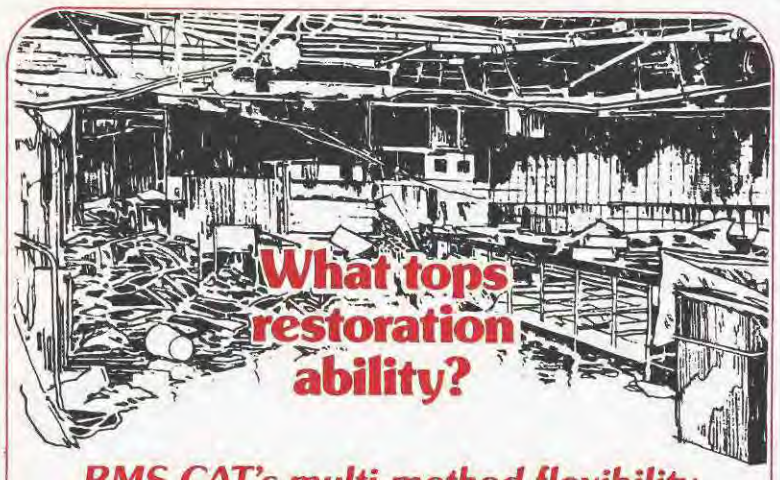
Year founded: 1983.

Type of business: 100% broker.

Branch offices: Birmingham, Ala.; Atlanta; Louisville, Ky.

Subsidiaries: Charter Benefits Inc., Nashville, Tenn.

Broker for: Primarily National Union Fire Insurance Co. of Pittsburgh, Pa., Great Global Assurance Co.



BMS CAT's multi-method flexibility.

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In Texas: 817/926-5296
In Canada: 519/886-7909

Blackmon Mooring Steamatic Catastrophe, Inc.

Specialties: Public entities.

Principal officers: David Van Dyke, president; Walter Elliott Jr., Del F. Powell, vps; Pat M. Van Dyke, secretary/treasurer.

Chicago Underwriting Group Inc.

11 S. LaSalle St., Suite 1720, Chicago, Ill. 60603; 312-750-8800

	1984	1983
Premium volume	$7,150,000	NA
Gross revenues	NA	NA
Employees	8	NA
Commercial lines	100%	NA
Admitted business	90%	NA
Non-admitted	10%	NA

Parent company: Old Republic International Corp.

Year founded: 1983.

Type of business: 100% underwriting manager.

Underwriting manager for: Old Republic Insurance Co., Capitol Fire & Marine Insurance Co., International Business & Mercantile Reassurance Co.

Specialties: Professional liability, directors and officers liability.

Principal officers: John A. Dore, president; Martin J. Perry, William J. Schwass and Barlow M. Westcott II, vps.

Membership: NAPSLO.

Coastal Risk Specialists Inc.

2211 Norfolk, Suite 910, Houston, Texas 77098; 713-526-8795

	1984	1983
Premium volume	$3,500,000	$3,000,000
Gross revenues	NA	NA
Employees	10	12
Commercial lines	60%	50%
Admitted business	80%	50%
Non-admitted	20%	50%

Year founded: 1980.

Type of business: 70% underwriting manager, 30% broker.

Underwriting manager for: National County Mutual Insurance Co., Lloyd's of London.

Broker for: Primarily National County Mutual, Lloyd's.

Specialties: Commercial auto, maritime liability.

Principal officers: William M. Edmondson, president; Marvin Blum, vp.

Membership: NAPSLO.

Cochran, Griffin & Co. Inc.

P.O. Box 6938, Bellevue, Wash. 98007; 206-881-6616

	1984	1983
Premium volume	$8,000,000	$7,200,000
Gross revenues	$880,000	$740,000
Employees	23	21
Commercial lines	50%	50%
Admitted business	60%	45%
Non-admitted	40%	55%

Year founded: 1960.

Type of business: 99% managing general agent, 1% broker.

MGA for: Scottsdale Insurance Co., Guaranty National Insurance Co., Great Southwest Insurance Co., Jefferson Insurance Co. of New York, Terra Nova Insurance Co. Ltd., Sphere Drake Insurance Co., Evanston Insurance Co., Thames Insurance Co. Inc., Elite Insurance Co., Sutter Insurance Co., Preserver Assurance Co., Empire Fire & Marine Insurance Co., Canal Insurance Co., Rockwood Insurance Co.

Broker for: Primarily International Insurance Co.

Specialties: Commercial auto.

Principal officers: John Griffin, president; C.D. Wertz, vp; Marci Sherk, secretary; Gerry Newman, marketing; Jim Gibbons, underwriter.

Membership: AAMGA, NAPSLO, Washington State Surplus Lines Assn.

Commercial American Underwriters Inc.

2 Northpoint Drive, Suite 550, Houston, Texas 77060; 713-999-2035

	1984	1983
Premium volume	$4,000,000	NA
Gross revenues	$320,000	NA
Employees	8	NA
Commercial lines	100%	NA
Admitted business	99%	NA
Non-admitted	1%	NA

Year founded: 1983.

Type of business: 50% underwriting manager, 49% managing general agent, 1% broker.

Branch offices: Dallas.

Subsidiaries: Consumer Underwriters, CAM Systems Inc., American Risk Specialists.

Underwriting manager for: Homeland Insurance Co.

MGA for: International Underwriters Insurance Co., Security Capital Lloyd's, Casualty Indemnity Exchange.

Specialties: Workers compensation.

Principal officers: Don E. Robison, president; Sandy Methvin, underwriting manager.

Commercial Insurance Broker Inc.

11205 Alpharetta Highway, Suite G-1, Roswell, Ga. 30076; 404-442-1915

	1984	1983
Premium volume	$1,200,000	NA
Gross revenues	NA	NA
Employees	4	NA
Commercial lines	100%	NA
Admitted business	40%	NA
Non-admitted	60%	NA

Year founded: 1984.

Type of business: 100% broker.

Specialties: Property, general liability, umbrellas.

Principal officers: Kennith B. Hughes, president.

Commercial Insurance Network

105 E. Vermijo Ave., Penthouse, Colorado Springs, Colo. 80903; 303-578-8751

	1984	1983
Premium volume	NA	NA
Gross revenues	$45,000*	NA
Employees	3*	NA
Commercial lines	100%*	NA
Admitted business	50%*	NA
Non-admitted	50%*	NA

*Figures are for first three months of 1985.

Year founded: 1985.

Type of business: 100% broker.

Broker for: Primarily Lloyd's of London, Fireman's Fund Insurance Cos., Allianz Insurance Co.

Specialties: Apartments, builders risk and manufacturing, difference in conditions.

Principal officers: Michael T. Shoback, owner.

Membership: Colorado Excess & Surplus Lines Assn.

Connecticut Underwriters Inc.

329 Main St., Portland, Conn. 06480; 203-342-0713

	1984	1983
Premium volume	$17,630,000	$11,270,000
Gross revenues	$1,617,200	$1,117,450
Employees	24	20
Commercial lines	60%	60%
Admitted business	40%	40%
Non-admitted	60%	60%

Year founded: 1964.

Type of business: 100% broker.

Branch offices: Lynnfield, Mass.

Subsidiaries: Cen Exco Insurance Agency Inc., R.I. Underwriters Inc., Professional Service Associates of New York Inc.

Broker for: Primarily Western World Insurance Co., Great American Surplus Lines Insurance Co., Lloyd's, Foremost Insurance Co., CNA Insurance Cos.

Principal officers: Henry J. Stone Jr., president/treasurer.

Membership: NAPSLO.

Corson Special Risks Inc.

P.O. Box 60812, Houston, Texas 77205; 713-931-7660

	1984	1983
Premium volume	$3,980,623	$4,000,000
Gross revenues	$456,000	$475,000
Employees	11	10
Commercial lines	90%	90%
Admitted business	5%	5%
Non-admitted	95%	95%

Year founded: 1974.

Type of business: 40% managing general agent, 60% broker.

MGA for: Alliance Insurance Co. Inc., Lloyd's of London, Colonial Penn Insurance Co., American Risk Assurance Co.

Broker for: Primarily Alliance Insurance Co., Lloyd's, Tri-State Insurance Co., Lexington Insurance Co.

Principal officers: Lew Corson, president; Oscar Perez, vp; Michelle Corson, assistant vp.

Membership: NAPSLO, AAMGA, and Texas.

Corvette General Agency Inc.

70 Fourth St. N.W., Atlanta, Ga. 30308; 404-881-0911

	1984	1983
Premium volume	$2,395,070	$2,400,000
Gross revenues	$346,416	$346,990
Employees	7	7
Commercial lines	0%	0%
Admitted business	100%	100%

Year founded: 1968.

Type of business: 100% managing general agent.

Branch offices: Dade City, Fla.; Langley, S.C.; Murphy, N.C.

MGA for: American Modern Home Insurance Co., American Family Home Insurance Co., American Southern Home Insurance Co., Foremost Insurance Co., Balboa Insurance Co., American Reliable Insurace Co., Transamerica Premier Insurance Co.

Principal officers: Theo Corvette, president; Carolyn G. Corvette, vp; Lois Phillips, secretary/treasurer.

Membership: AAMGA.

Cox Insurance Group Inc.

5170 Commerce Circle, P.O. Box 27766, Indianapolis, Ind. 46227; 317-887-0030

	1984	1983
Premium volume	$10,000,000	$7,000,000
Gross revenues	$1,500,000	$1,005,000
Employees	25	18
Commercial lines	99%	99%
Admitted business	1%	1%
Non-admitted	99%	99%

Year founded: 1981.

Type of business: 99% underwriting manager, 1% broker.

Subsidiaries: Cox Enterprises, Indianapolis, Ind.

Underwriting manager for: Lloyd's of London.

Specialities: Medical stop-loss.

Principal officers: Ray Cox, chairman/president; Bill Krantz, vp-finance; Terri Ross, vp-underwriting.

Membership: NAPSLO.

Cravens, Dargan & Co. of Houston

P.O. Box 1660, Houston, Texas 77251; 713-525-6100

	1984	1983
Premium volume	$70,000,000	$70,000,000
Gross revenues	NA	NA
Employees	120	120
Commercial lines	90%	90%
Admitted business	80%	80%
Non-admitted	20%	20%

Year founded: 1903.

Type of business: 90% managing general agent, 10% broker.

Branch offices: Atlanta; Denver; Dallas and San Antonio, Texas.

Subsidiaries: Planned Premium Services; Cravens, Dargan Bermuda; Cravens, Dargan International (Bermuda); Cravens Insurance Co. (Bermuda); American Aviation Underwriters.

MGA for: Republic Insurance Group of Dallas, Lloyd's.

Broker for: Primarily Republic Insurance Group of Dallas, Lloyd's.

Principal officers: Malcolm Cravens, chairman; James Cravens Jr., president; J.A. Howse, executive vp.

Membership: AAMGA, NAPSLO.

Cravens, Dargan & Co., Pacific Coast

350 California St., Suite 1600, San Francisco, Calif. 94104; 415-622-7700

	1984	1983
Premium volume	$104,984,178	$133,345,575
Gross revenues	$9,842,074	$15,360,414
Employees	172	219
Commercial lines	100%	100%
Admitted business	79%	84%
Non-admitted	21%	16%

Parent company: CIGNA Corp.

Year founded: 1903.

Type of business: 100% managing general agent.

Branch offices: Atlanta; Chicago; Los Angeles; New York; Seattle and Spokane, Wash.; Portland, Ore.; Phoenix, Ariz.; St. Louis.

MGA for: Central National Insurance Co. of Omaha, Century Indemnity Co., Indemnity Insurance Co. of North America, Gerling Global Insurance Co.

Principal officers: Raymond L. Karnofski, president; Frank A. Piacente, vp-finance/administration; Joseph B. Rosicker, vp-casualty; M. Peter Meador, vp-property; William Hodkinson, vp-claims.

Membership: NAPSLO.

The Crump Cos. Inc.

5350 Poplar Ave., Memphis, Tenn. 38119; 901-761-1550

See profile on page 44.

Continued on facing page

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Continued from facing page

Delaware Valley Underwriting Agency Inc.

420 S. York Road, Hatboro, Pa. 19040; 215-443-3500

	1984	1983
Premium volume	$60,000,000	$45,400,000
Gross revenues	$5,450,000	$4,000,000
Employees	95	103
Commercial lines	99%	99%
Admitted business	70%	57%
Non-admitted	30%	43%

Parent company: Penn Independent Associates Inc.
Year founded: 1947.
Type of business: 40% managing general agent, 60% broker.
Branch offices: Pittsburgh; New York; Springfield, N.J.; Highland Heights, Ohio; Charleston, W.Va.
Subsidiaries: DVUA of New York Inc., DVUA of New Jersey Inc., DVUA of Ohio Inc., DVUA of West Virginia Inc.
MGA for: National Indemnity Co., Western World Insurance Co. Inc., Penn-America Insurance Co., RLI Insurance Co., Safety Mutual Insurance Co., Guaranty National Insurance Co., Lloyd's of London.
Broker for: More than 60 companies.
Specialties: Umbrella, general liability, products, long-haul trucking, major property/casualty risks.
Principal officers: Irvin Saltzman, president; Charles Ellman, Robert Cohen and Charles Conway, senior vps; Leroy S. Ellman, senior vp/corporate secretary; Wade L. Hoffman, treasurer.
Membership: NAPSLO, AAMGA.

Delta General Agency Corp.

4828 Loop Central Drive, Suite 1000, Houston, Texas 77081; 713-666-2777

	1984	1983
Premium volume	$20,700,000	$14,500,000
Gross revenues	$2,027,303	$1,997,210
Employees	65	42
Commercial lines	25%	25%
Admitted business	80%	80%
Non-admitted	20%	20%

Parent company: Delta Lloyds Insurance Co.
Year founded: 1959.
Type of business: 80% underwriting manager, 18% managing general agent, 2% broker.
Subsidiaries: Delta Budget Account, Alpha Adjusting Co.
Underwriting manager for: Delta Lloyds Insurance Co., Jefferson Insurance Co. of New York, Monticello Insurance Co., Lloyd's of London.
MGA for: Delta Lloyds Insurance Co., Jefferson Insurance Co., Monticello Insurance Co., Great Southwest Surplus Lines Insurance Co., Scottsdale Insurance Co., Interstate Fire & Casualty Co., National Fire & Marine Insurance Co.
Specialties: Jewelers block, commercial umbrella.
Principal officers: Avrohm I. Wisenberg, chairman; Donald A. King, president; William A. Fink, vp; Sandra Ford, assistant vp-personal lines; Harold F. Smith Jr., assistant vp-commercial casualty; Elvira Ware, assistant vp-claims.
Membership: AAMGA, NAPSLO and Texas Surplus Lines Assn.

Doran Excess Underwriters Inc.

P.O. Box 317, Mechanicsburg, Pa. 17055; 717-697-4626

	1984	1983
Premium volume	$4,653,888	$4,095,242
Gross revenues	NA	NA
Employees	8	8
Commercial lines	100%	100%
Non-admitted	100%	95%
Admitted	0%	5%

Year founded: 1975.
Type of business: 100% underwriting manager.
Underwriting manager for: United National Insurance Co., Diamond National Insurance Co.
Specialties: Umbrella and excess liability, excess hospital professional liability.
Principal officers: William L. Doran, president/treasurer; Ronald G. Hihn, vp; Yvonne Baughman, secretary; E.D. Firestone, assistant treasurer.
Membership: NAPSLO.

Aaron B. Dupuy & Sons Inc.

5155 Galaxie Drive, Jackson, Miss. 39206; 601-982-3533

	1984	1983
Premium volume	$11,500,000	$9,000,000
Gross revenues	$1,081,000	$837,000
Employees	28	25
Commercial lines	50%	50%
Admitted business	60%	70%
Non-admitted	40%	30%

Year founded: 1962.
Type of business: 10% underwriting manager, 70% managing general agent, 20% broker.
Subsidiaries: Foundation Funding Corp. (Premium Finance Co.)
Underwriting manager for: Lloyd's of London.
MGA for: Empire Fire & Marine Insurance Co., Kentucky Central Insurance Co., General Agents Insurance Co. of America Inc., Mount Hawley Insurance Co., Foremost Insurance Co., American Security Insurance Co., Western World Insurance Co., Blue Ridge Insurance Co.
Broker for: Primarily Great American Surplus Lines Insurance Co., Mount Hawley Insurance Co., First State Insurance Co., Commonwealth Lloyd's Insurance Co., Lexington Insurance Co.
Principal officers: Aaron B. Dupuy Jr., Aaron B. Dupuy III, Jean Pierre Dupuy.
Membership: AAMGA, NAPSLO, Mississippi and Louisiana Surplus Lines Assns.

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E & S Agency of Georgia Inc.

4530 S. Berkeley Lake Road, P.O. Box 920009, Norcross, Ga. 30092; 404-449-7292

	1984	1983
Premium volume	NA	NA
Gross revenues	NA	NA
Employees	3*	NA
Commercial lines	100%*	NA
Admitted business	30%*	NA
Non-admitted	70%*	NA

*Figures are estimates for 1985.
Year founded: 1985.
Type of business: 20% managing general agent, 80% broker.
Principal officers: Richard L. Beeson, president; Stanley L. Simonton, vp; Clyde J. Holliday III.
Membership: NAPSLO.

E & S Facilities Inc.

31 Inverness Center Parkway, Suite 280, Birmingham, Ala. 35243; 205-969-1700

	1984	1983
Premium volume	$35,000,000	$23,500,000
Gross revenues	$3,359,440	$2,186,825
Employees	53	43
Commercial lines	55%	55%
Admitted business	45%	45%
Non-admitted	55%	55%

Year founded: 1975.
Type of business: 30% managing general agent, 70% broker.
Branch offices: Atlanta; Charlotte, N.C.

Continued on next page



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Chicago, IL 60604, USA, Tel.: 822-4512, Telex: 510 100 74 88

Continued from preceding page

MGA for: Safety Mutual Casualty Corp., Employers National Insurance Co.

Broker for: Primarily First State Insurance Co., Royal Indemnity Co., Fireman's Fund Insurance Co., Great American Surplus Lines Insurance Co., United States Fire Insurance Co., Century Indemnity Co., Admiral Insurance Co., Integrity Insurance Co., Lexington Insurance Co., Fremont Indemnity Co., The Home Insurance Co., General Reinsurance Corp., Tudor Insurance Co.

Principal officers: Don J. Pate, president; Charles H. Garrison, executive vp; D.L. Lackey, Tom Sefton and Carson Keller, vps; Sondra H. Pate, secretary-treasurer.

Membership: NAPSLO.

EBCO General Agency

1420 Union Ave., Memphis, Tenn. 38104; 901-725-0966

	1984	1983
Premium volume	$37,095,960	$17,617,099
Gross revenues	$5,773,758	$2,326,864
Employees	165	125
Commercial lines	8.1%	7%
Admitted business	67%	68%
Non-admitted	33%	32%

Parent company: Farris Evans Insurance Agency Inc.

Year founded: 1970.

Type of business: 100% managing general agent.

Branch offices: Atlanta.

MGA for: Balboa Insurance Co. Midwest Mutual Insurance Co., Chicago Insurance Co., Universal Underwriters Insurance Co.

Principal officers: Farris Evans, president; Carl E. Davis, Farris Evans Jr. and John Stanley Evans, vps; Violet B. Evans, secretary/treasurer.

Membership: NAPSLO.

ESL Inc.

1900 Derry St., Harrisburg, Pa. 17104; 717-255-6820

	1984	1983
Premium volume	$1,200,000	$750,000
Gross revenues	$92,000	$65,619
Employees	2	2
Commercial lines	100%	100%
Admitted business	37%	39%
Non-admitted	63%	61%

Parent company: Pennsylvania National Mutual Casualty Insurance Co.

Year founded: 1980.

Type of business: 20% managing general agency, 80% broker.

Branch offices: Kansas City, Mo.; Greensboro, N.C.; Trenton, N.J.

Subsidiaries: ESL Excess & Surplus Agency Inc.

Broker for: Evanston Insurance Co., Utica Mutual Insurance Co., International Surplus Lines Insurance Co., First State Insurance Co., Republic Insurance Co.

Principal officers: D.D. Walters, president; R.S Schade, executive vp; D.L. Walmer, vp; K.L. Shaffer, treasurer; Kenneth Shutts, secretary.

Membership: Pennsylvania Surplus Lines Assn.

Ian Elliot Ltd.

1253 McGill College, Suite 165, Montreal, Quebec, Canada H3B 2Y5; 514-878-9155

	1984	1983
Premium volume	$16,979,573	$12,692,420
Gross revenues	$1,642,176	$1,228,999
Employees	18	17
Commercial lines	100%	100%
Admitted business	99%	99%
Non-admitted	1%	1%

Year founded: 1966.

Type of business: 60% managing general agent, 40% broker.

Branch offices: Toronto.

Managing general agent for: Scottish & York Insurance Co.

Specialties: Liability risks

Principal officers: Ian M. Elliott, president; David Eastaugh, executive vp (Toronto); Andre Doyon, Charles Gallant, Alain Jourdain and Giovanni Massotti, vps.

Membership: NAPSLO.

Excess & Surplus Lines Insurance Brokers Inc.

13848 Ventura Blvd., Suite A, Sherman Oaks, Calif. 91423; 818-990-8860

	1984	1983
Premium volume	$12,600,000	$7,250,000
Gross revenues	$1,070,000	$619,000
Employees	18	11
Commercial lines	100%	100%
Admitted business	73%	90%
Non-admitted	27%	10%

Year founded: 1975.

Type of business: 22% managing general agent, 78% broker.

MGA for: Great American Surplus Lines Insurance Co.

Broker for: Primarily Associated International Insurance Co., Western Employers Insurance Co., Universal Security Insurance Co.

Specialties: Difference-in-conditions, commercial umbrellas, primary general liability and products.

Principal officers: Douglas DeLano, chairman/executive vp/secretary; Jerry C. Boyer, president/treasurer.

Membership: NAPSLO

Excess Insurance Underwriters Inc.

P.O. Box 1518, 20 Atlantic Place, South Portland, Maine 04104; 207-775-0136

	1984	1983
Premium volume	$3,500,000	$3,193,631
Gross revenues	NA	$369,546
Employees	11	13
Commercial lines	90%	90%
Admitted business	70%	75%
Non-admitted	30%	25%

Year founded: 1978.

Type of business: 95% managing general agent, 5% broker.

Branch offices: Excess Insurance Underwriters of Rhode Island Inc.

MGA for: National Indemnity Co., National Fire & Marine Insurance Co., Penn-America Insurance Co., North East Insurance Co., Colonial Penn Insurance Co., Foremost Insurance Co., Continental Insurance Co., Lloyd's of London, Marine Office of America Corp.

Broker for: Primarily American International Group Inc., International Surplus Lines Insurance Co.

Specialties: Commercial automobile, restaurants, inland marine.

Principal officers: Michael S. Adams, president; Alexander T. Pratt Jr., vp.

Membership: NAPSLO and AAMGA.

f

J.H. Ferguson & Associates Inc.

500 Davis St., Evanston, Ill. 60201; 312-866-0260

	1984	1983
Premium volume	$12,000,000	$20,000,000
Gross revenues	NA	NA
Employees	35	40
Commercial lines	80%	80%
Admitted business	35%	35%
Non-admitted	65%	65%

Year founded: 1979.

Type of business: 100% underwriting manager.

Underwriting manager for: Colonial Penn Insurance Co., Colonial Penn Franklin Insurance Co., United National Insurance Co., Diamond State Insurance Co.

Principal officers: James H. Ferguson, president; William Scherr, financial vp.

Membership: NAPSLO, AAMGA.

Firemark International Surplus Line Brokers

330 Washington St., Marina del Rey, Calif. 90292; 213-822-3330

	1984	1983
Premium volume	$1,870,000	$1,225,000
Gross revenues	$197,000	$128,000
Employees	3	3
Commercial lines	100%	100%
Admitted business	70%	70%
Non-admitted	30%	30%

Year founded: 1981.

Type of business: 20% managing general agent, 80% broker.

MGA for: Comstock Insurance Co., Alliance Insurance Co.

Broker for: Primarily Lloyd's of London, RLI Insurance Co., Midland Insurance Co., Constitution State Insurance Co., Associated International Insurance Co.

Specialties: Directors and officers liability, product liability.

Principal officers: Charles M. Wright, president; Debra C. Newmark, vp.

Membership: NAPSLO.

First Insurance Mart

118 W. Fulton St., Celina, Ohio 45822; 419-586-1694

	1984	1983
Premium volume	$17,950,000	$12,400,000
Gross revenues	$1,191,000	$921,000
Employees	16	15
Commercial lines	40%	40%
Admitted business	75%	75%
Non-admitted	25%	25%

Parent company: Celina Financial Corp.

Year founded: 1978.

Type of business: 55% managing general agent, 45% broker.

Branch offices: Clarksburg, W.Va.

MGA for: Balboa Insurance Co., Republic Mutual Insurance Co., American Modern Home Insurance Co., Foremost Insurance Co.

Broker for: Primarily Great American Surplus Lines Insurance Co., Lloyd's of London.

Principal officers: Theodore K. Knott, president.

Membership: NAPSLO.

Florida Risk Managers

7850 N.W. 146th St., Miami Lakes, Fla. 33016; 305-825-1177

	1984	1983
Premium volume	$2,200,000	$1,800,000
Gross revenues	NA	NA
Employees	3	3
Commercial lines	75%	75%
Admitted business	60%	60%
Non-admitted	40%	40%

Year founded: 1977.

Type of business: 100% broker.

Broker for: Primarily Lloyd's of London, Terra Nova Insurance Co. Ltd., British American Insurance Co., Insurance Exchange of the Americas.

Principal officers: Richard Odess, president; Benjamin Battle Jr., vp.

Membership: NAPSLO.

Frontier Management Co. Inc.

222 Union St., P.O. Box F-9222, New Bedford, Mass. 02740; 617-993-2627

	1984	1983
Premium volume	$4,146,936	NA
Gross revenues	$767,183	NA
Employees	20	NA
Commercial lines	100%	NA
Admitted business	100%	NA

Year founded: 1984.

Type of business: 98% underwriting manager, 2% broker.

Branch offices: Thorofare and Trenton, N.J.; Irving, Texas.

Underwriting manager for: Balboa Insurance Co., Newport Insurance Co., Meritplan Insurance Co.

Specialties: Public auto, including non-emergency medical, social service, airport vans, taxicabs and limousines.

Principal officers: E. Cooper Jacques, president/chief executive officer; Irwin C. Keightly Jr., executive vp; Patricia Jacques, vp-financial office. David Donovan, vp-underwriting; Robert Osmundsen, vp.

g

Gateway Underwriters Agency Inc.

319 N. Fourth St., St. Louis, Mo. 63102; 314-621-7000

	1984	1983
Premium volume	$3,000,000	$2,500,000
Gross revenues	$453,281	$403,405
Employees	9	9
Commercial lines	99%	99%
Admitted business	20%	20%
Non-admitted	80%	80%

Year founded: 1954.

Type of business: 75% managing general agent, 25% broker.

MGA for: National Indemnity Co., National Fire & Marine Insurance Co., Western World Insurance Co., Lloyd's of London.

Broker for: Primarily National Indemnity Co., National Fire & Marine Insurance Co., Western World Insurance Co.

Specialties: Commercial auto.

Principal officers: Alan Marlette, president; Ray E. Clines, vp; Patsy Woolem, treasurer/secretary.

Membership: NAPSLO.

General Insurance Agency Inc.

636 Gary St., P.O. Box 1732, Durham, N.C. 27702; 919-688-8289

	1984	1983
Premium volume	$1,175,713	$672,037
Gross revenues	$137,381	$142,082
Employees	5	5
Commercial lines	10%	14%
Admitted business	50%	74%
Non-admitted	50%	26%

Year founded: 1965.

Type of business: 90% managing general agent, 10% broker.

MGA for: Standard Guaranty Insurance Co., Southeastern Fidelity Insurance Co., Foremost Insurance Co.

Broker for: Primarily Standard Guaranty Insurance Co., Southeastern Fidelity Insurance Co., Foremost Insurance Co.

Principal officers: H.S. Pittard, Rachel Pittard, Betty Phillips and Deborah Clark.

Membership: NAPSLO.

Genstar Management Co.

Financial Centre, Box 10354, Stamford, Ct. 06904-2354; 203-328-5000

	1984	1983
Premium volume	$39,836,004	$24,999,970
Gross revenues	NA	NA
Employees	50	34
Commercial lines	100%	100%
Admitted business	51%	65%
Non-admitted	49%	35%

Parent company: General Reinsurance Corp.

Year founded: 1979.

Type of business: 100% underwriting manager.

Branch offices: New York, Chicago, Los Angeles.

Underwriting manager for: Genstar Indemnity Co., North Star Reinsurance Corp.

Principal officers: Tom N. Kellogg, chairman; Kevin F. Brooks, president; Edmond F. Rondepierre, secretary.

Membership: NAPSLO.

Elton George & Co.

4300 Centerview Drive, San Antonio, Texas 78228; 512-734-7751

	1984	1983
Premium volume	$13,800,000	$13,550,000
Gross revenues	NA	NA
Employees	72	15
Commercial lines	42%	35%
Admitted business	83%	78%
Non-admitted	17%	22%

Year founded: 1973.

Type of business: 80% underwriting manager, 12% managing general agent, 8% broker.

Underwriting manager for: Western Fire & Casualty Insurance Co. Ltd., National County Mutual Fire Insurance Co., Insured Lloyd's Insurance Co.

MGA for: Penn-America Insurance Co., Terra Nova Insurance Co. Ltd., St. Katherine Insurance Co. P.L.C., Aegon Insurance Co, Sphere Drake Insurance Co. Ltd.

Broker for: Primarily Fireman's Fund Insurance Cos., Tudor Insurance Co., First State Insurance Co., Lexington Insurance Co., Marine Office of America Corp.

Specialties: Commercial and private passenger auto.

Principal officers: Elton George, president; Leslie George, executive vp; Mike Ashner, senior vp/underwriting manager; Bill Drawert, marketing manager.

Subsidiaries: AAMGA, NAPSLO, Texas Surplus Lines Assn.

Vern Gilbert Co.

P.O. Box 130, Beaverton, Ore. 97075; 503-643-4811

	1984	1983
Premium volume	$5,500,827	$4,216,102
Gross revenues	$660,099	$505,932
Employees	23	21
Commercial lines	100%	100%
Admitted business	70%	70%
Non-admitted	30%	30%

Year founded: 1954.

Type of business: 95% managing general agent, 5% broker.

Continued on facing page

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Continued from facing page

MGA for: Jefferson Insurance Co. of New York, Monticello Insurance Co., Scottsdale Insurance Co., National Casualty Co., Great Southwest Fire Insurance Co., Great Southwest Surplus Lines Insurance Co., Penn-America Insurance Co.; National Indemnity Co., National Fire & Marine Insurance Co., Canal Insurance Co., Colonia Insurance Co., American Modern Home Insurance Co.

Principal officers: Vern Gilbert, Malcolm Murison.

Membership: NAPSLO, AAMGA.

Glanvill Special Risk Inc.

90 John St., New York, N.Y. 10038; 212-619-4220

	1984	1983
Premium volume	$25,000,000	$15,000,000
Gross revenues	$1,875,000	$1,125,000
Employees	20	16
Commercial lines	100%	100%
Admitted business	20%	15%
Non-admitted	80%	85%

Parent company: Jardine Insurance Brokers Inc.

Year founded: 1980.

Type of business: 25% managing general agent, 75% broker.

Branch offices: San Francisco.

MGA for: Great American Insurance Co.

Broker for: Primarily American International Group Inc., First State Insurance Co., Northbrook National Insurance Co.

Specialties: All-risk and difference-in-conditions layered property, umbrella liability.

Principal officers: John Mairs, president; Don Privett, Art Forenza Jr., vps.

Membership: NAPSLO, New York Professional Wholesalers.

Global Facilities Inc.

200 Sunrise Highway, Rockville Centre, N.Y. 11570; 516-678-5353, 718-523-5959

	1984	1983
Premium volume	$2,950,000	$2,608,000
Gross revenues	NA	NA
Employees	4	4
Commercial lines	99%	99%
Admitted business	97%	91%
Non-admitted	3%	9%

Year founded: 1977.

Type of business: 60% managing general agent, 40% broker.

MGA for: New York Merchant Bankers Insurance Co., First Central Insurance Co., Investors Insurance Co. of America, Mount Vernon Fire Insurance Co., Massachusetts Plate Glass Insurance Co.

Broker for: Primarily Tudor Insurance Co., New England Insurance Co.

Specialties: Local and long-haul trucking, special multiperil.

Principal officers: Robert Shapiro, president; Sheldon Bagatell, vp.

Membership: NAPSLO.

Good Weather International Corp.

555 N. Broadway, Jericho, N.Y. 11753; 516-938-7512

	1984	1983
Premium volume	$5,000,000	$3,000,000
Gross revenues	NA	NA
Employees	10	5
Commercial lines	100%	100%
Admitted business	100%	100%

Year founded: 1958.

Type of business: 100% underwriting manager.

Underwriting manager for: Federal Insurance Co., Sun Insurance Office Ltd., Vigilant Insurance Co., Pacific Indemnity Co., Great Northern Insurance Co.

Specialties: Weather insurance specialists.

Principal officers: Henry L. Fox.

Membership: NAPSLO.

h

H & W Insurance Services

16255 Ventura Blvd., Encino, Calif. 91436; 818-990-3040

	1984	1983
Premium volume	$48,267,000	$28,987,000
Gross revenues	$3,600,000	$2,200,000
Employees	58	52
Commercial lines	100%	100%
Admitted business	68%	57%
Non-admitted	32%	43%

Parent company: Western Employers Inc.

Year founded: 1975.

Type of business: 40% underwriting manager, 60% broker.

Branch offices: Santa Ana, San Francisco, Calif.; Atlanta; Cherry Hill, N.J.

Subsidiaries: H&W Services.

MGA for: Western Employers Insurance Co.

Broker for: Primarily Admiral Insurance Co., First State Insurance Co., Western Employers Insurance Co.

Principal officers: J.F. Weckerle, president; J.J. Francis, executive vp.

Membership: NAPSLO.

H & W Underwriters (Agency) Inc.

P.O. Box 10303, Kansas City, Mo. 64111; 913-831-0683

	1984	1983
Premium volume	$4,431,000	$3,213,125
Gross revenues	$593,875	$536,074
Employees	10	9
Commercial lines	100%	99%
Admitted business	15%	9.5%
Non-admitted	85%	90.5%

Year founded: 1975.

Type of business: 85% managing general agent, 15% broker.

Subsidiaries: Americana Underwriters Inc.

MGA for: Lloyd's of London.

Broker for: Primarily Lloyd's.

Specialties: Taxicab excess, association professional liability, labor union errors and omissions.

Principal officers: Neil R. Pouppirt, president.

Membership: NAPSLO.

Hanley & Associates

P.O. Box 47729, San Antonio, Texas 78265; 512-646-0488

	1984	1983
Premium volume	$1,650,800	NA
Gross revenues	$225,800	NA
Employees	3	NA
Commercial lines	100%	NA
Admitted business	90%	NA
Non-admitted	10%	NA

Year founded: 1982.

Type of business: 100% broker.

Broker for: Primarily Lloyd's of London.

Specialties: Professional liability.

Principal officers: David J. Hanley, owner.

L.E. Harris Agency Inc.

1353 Holton Lane, Langley Park, Md. 20783; 301-439-4700

	1984	1983
Premium volume	$5,504,000	$5,769,000
Gross revenues	$689,294	$631,631
Employees	15	16
Commercial lines	99%	99%
Admitted business	35%	38%
Non-admitted	65%	62%

Year founded: 1922.

Type of business: 70% managing general agent, 30% broker.

Branch offices: Baltimore.

MGA for: United States Liability Insurance Co., National Indemnity Co., Penn-America Insurance Co., North East Insurance Co., Lloyd's of London.

Specialties: Commercial property, buses and limousines, commercial casualty.

Principal officers: David A. Riffert, president; Toni Thomas, assistant vp-liability; Virginia Coates, assistant vp-property; Cindy Milburn, assistant vp; Shirley Rupprecht, assistant vp-auto.

Membership: NAPSLO, AAMGA.

Horan, Goldman Cos.

2 Bryn Mawr Ave., P.O. Box 440, Bryn Mawr, Pa. 19010; 215-527-4400

	1984	1983
Premium volume	$19,766,000	$16,485,000
Gross revenues	$2,174,000	$1,945,000
Employees	38	39
Commercial lines	80%	85%
Admitted business	60%	70%
Non-admitted	40%	30%

Year founded: 1964.

Type of business: 9% underwriting manager, 53% managing general agent, 38% broker.

Branch offices: Columbia, Md.; Cherry Hill, N.J.; Concord, N.H.; New York.

Subsidiaries: H.G. Managers Inc., Ralph C. Blumberg Inc.

Underwriting manager for: Jefferson Insurance Co. of New York, Monticello Insurance Co.

MGA for: Admiral Insurance Co., California Union Insurance Co., Great American Surplus Lines Insurance Co., Great Southwest Insurance Co., Jefferson Insurance Co. of New York, Monticello Insurance Co., Mount Vernon Insurance Co., National Indemnity Co., National Fire & Marine Insurance Co., Lloyd's of London, United States Liability Insurance Co., United States Underwriters Insurance Co.

Principal officers: William Goldman, president; Harry Landers, Mary Marines, Stanley Pustilnick, John McCabe and Mark Smith, vps.

Membership: AAMGA, NAPSLO.

Alexander Howden Insurance Services Inc.

1705 Commerce Drive N.W., Atlanta, Ga. 30318; 404-351-5880

	1984	1983
Premium volume	$75,000,000	$71,860,000
Gross revenues	NA	NA
Employees	130	167
Commercial lines	100%	100%
Admitted business	60%	70%
Non-admitted	40%	30%

Parent company: Alexander & Alexander Inc.

Year founded: 1981.

Type of business: 40% underwriting manager, 10% managing general agent, 50% broker.

Branch offices: Boston; Columbia, Md.; Dallas; Cleveland; King of Prussia, Pa.; Livingston, N.J.; Newport Beach, Calif.; New York; Seattle.

Underwriting manager for: Integrity Insurance Co., Dependable Insurance Co., Lloyd's of London.

MGA for: Home Insurance Co., Scottsdale Insurance Co., Great Southwest Surplus Lines Insurance Co., Jefferson Insurance Co. of New York.

Broker for: Primarily Shand, Morahan & Co. Inc., Admiral Insurance Co., First State Insurance Co., Columbia Casualty Co.

Specialties: Umbrella and excess casualty; general property placements, vendors single-interest programs.

Principal officers: Dave Wolf Jr., vice chairman/chief executive officer; Robert B. Clay, president/chief operating officer.

Membership: NAPSLO, AAMGA.

Huycke General Agency

508 W. Sixth Ave., Anchorage, Alaska 99501; 907-276-5333

	1984	1983
Premium volume	$1,500,000	$1,200,000
Gross revenues	$146,530	$115,000
Employees	3	3
Commercial lines	61%	57%
Admitted business	60%	85%
Non-admitted	40%	15%

Year founded: 1976.

Type of business: 100% managing general agent.

MGA for: Continental Insurance Co., Jefferson Insurance Co. of New York, Monticello Insurance Co., National Indemnity Co., National Fire & Marine Insurance Co., American Family Home Insurance Co., Aegon Insurance Co. (U.K.) Ltd., Scottsdale Insurance Co., National Casualty Co.

Principal officers: Peter Huycke, owner.

Membership: AAMGA.

i

Illinois R.B. Jones

175 W. Jackson Blvd., Chicago, Ill. 60604; 312-435-8200

	1984	1983
Premium volume	$29,000,000	$28,000,000
Gross revenues	$2,185,000	$2,100,000
Employees	43	38
Commercial lines	100%	100%
Admitted business	45%	55%
Non-admitted	55%	45%

Parent company: Alexander & Alexander Services Inc.

Year founded: 1932.

Type of business: 45% managing general agent, 55% broker.

MGA for: Lloyd's of London, First State Insurance Co., International Surplus Lines Insurance Co.

Broker for: International Surplus Lines Insurance Co., First State Insurance Co, Columbia Casualty Co., St. Paul Fire & Marine Insurance Co., St. Paul Surplus Lines Insurance Co., California Union Insurance Co., Admiral Insurance Co.

Specialties: Architects and engineers errors and omissions, group medical stop-loss, railroad protective liability.

Principal officers: Richard J. Ruhe, president; Philip J. Bittolo and Richard A. Oldani, executive vps; Harold E. Legel and Jerome Krok, vps.

Membership: NAPSLO.

Independent Insurance Wholesalers Inc.

7140 S.W. Fir Loop, Suite 211, P.O. Box 23781, Tigard, Ore. 97223; 503-684-1956

	1984	1983
Premium volume	$2,660,397	$1,146,030
Gross revenues	$270,000	$148,000
Employees	4	2
Commercial lines	100%	100%
Admitted business	40%	20%
Non-admitted	60%	80%

Year founded: 1983.

Type of business: 35% managing general agent, 65% broker.

MGA for: Western World Insurance Co. Inc., Agricultural Excess & Surplus Insurance Co.

Broker for: Primarily Fremont Indemnity Co., Comstock Insurance Co., Agricultural Excess & Surplus Insurance Co., Admiral Insurance Co., Progressive Casualty Insurance Co., Western World Insurance Co. Inc., Tudor Insurance Co., Lloyd's of London.

Specialties: Aviation, public entities, commercial umbrellas.

Principal officers: Robert K. Stahl, president; Stacey Griffin, vp; Sherrie Stahl, secretary-treasurer.

Membership: NAPSLO.

Insurance Facilities Inc.

140 N. Main Ave., Sioux Falls, S.D. 57102-0599; 605-336-0798

	1984	1983
Premium volume	$6,398,122	$6,200,000
Gross revenues	$738,243	$786,000
Employees	30	24
Commercial lines	25%	20%
Admitted business	85%	85%
Non-admitted	15%	15%

Year founded: 1965.

Type of business: 98% managing general agent, 2% broker.

Branch offices: Bismarck, N.D.; Minneapolis.

Subsidiaries: Brandon & Co., Insurance Facilities Inc. of North Dakota, Insurance Facilities Inc. of Minnesota.

MGA for: American Bankers Insurance Group Inc., American Livestock Insurance Co., American Reliable Insurance Co., Balboa Insurance Co., Acceptance-River City Underwriters, Colonia Insurance Co., Constitution State Insurance Co., National Casualty Insurance Co., American Excel Corp., Employers Reinsurance Corp., Economy Fire & Casualty Co., Fidelity & Deposit Co., Foremost Insurance Co., L.W. Biegler Inc., Great Southwest Insurance Co., INA/Aetna Insurance Co., Hartford Steam Boiler Inspection & Insurance Co., Interstate National Corp., Jefferson Insurance Co. of New York, Lloyd's of London, Monticello Insurance Co., National American Insurance Co., National American Insurance Co., Occidental Fire & Casualty Co. of North Carolina, Royal Globe Insurance, Western Surety Insurance Co., Wilshire Insurance Co., Aviation Office of America, Shand, Morahan & Co., Summit Home Insurance Co.

Principal officers: J.T. Schneider, R.J. Schneider, D.J. Dougherty, treasurer/secretary.

Insurance General Agency Inc.

4350 E. Camelback Road, Phoenix, Ariz. 85018; 602-840-4900

	1984	1983
Premium volume	$24,948,207	$27,732,650
Gross revenues	NA	NA
Employees	55	85
Commercial lines	10%	8%
Admitted business	100%	100%

Year founded: 1976.

Type of business: 100% managing general agent.

Branch offices: San Diego.

MGA for: Legion Insurance Co., International Indemnity Co., Southern Insurance Co., Utah Home Fire Insurance Co., American Excel Insurance Co., Blueridge Insurance Co.

Principal officers: James B. Hutchings, president; J.W. McNellis, vp/secretary; J.E. White.

Membership: NAPSLO.

Insurance Service Underwriters Inc.

Box 10345, Atlanta, Ga. 30319; 404-261-5150

	1984	1983
Premium volume	$19,600,000	$25,000,000
Gross revenues	$5,000,000	$6,970,000
Employees	52	69
Commercial lines	10%	10%
Admitted business	85%	90%
Non-admitted	15%	10%

Year founded: 1976.

Type of business: 40% underwriting manager, 60% managing general agent.

Branch offices: Memphis, Tenn.; Orlando, Fla.

Subsidiaries: Brookhaven Insurance Associates.

Continued on next page

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Continued from preceding page

Underwriting manager for: Universal Security Insurance Co.

MGA for: American Ambassador Casualty Co., Aegis Security Insurance Co.

Specialties: Non-standard auto.

Principal officers: Jack T. Sampson, president; George S. Niblack, vp/chief executive officer; Mike Wilbanks, vp-underwriting; George Carroll, comptroller; Herschell Dillon, Memphis branch manager.

Membership: AAMGA, NAPSLO.

Intercontinental Insurance Managers Inc.

Suite 320, 1100 Woodfield Road, Schaumburg, Ill. 60195; 312-490-9770.

	1984	1983
Premium volume	$48,000,000	$30,000,000
Gross revenues	$5,700,000	$3,600,000
Employees	130	90
Commercial lines	100%	100%
Admitted business	100%	100%

Parent company: Intercontinental Financial Group of North America.

Year founded: 1982.

Type of business: 30% underwriting manager, 70% managing general agent.

Branch offices: Indianapolis; Kansas City, Mo.; Louisville, Ky.; Minneapolis; St. Louis; Oklahoma City; Milwaukee.

Underwriting manager for: Intercontinental Insurance Co., Forum Insurance Co.

MGA for: Intercontinental Insurance Co., Forum Insurance Co.

Principal officers: James L. Watson, president; Kent D. Edgecombe, executive vp; John Hibbett, manager-underwriting; Elizabeth Ferrans, manager-claims; Kevin Marks, manager-loss control.

International Placement Services Inc.

7710 Carondelet, St. Louis, Mo. 63105; 314-725-8394

	1984	1983
Premium volume	$8,735,927	$7,135,620
Gross revenues	$763,814	$431,781
Employees	12	9
Commercial lines	100%	100%
Admitted business	70%	30%
Non-admitted	30%	20%

Year founded: 1981.

Type of business: 40% managing general agent, 60% broker.

MGA for: Safety Mutual Casualty Corp., Fremont Indemnity Co., Comstock Insurance Co. Great American Surplus Lines Insurance Co., Seibels, Bruce Group, Lloyd's of London.

Broker for: Primarily Insurance Co. of the State of Pennsylvania, Scottsdale Insurance Co., Great Central Insurance Co., Mutual Fire, Marine & Inland Insurance Co.

Specialties: Umbrella, trucking.

Principal officers: Richard J. Eichhorn, president; Gary G. Uhlemeyer, executive vp; Gary Dell, Richard McCleery, Dan Walter, vps.

Membership: NAPSLO.

Interprofessional Underwriters Inc.

723 De Kalb St., Bridgeport, Pa. 19405; 215-275-4300

	1984	1983
Premium volume	$16,400,391	$7,270,264
Gross revenues	NA	NA
Employees	11	9
Commercial lines	100%	100%
Admitted business	33%	14%
Non-admitted	64%	86%

Year founded: 1982.

Type of business: 100% underwriting manager.

Underwriting manager for: Imperial Casualty & Indemnity Co., Jefferson Insurance Co. of New York, Mutual Fire, Marine & Inland Insurance Co.

Principal officers: Anthony J. Witczak, president; Nicholas P. Croce Jr., executive vp; Kenneth R. Cowper, vp; Evangeline Spadaccini, secretary; Michael Doody, assistant vp.

Membership: NAPSLO.

Interstate Insurance Underwriters Inc.

520 Spring St., P.O. Box 4506, Shreveport, La. 71104-4506; 318-221-4758

	1984	1983
Premium volume	$5,600,000	$3,600,000
Gross revenues	$679,000	$388,000
Employees	14	10
Commercial lines	80%	90%
Admitted business	8%	3%
Non-admitted	92%	97%

Year founded: 1961.

Type of business: 95% managing general agent, 5% broker.

MGA for: National Fire & Marine Insurance Co., Western World Insurance Co. Inc., Legion Insurance Co., General Agents Insurance Co. of America Inc.

Principal officers: Fielder Calhoun, president; Harry Saunders, vp.

Membership: NAPSLO, AAMGA.

Intex Underwriters Inc.

United City Center, 2700 W. 15th St., Suite 300, Plano, Texas 75075; 214-867-2200

	1984	1983
Premium volume	$6,000,000	$5,000,000
Gross revenues	$1,000,000	$850,000
Employees	12	10
Commercial lines	100%	100%
Admitted business	45%	45%
Non-admitted	55%	55%

Year founded: 1982.

Type of business: 20% underwriting manager, 50% managing general agent, 30% broker.

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

	1984	1983
Premium volume	$4,981,000	$3,696,000
Gross revenues	$621,000	$504,000
Employees	17	13
Admitted business	80%	85%
Non-admitted	20%	15%

Year founded: 1976.

Type of business: 90% managing general agent, 10% broker.

Principal officers: Larry Haines, president; Mike Johnson, Gloria Taylor, vps; Clay Farris, assistant vp.

Membership: NAPSLO, AAMGA.

J.J. Jeffers Insurance Brokerage Inc.

P.O. Box 3337, Van Nuys, Calif. 91407; 818-780-2976

	1984	1983
Premium volume	$1,500,000	$850,000
Gross revenues	$105,000	$63,750
Employees	2	2
Commercial lines	100%	100%
Admitted business	55%	45%
Non-admitted	45%	55%

Year founded: 1983.

Type of business: 100% broker.

Broker for: Primarily Cameron & Colby Co. Inc.; Shand, Morahan & Co.; Universal Security Insurance Co., World Trade Insurance Services.

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

	1984	1983
Premium volume	$7,840,000	$7,000,000
Gross revenues	NA	NA
Employees	10	9
Commercial lines	99%	99%
Admitted business	35%	40%
Non-admitted	65%	60%

Year founded: 1931.

Type of business: 40% managing general agent, 60% broker.

MGA for: California Union Insurance Co., Colonial Penn Insurance Co., First State Insurance Co.

Broker for: Primarily California Union Insurance Co., Great American Surplus Lines Insurance Co., International Surplus Lines Insurance Co.

Principal officers: Theodore R. Malecki, Robert L. Richards.

Membership: NAPSLO.

Jensvold & Le Fevre Inc.

5600 N.W. Central Drive, Suite 104, Houston, Texas 77092; 713-462-6223

	1984	1983
Premium volume	$6,000,000	$5,000,000
Gross revenues	$450,000	$375,000
Employees	7	9
Commercial lines	98%	95%
Admitted business	5%	15%
Non-admitted	95%	85%

Year founded: 1982.

Type of business: 50% managing general agent, 50% broker.

MGA for: Mutual Fire, Marine & Inland Insurance Co., Mount Hawley Insurance Co., Sphere Drake Insurance Co. Ltd.

Broker for: Primarily Polaris Insurance Co. Ltd., Lloyd's of London, Chicago Insurance Co., Underwriters Indemnity Co., First State Insurance Co.

Specialties: Associations; oil and gas industry commercial general liability, operators extra expense, production deficiency, rig physical damage.

Principal officers: Marcus D. Jensvold, president; M. Doris LeFevre, vp; Bonnie Weigelt, assistant vp.

Membership: NAPSLO, Texas Surplus Lines Assn.

Jensvold & Le Fevre of Illinois Inc.

600 W. Jackson Blvd., Chicago, Ill. 60606; 312-559-1260

	1984	1983
Premium volume	$1,250,000	$600,000
Gross revenues	NA	NA
Employees	3	2
Commercial lines	99%	99%
Admitted business	95%	90%
Non-admitted	5%	10%

Year founded: 1983.

Type of business: 5% managing general agent, 95% broker.

Branch offices: Houston (affiliated office).

MGA for: Northwestern National Insurance Co.

Broker for: Primarily Forum Insurance Co., Lexington Insurance Co., Mount Hawley Insurance Co., Royal Excess & Surplus Insurance Co., Lloyd's of London, Granite State Insurance Co.

Specialties: Commercial trucking.

Principal officers: Ronald J. Guzy, president; Alan C. Reid, executive vp.

Jersey/International Group Inc.

1255 Caldwell Road, P.O. Box 5725, Cherry Hill, N.J. 08034; 609-429-9200

	1984	1983
Premium volume	$60,990,286	$56,566,518
Gross revenues	NA	NA
Employees	97	94
Commercial lines	99%	99%
Admitted business	13%	13%
Non-admitted	87%	87%

Parent company: W.R. Berkley Corp.

Year founded: 1973.

Type of business: 100% underwriting manager.

Subsidiaries: Jersey/International Underwriting Managers, Cherry Hill, N.J.; Northwest/International Underwriting Managers, Seattle; Southwest/International Underwriting Managers, Austin, Texas; Admiral Insurance Co.

Underwriting manager for: Admiral Insurance Co.

Specialties: Unique, unusual or difficult-to-place property/casualty lines and some financial guarantee.

Principal officers: M.J. Snead, president; L.M. Oberg, executive vp/secretary; M.J. Calpin and J.J. Duffett, senior vps; K.C. Hagan, treasurer.

Membership: NAPSLO, AAMGA.

k

Kiger-Parks Insurance Group

154 Patchen Drive, Suite 96, P.O. Box 11456, Lexington, Ky. 40575-1456; 606-268-0707

	1984	1983
Premium volume	$15,000,000	NA
Gross revenues	$2,355,000	NA
Employees	25	NA
Commercial lines	10	NA
Admitted business	75%	NA
Non-admitted	25%	NA

Parent company: Kiger Enterprises Inc./Jerry Parks Equine Insurance.

Year founded: 1984.

Type of business: 100% broker.

Branch offices: Ocala, Fla.

Broker for: Primarily Lloyd's of London, American Live Stock Insurance Co., General Insurance Co. of Trieste & Venice (U.S.).

Specialties: Livestock mortality, livestock fertility, horse farm liability.

Principal officers: Syl Kiger, managing partner; Jerry Parks, general partner; Virginia Rustay, manager-underwriting department; Ken Proctor, manager-general lines department.

Klinger Associates Inc.

P.O. Box 26542, Indianapolis, Ind. 46226; 317-542-9890

	1984	1983
Premium volume	$5,000,000	$2,000,000
Gross revenues	NA	NA
Employees	4	2
Commercial lines	100%	100%
Admitted business	50%	50%
Non-admitted	50%	50%

Year founded: 1982.

Type of business: 100% broker.

Broker for: Primarily Lexington Insurance Co., United National Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa., Fire & Casualty Insurance Co. of Connecticut, Lloyd's of London.

Specialties: Umbrella, general liability, product liability.

Principal officers: Robert L. Klinger, Pamela Klinger.

Membership: NAPSLO.

l

LMG Services Ltd.

116 John St., New York, N.Y. 10038; 212-791-1200

	1984	1983
Premium volume	$22,000,000	$19,000,000
Gross revenues	$1,300,000	$1,100,000
Employees	20	16
Commercial lines	98%	97%
Admitted business	90%	95%
Non-admitted	10%	5%

Year founded: 1970.

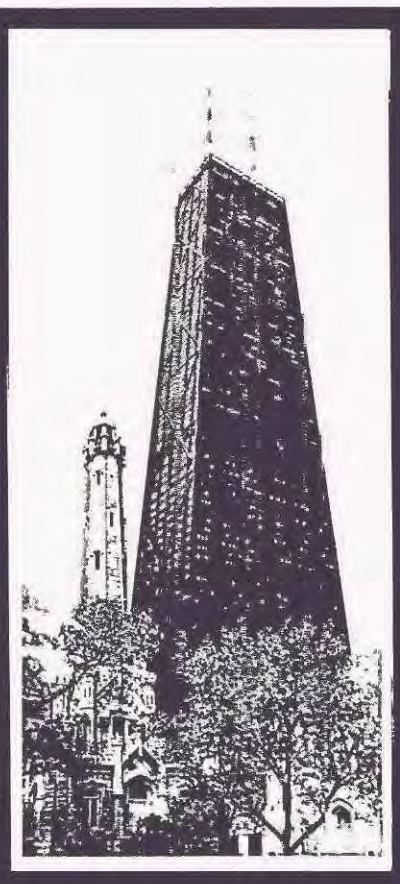
Type of business: 100% broker.

Principal officers: Alvin B. Moss, president; John S. Dalton, vp.

Membership: NAPSLO.

Continued on facing page





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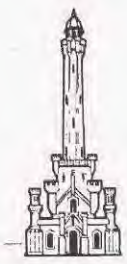
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Continued from facing page

Landmark Management Corp.

601 N.W. 23rd, Box 676, Oklahoma City, Okla. 73101; 405-521-9911

	1984	1983
Premium volume	NA	NA
Gross revenues	$2,165,797	$1,857,381
Employees	35	31
Commercial lines	90%	90%
Admitted business	60%	60%
Non-admitted	40%	40%

Parent company: Landmark Insurance Group Inc.
Year founded: 1971.
Type of business: 70% managing general agent, 30% broker.
Branch offices: Scottsdale, Ariz.; Wichita, Kan.
Specialties: Local-haul truck.
Principal officers: Charles C. Caldwell, president; Philip C. Tolleson and Sally Stursa, vps; William E. Thompson, chief executive officer/secretary.
Membership: NAPSLO, AAMGA.

Langan & Associates Inc.

P.O. Box 6468, 5460 Cascade Road, Grand Rapids, Mich. 49506; 616-942-8930

	1984	1983
Premium volume	$19,768,000	$11,786,000
Gross revenues	$1,362,000	$960,000
Employees	13	10
Commercial lines	100%	100%
Admitted business	40%	45%
Non-admitted	60%	55%

Year founded: 1981.
Type of business: 100% broker.
Broker for: Primarily California Union Insurance Co., Central National Insurance Co., Columbia Casualty Co., Employers Reinsurance Co., Fireman's Fund Insurance Cos., First State Insurance Co., Integrity Insurance Co., International Insurance Co., St. Paul Surplus Lines Insurance Co., Canadian Universal Insurance Co. Ltd., Chubb Group, Genstar Indemnity Co., Illinois Union Insurance Co., Western Employers Insurance Co.
Specialties: Product liability, umbrella liability, layered and excess property and difference in conditions.
Principal officers: James Langan, president; Dave Young, vp-casualty; George Stone, vp-property.
Membership: NAPSLO.

Lead Underwriters Ltd.

109 Bushaway Road, Suite 220, Wayzata, Minn. 55391; 612-476-4343

	1984	1983
Premium volume	NA	NA
Gross revenues	NA	NA
Employees	6*	NA
Commercial lines	100%	NA
Admitted business	60%*	NA
Non-admitted	40%*	NA

*1985 figures.
Year founded: 1985.
Type of business: 100% broker.
Broker for: Primarily Albany-Atlas Corp., Western Employers Insurance Co., Pine Top Insurance Co., Lloyd's of London, Commonwealth Insurance Co., Allianz Underwriters, Royal Surplus Lines Insurance Co., Progressive Casualty Insurance Co., United National Insurance Co., Zurich Insurance Co., Ranger Insurance Co.
Specialties: Medium to large property risks.
Principal officers: Donald K. Elvig, president; David E. Drucker, executive vp.

Lemac & Associates Inc.

3200 Wilshire Blvd., Los Angeles, Calif. 90010; 213-380-7451

	1984	1983
Premium volume	$2,730,000	NA
Gross revenues	NA	NA
Employees	4	NA
Commercial lines	100%	NA
Admitted business	60%	NA
Non-admitted	40%	NA

Parent company: Fremont General.
Year founded: 1972; activated in February 1984.
Type of business: 100% broker.
Broker for: Admiral Insurance Co., First State Insurance Co., Industrial Underwriters Insurance Co.
Principal officers: William Newton, president; Frank Squibb, vp.

The London Agency Inc.

1230 West Peachtree St. N.W., Atlanta, Ga. 30309; 404-875-9641

	1984	1983
Premium volume	$110,900,000	$90,000,000
Gross revenues	$8,100,000	$6,329,000
Employees	169	155
Commercial lines	100%	100%
Admitted business	80%	78%
Non-admitted	20%	22%

Parent company: Crum & Forster/Xerox Corp.
Year founded: 1959.
Type of business: 50% underwriting manager, 5% managing general agent, 45% broker.
Branch offices: Charlotte, N.C.; New Orleans, La.; Tampa, Fla.
Underwriting manager for: Crum & Forster.
MGA for: Lloyd's of London.
Broker for: Lexington Insurance Co., First State Insurance Co., American International Group Inc.
Specialties: Commercial umbrella and excess liability, special property.
Principal officers: Steven D. Smith, chairman; Vincent J. Delaney, president; John A. Jolley, Reuel Buttram and E.G. Lassiter, senior vps.
Membership: NAPSLO.

London American Risk Specialists Inc.

9301 Southwest Freeway, Suite 145, Houston, Texas 77074; 713-777-6404

	1984	1983
Premium volume	$6,700,000	NA
Gross revenues	$488,000	NA
Employees	12	NA
Commercial lines	100%	NA
Admitted business	60%	NA
Non-admitted	40%	NA

Year founded: 1984.
Type of business: 10% managing general agent, 90% broker.
Branch offices: Dallas.
MGA for: Western World Insurance Co. Inc.
Broker for: Primarily Lloyd's of London, Home Insurance Co., Aetna Casualty & Surety Co., Fireman's Fund Insurance Co., First State Insurance Co., Admiral Insurance Co., Lexington Insurance Co., Interstate Fire & Casualty Co.
Principal officers: Brian Brecker, president; James Cloud, Kenneth Keathley, vps; Roy Shoultz, Dallas branch manager.
Membership: Texas Surplus Lines Assn.

LoVullo Associates Inc.

170 Franklin St., 600 Crosby Building, Buffalo, N.Y. 14202; 716-856-3065

	1984	1983
Premium volume	$5,127,170	$4,784,397
Gross revenues	NA	NA
Employees	13	12
Commercial lines	42%	53%
Admitted business	99%	99%
Non-admitted	1%	1%

Year founded: 1973.
Type of business: 100% managing general agent.
MGA for: Jefferson Insurance Co. of New York, Western World Insurance Co., Progressive Insurance Co., Northland Insurance Co., Midwest Mutual Insurance Co., Great Southwest Fire Insurance Co., Colonia Insurance Co.
Specialties: Motorcycles, primary general liability, special multiperil, commercial physical damage.
Principal officers: Leonard T. LoVullo, president; Leonard S. LoVullo, chairman; Kevin LoVullo, vp.
Membership: NAPSLO, AAMGA.

MacDuff Underwriters Inc.

P.O. Box 427, Daytona Beach, Fla. 32015; 904-252-6454

	1984	1982
Premium volume	$10,368,611	$4,728,477
Gross revenues	$742,545	$328,342
Employees	19	8
Commercial lines	98.2%	98.8%
Admitted business	50%	65%
Non-admitted	50%	35%

Parent company: Brown & Brown Inc.
Year founded: 1980.
Type of business: 50% managing general agent, 50% broker.
Subsidiaries: MacDuff Exchange Inc.
MGA for: General Agents Insurance Co. of America, Scottish & York Group, Insurance Exchange of the Americas.
Broker for: Primarily General Agents Insurance Co. of America, Insurance Exchange of the Americas, Scottish & York Group, Safety Mutual Insurance Co., Fireman's Fund Insurance Cos., Hartford Insurance Co., Evanston Insurance Co., Factory Mutual System.
Principal officers: Pete Thomas, senior vp.
Membership: NAPSLO, AAMGA and Florida Surplus Lines Assn.

Continued on next page

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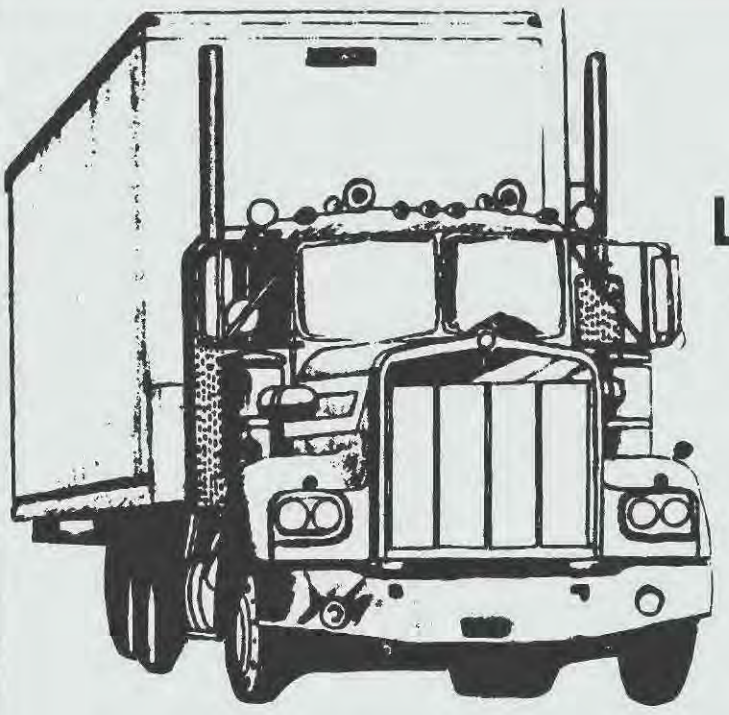
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Continued from preceding page

Maclean, Oddy & Associates Inc.

2121 San Jacinto Tower, Suite 1818-LB 7, Dallas, Texas 75201; 214-969-0090

	1984	1983
Premium volume	$28,000,000	$3,200,000
Gross revenues	$1,704,000	$226,000
Employees	30	25
Commercial lines	100%	100%
Admitted business	50%	50%
Non-admitted	50%	50%

Parent company: Sedgwick Group P.L.C.
Year founded: 1983.
Type of business: 100% broker.
Broker for: Primarily Fireman's Fund Insurance Cos., American International Group Inc., CIGNA Corp., Home Insurance Co.
Specialties: Energy, political risk, utilities, force majeure/performance, warranty coverages.
Principal officers: R.B. Oddy, chairman; John Hanna, president; Anita Chanpong, executive vp.
Membership: NAPSLO and Texas Surplus Lines Assn.

Major Surplus Inc.

111 John St., New York, N.Y. 10038; 212-285-1109

	1984	1983
Premium volume	$17,500,000	$14,500,000
Gross revenues	$1,025,000	$825,000
Employees	12	12
Commercial lines	100%	100%
Admitted business	70%	65%
Non-admitted	30%	35%

Parent company: Major Surplus Holdings Inc.
Year founded: 1975.
Type of business: 10% managing general agent, 90% broker.
Branch offices: Cedar Knolls, N.J.
MGA for: Lloyd's.
Broker for: Primarily First State Insurance Co., Genstar Indemnity Co., International Insurance Co., California Union Insurance Co., Chubb Custom Market Inc., St. Paul Surplus Lines Insurance Co.
Specialties: Product liability, umbrella liability.
Principal officers: Jeremy D. Cooke, president; Alexander Kullman, executive vp; Michael Georgaros, Howard Kupferberg, Lisa Garn, vps.
Membership: NAPSLO.

Market Finders Insurance Corp.

P.O. Box 6549, Louisville, Ky. 40206; 502-423-1800

	1984	1983
Premium volume	$20,000,000	$18,500,000
Gross revenues	$4,300,000	$4,100,000
Employees	48	41
Commercial lines	90%	90%
Admitted business	50%	50%
Non-admitted	50%	50%

Year founded: 1972.
Type of business: 50% managing general agent, 50% broker.
Branch offices: Cincinnati; Morgantown, W.V.; Pittsburgh; Nashville, Tenn.
MGA for: Empire Insurance Co., Great American Surplus Lines Insurance Co., Alliance Insurance Co., California Union Insurance Co., Western World Insurance Co. Inc., Admiral Insurance Co., American Interinsurance Exchange Mutual Insurance Co., Thomas Jefferson Insurance Co., American Bankers Insurance Co., Aegis Security Insurance Co., Carolina Casualty Insurance Co.
Broker for: Primarily Media/Professional Insurance Inc., Shand, Morahan & Co. Inc., L.W. Biegler Profit Center, Forum Insurance Co., Warren Ritchey Insurance, Baldwin & Sadler, American Owner & Operator, SIBNA.
Specialties: Aviation.
Principal officers: Jim Ryan, president; Jerome H. Boyett, secretary-treasurer; C.B. Darland and Richard H. Langan, vps.
Membership: NAPSLO, AAMGA.

McAlear Associates Inc.

4450 Cascade Road S.E., Grand Rapids, Mich. 49506; 616-942-8000

	1984	1983
Premium volume	$34,118,342	$29,699,380
Gross revenues	$3,140,356	$2,662,045
Employees	42	43
Commercial lines	100%	100%
Admitted business	41%	36%
Non-admitted	59%	64%

Parent company: Harleysville Group Inc.
Year founded: 1971.
Type of business: 10% managing general agent, 90% broker.
Branch offices: Overland Park, Kan.
MGA for: Columbia Casualty Co., Western World Insurance Co. Inc., Great American Surplus Lines Insurance Co., Northfield Insurance Co., Lloyd's of London, Essex Insurance Co.
Broker for: Primarily California Union Insurance Co., Columbia Casualty Co., Great American Surplus Lines Insurance Co., Admiral Insurance Co., St. Paul Surplus Lines Insurance Co., Genstar.
Principal officers: Charles McAlear, chairman; Thomas Bloom, president; Ralph Leistner, executive vp; Beverly Naedele, senior vp; David Martin, vp.
Membership: NAPSLO.

Ian McCall International Ltd.

22-23 Widegate St., London, England E17HX; 011-441-377-8585

	1984	1983
Premium volume	$10,000,000	$7,500,000
Gross revenues	$750,000	$600,000
Employees	14	14
Commercial lines	50%	50%
Non-admitted	100%	100%

Parent company: Ian McCall (Holdings) Ltd.
Year founded: 1969.
Type of business: 100% broker.
Broker for: Primarily Lloyd's.
Specialties: Commercial auto.
Principal officers: Michael Hughes, chairman; David Barclay, Chris Costello and John Fraser, directors.
Membership: Affiliate member of NAPSLO.

Monarch Insurance Agency

7603 Forsyth Blvd., Suite 301, Clayton, Mo. 63105

	1984	1983
Premium volume	$300,000	NA
Gross revenues	$25,000	NA
Employees	2	NA
Commercial lines	98%	NA
Admitted business	15%	NA
Non-admitted	85%	NA

Year founded: 1984.
Type of business: 75% managing general agent, 25% broker.
MGA for: First Financial Insurance Co., Fidelity & Deposit Co. of Maryland, Western Surety Co.
Broker for: Primarily First Financial Insurance Co., Fidelity & Deposit Co. of Maryland, Lloyd's of London.
Specialties: Restaurants, taverns, vacant dwellings.
Principal officers: Mary C. McKay, president.

Montgomery & Collins Inc.

3700 Wilshire Blvd., Suite 400, Los Angeles, Calif. 90010; 213-480-4501

See profile on page 47.

Moore Excess Inc.

Center St., P.O. Box 565, Croton Falls, N.Y. 10519

	1984	1983
Premium volume	NA	NA
Gross revenues	$185,000	$175,000
Employees	4	3
Commercial lines	100%	100%
Admitted business	98%	98%
Non-admitted	2%	2%

Year founded: 1977.
Type of business: 100% broker.
Subsidiaries: Suburban Special Risks Inc., Lynch & Moore.
Broker for: Primarily North Star Excess Insurance Corp., United States Liability Insurance Co., Mount Vernon Fire Insurance Co., Cameron & Colby Co. Inc.
Principal officers: Robert J. Moore, president; John A. Buckley, vp.

Mountain States Special Market Inc.

P.O. Box 26166, 1858 S. Wadsworth, Suite 302, Lakewood, Colo. 80226; 303-988-1111

	1984	1983
Premium volume	$1,556,000	$1,468,000
Gross revenues	NA	NA
Employees	4	4
Commercial lines	99%	99%
Admitted business	72%	68%
Non-admitted	28%	32%

Year founded: 1979.
Type of business: 59% managing general agent, 41% broker.
MGA for: Rockwood Insurance Co., National Indemnity Co., National Fire & Marine Insurance Co., Empire Fire & Marine Insurance Co. of Pittsburgh, Pa., Empire Indemnity Insurance Co., Alliance Insurance Co. Inc., American Excel Insurance Co., Blue Ridge Insurance Co., Southern Insurance Co., Northfield Insurance Co., Argonaut Insurance Co., Lloyd's of London.
Broker for: Primarily Shand, Morahan & Co., Professional Liability Underwriters, Professional Managers Inc., Baldwin Sadler Corp., Transco Inc., ISC Special Risk Professional Coverage Managers, Cameron & Colby Co. Inc., Interstate National Corp., Lloyd's.
Specialties: Excess/umbrella liability, professional liability, primary general liability, commercial automobile.
Principal officers: Robert D. Alcorn, president; Barbara J. Alcorn, treasurer/secretary.
Membership: NAPSLO, AAMGA, Surplus Lines Assn of Colorado.

N

NAS Ltd.

100 S. Wacker Drive, Chicago, Ill. 60606; 312-726-2186

	1984	1983
Premium volume	$8,000,000	$6,000,000
Gross revenues	$1,000,000	$800,000,000
Employees	12	11
Commercial lines	100%	100%
Admitted business	30%	40%
Non-admitted	70%	60%

Year founded: 1974.
Type of business: 100% broker.
Broker for: Primarily First State Insurance Co.; Admiral Insurance Co. Highlands Insurance Co., Columbia Casualty Co., Integrity Insurance Co., Republic Insurance Co.
Specialties: Product liability, umbrella liability.
Principal officers: T. Cath, president; S. Johnson, vp; M. Rosenthal, secretary/treasurer.

Nason Associates Inc.

Suite 121, 6901 W. 63rd St., Overland Park, Kan. 66106; 913-677-1550

	1984	1983
Premium volume	$4,100,000	$3,700,000
Gross revenues	$314,021	$280,000
Employees	6	8
Commercial lines	85%	90%
Admitted business	80%	70%
Non-admitted	20%	30%

Year founded: 1980.
Type of business: 100% broker.
Broker for: Primarily Southern Marine & Aviation, United States Aircraft Insurance Group, Lloyd's of London, Associated Aviation Underwriters, National Excess Insurance Co.
Specialties: All forms of aviation coverage.
Principal officers: Courtney H Nason, president; Susie Fisher, Linda Joy, vps.

The Norco Agency Inc.

6308 Woodman, Suite 204, Van Nuys, Calif. 91401; 818-782-1912

	1984	1983
Premium volume	$3,000,000	$1,800,000
Gross revenues	NA	NA
Employees	10	7
Commercial lines	20%	15%
Admitted business	90%	90%
Non-admitted	10%	10%

Year founded: 1960.
Type of business: 90% managing general agent, 10% broker.
MGA for: Century-National Insurance Co., Comstock Insurance Co., Chicago Insurance Co., Sutter Insurance Co., Universal Security Insurance Co.
Principal officers: Norman Levine, president; Adelyne Levine, vp/treasurer/secretary.
Membership: NAPSLO, AAMGA.

North Island Group

30 Park Ave., Manhasset, N.Y. 11030; 516-365-7440

	1984	1983
Premium volume	$16,044,818	$11,898,946
Gross revenues	$1,500,000	$1,056,552
Employees	30	30
Commercial lines	95%	95%
Admitted business	95%	95%
Non-admitted	5%	5%

Parent company: Orlando Management Corp.
Year founded: 1976.
Type of business: 40% managing general agent, 60% broker.
Branch offices: New York; Warwick, R.I.
Subsidiaries: N.I.F. Services of New York; N.I.F. Services of New England; N.I.F. Services of New Jersey.
MGA for: National Union Fire Insurance Co. of Pittsburgh, Pa., United States Liability Insurance Co.
Broker for: Primarily North Star Insurance Co., Royal Excess & Surplus Insurance Co., American Centennial Insurance Co., Mutual Fire, Marine & Inland Insurance Co.
Specialties: Professional liability.
Principal officers: Michael A. Orlando, president; John Orlando, Dennis Loggie, William Battistini, vps; Shirley Chadwick, secretary.
Membership: NAPSLO.

P

Pacific General Agency Inc.

115 Second Ave. N., P.O. Box 368, Edmonds, Wash. 98020; 206-771-5044

	1984	1983
Premium volume	$8,700,000	$7,200,000
Gross revenues	$780,000	$670,000
Employees	21	14
Commercial lines	95%	96%
Admitted business	15%	17%
Non-admitted	85%	83%

Year founded: 1978.
Type of business: 100% managing general agent.
Branch offices: Lake Oswego, Ore.
MGA for: United National Insurance Co., Scottsdale Insurance Co., American Reliable Insurance Co.
Principal officers: Samuel W. Hartman, president; Douglas R. Hartman, vp.
Membership: NAPSLO.

Q

Quantex Corp.

1209 48th Ave. North, Myrtle Beach, S.C. 29577; 803-449-5269

	1984	1983
Premium volume	$55,000,000	$45,000,000
Gross revenues	$5,868,984	$4,050,000
Employees	111	104
Commercial lines	100%	100%
Admitted business	100%	67%
Non-admitted	0%	33%

Year founded: 1976.
Type of business: 85% underwriting manager, 10% managing general agent, 5% broker.
Branch offices: Phoenix, Ariz.; Iowa City, Iowa; Iselin, N.J.
Underwriting manager for: Forum Insurance Co.
MGA for: Genstar Reinsurance Co.
Specialties: Commercial transportation, long-haul trucking.
Principal officers: Gary B. Parks, chief executive officer; Carmine Fiore, executive vp; Bob Longerier, vp; Paul Lovett, vp-claims; Len Davis, vp-litigation; Bill O'Sullivan, vp-operations.
Membership: NAPSLO, AAMGA.

R

RISC Inc.

750 N. St. Paul, Suite 990, Dallas, Texas 75201; 214-922-9898

	1984	1983
Premium volume	$23,000,000	$21,000,000
Gross revenues	$1,600,000	$1,400,000
Employees	28	30
Commercial lines	99%	99%
Admitted business	35%	40%
Non-admitted	65%	60%

Parent companies: Rigg Group; Clarkson Puckle Group P.L.C.
Year founded: 1966.
Type of business: 15% underwriting manager, 20% managing general agent, 65% broker.
Branch offices: Houston.
Underwriting manager for: International Lloyd's Insurance Co.
MGA for: Interstate Fire & Casualty Insurance Co., Lloyd's of London; Terra Nova Insurance Co. Ltd.
Broker for: Primarily First State Insurance Co., International Surplus Lines Insurance Co., Lexington Insurance Co., Fireman's Fund Insurance, Royal Excess & Surplus Lines Co., Aetna Casualty & Surety Co.
Specialties: Transportation, energy.
Principal officers: David L. Geary, president; Frances Griffin, Paul Warmingham, Ken Wolynski and Robin Stough, vps; Lee Merwin, supervisor-Houston.
Membership: NAPSLO, Texas Surplus Lines Assn.

RTC Underwriting Services Inc.

Heights Plaza, 777 Terrace Ave., Hasbrouck Heights, N.J. 07604; 201-288-8620

	1984	1983
Premium volume	$6,500,000	$4,000,000
Gross revenues	NA	NA
Employees	10	8
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

Parent company: Nelson Hurst & Marsh Group.
Year founded: 1981.
Type of business: 100% underwriting manager.
Underwriting manager for: RLI Insurance Co., Mount Hawley Insurance Co.
Specialties: Directors and officers liability, professional liability.
Principal officers: Donald R. Fischer, president; Gloria D'Angelico, vp.
Membership: NAPSLO, AAMGA, New Jersey Surplus Lines Assn.

Ranger-Allied Underwriters

P.O. Box 2807, Houston, Texas 77252-2807; 713-622-6500/ 800-392-1970

	1984	1983
Premium volume	$7,417,735	$8,340,667
Gross revenues	$711,000	$869,000
Employees	21	21
Commercial lines	80%	80%
Admitted business	25%	25%
Non-admitted	75%	75%

Parent company: Anderson, Clayton & Co.
Year founded: 1966.
Type of business: 90% managing general agent, 10% broker.
Branch offices: San Antonio, Texas; Oklahoma City.
MGA for: Northland Insurance Co., St. Katherine Insurance Co. P.L.C., National Indemnity Co., American Bankers Insurance Co., American Modern Home Insurance Co., Jefferson Insurance Co. of New York.
Broker for: Primarily Lexington Insurance Co., Interstate Fire & Casualty Co.
Specialties: Auto liability, physical damage.
Principal officers: Lowry D. Vaughn, assistant vp/general manager.
Membership: NAPSLO, AAMGA, Texas and Oklahoma Surplus Lines Assns.

Rearick & Lenihan Inc.

5339 Alpha Road, Suite 100, Dallas, Texas 75240; 214-233-0506

	1984	1983
Premium volume	$16,000,000	$13,000,000
Gross revenues	$2,200,000	$1,600,000
Employees	32	22
Commercial lines	98%	98%
Admitted business	95%	95%
Non-admitted	5%	5%

Year founded: 1976.
Type of business: 85% underwriting manager, 15% broker.
Branch offices: Houston, Los Angeles, New York, Atlanta.
Subsidiaries: R & L Life Inc., Rearick & Lenihan of Georgia Inc., Source Publications Inc.
Underwriting manager for: The Kemper Group, United Fidelity Life Insurance Co.
Broker for: Primarily The Hartford Insurance Group, Lexington Insurance Co., Lone Star Life Insurance Co.
Specialties: Accidental death and dismemberment, group travel accident, college sports.
Principal officers: Philip A. Rearick, president; Thomas J. Lenihan III, vp; Eileen D. Rearick, treasurer.

Resource Insurance Services Inc.

9494 Southwest Freeway, Suite 400, Houston, Texas 77074; 713-776-1600

	1984	1983
Premium volume	$31,735,488	$25,118,031
Gross revenues	NA	NA
Employees	16	12
Commercial lines	100%	100%
Admitted business	25%	25%
Non-admitted	75%	75%

Year founded: 1980.
Type of business: 24% underwriting manager, 40% managing general agent, 36% broker.

Continued on page 64



Photo: Index/Stone International, Inc.

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Continued from page 62

Underwriting manager for: Colonial Penn Insurance Co.

MGA for: Lloyd's of London, Colonial Penn Insurance Co.

Broker for: Primarily Lloyd's.

Specialties: Oil- and gas-related risks.

Principal officers: Luther Fuqua, president; Leonard D. Marks, executive vp; Michael A. Miller Sr. and Walt Caskey, vps.

Membership: Texas Surplus Lines Assn.

The Risk Exchange Inc.

4161 Canal St., New Orleans, La. 70119; 504-486-7762

	1984	1983
Premium volume	$14,652,324	$9,753,830
Gross revenues	$1,538,494	$1,024,152
Employees	41	29
Commercial lines	99%	99%
Admitted business	69%	63%
Non-admitted	31%	37%

Type of business: 11% underwriting manager, 81% managing general agent, 8% broker.

Subsidiaries: Bienville Services Inc.

Underwriting manager for: Primarily Canal Insurance Co.

MGA for: National Union Fire Insurance Co. of Pittsburgh, Pa., Investors Insurance Co., Canal Insurance Co., General Agents Insurance Co., Western World Insurance Co., U.S. Liability Insurance Co.

Broker for: Primarily First State Insurance Co., Tudor Insurance Co., Warren B. Richey Inc., Lloyd's.

Specialties: Oil field servicing contractors.

Principal officers: Michael J. Bowler, president; Fred R. Rhoads, executive vp; Lawrence E. Pratt, vp; Patricia B. Miller, secretary.

Membership: AAMGA, NAPSLO.

S

Sayre & Toso Inc.

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

See profile on page 50.

Victor O. Schinnerer & Co.

5028 Wisconsin Ave. N.W., Washington, D.C. 20016; 202-885-9500

See profile on page 54.

Shand, Morahan & Co. Inc.

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

See profile on page 51.

Thomas F. Sheehan Inc.

810 N. Plaza Drive, Schaumburg, Ill. 60195; 312-490-1400

	1984	1983
Premium volume	$28,101,670	$23,262,972
Gross revenues	$3,775,166	$3,233,566
Employees	27	30
Commercial lines	100%	100%
Admitted business	99%	99%
Non-admitted	1%	1%

Year founded: 1978.

Type of business: 90% underwriting manager, 10% broker.

Affiliated companies: Peace Corp., Professional Risk Management Inc., Plaza Drive Partners.

Underwriting manager for: Imperial Casualty & Indemnity Co.

Specialties: Architects and engineers, lawyers, accountants, real estate agents and actuaries liability; directors and officers liability.

Principal officers: Thomas F. Sheehan, president; Ram 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

	1984	1983
Premium volume	$54,000,000	$34,000,000
Gross revenues	$5,000,000	$3,300,000
Employees	45	30
Commercial lines	100%	100%
Admitted business	85%	80%
Non-admitted	15%	20%

Year founded: 1978.

Type of business: 15% managing general agent, 85% broker.

Branch offices: Los Angeles.

MGA for: Safety Mutual Insurance Co., Alliance Insurance Co. Inc.

Broker for: Primarily Employers Mutual Casualty Insurance Co., RLI Insurance Co., Liberty National Insurance Corp., Lloyd's of London, American International Group Inc., Allianz Underwriters Insurance Co., Progressive Casualty Insurance Co.

Specialties: Commercial property risks with California earthquake exposures.

Principal officers: Donald K. Sherwood, president; James W. Barnes, Robert Lindner, senior vps; Richard Nahas, vp.

Membership: NAPSLO.

Southern Cross Underwriters Inc.

Box 5108, Jackson, Miss. 39216; 601-957-3344

	1984	1983
Premium volume	$8,064,189	$4,095,385
Gross revenues	$804,189	$371,069
Employees	25	15
Commercial lines	87.6%	81.2%
Admitted business	74.2%	77.2%
Non-admitted	25.8%	22.8%

Year founded: 1976.

Type of business: 63.7% managing general agent, 36.3% broker.

Branch offices: Birmingham, Ala.

Subsidiaries: Southern Cross Services Inc.

MGA for: National Indemnity Co., Western World Insurance Co. Inc., Scottsdale Insurance Co., The Insurance Co. of Florida, Carolina Casualty Co., Lloyd's of London, Foremost Insurance Co., Morrison Assurance Co. Inc., National Casualty Co., National Fire & Marine Insurance Co.

Broker for: Primarily Union Standard Insurance Co., Admiral Insurance Co., L.W. Biegler Profit Center, First State Insurance Co., Tudor Insurance Co.

Specialties: Commercial auto, umbrella.

Principal officers: Preston H. Gough Jr., president; Ford Petty, secretary-treasurer; Diane P. Maddux, Joseph E. Horsman and Alan Murray, vps.

Membership: AAMGA, NAPSLO, Mississippi Surplus Lines Assn.

Southern Insurance Managers

Suite 101-07, Cavalier Building, 95 White Ridge Road, Nashville, Tenn. 37205; 615-356-2900

	1984	1983
Premium volume	$6,352,557	$5,449,467
Gross revenues	$609,075	$587,730
Employees	24	20
Commercial lines	56.5%	60%
Admitted business	89.4%	90.2%
Non-admitted	10.6%	9.8%

Year founded: 1953.

Type of business: 95% managing general agent, 5% broker.

MGA for: American Reliable Insurance Co., American Bankers Insurance Co., Canal Insurance Co., Aegon Insurance Co., Sphere Drake Insurance Co., Home & Automobile Insurance Co., National Indemnity Co., Carolina Casualty Co., Georgia Casualty & Surety Co., Foremost Insurance Co., Thomas Jefferson Insurance Co., Scottsdale Insurance Co., National Casualty Insurance Co., Great Southwest Insurance Co., Jefferson Insurance Co. of New York, First Financial Insurance Co., Northland Insurance Co., Essex Insurance Co.

Specialties: Commercial trucking, special multiperil, surcharged fire.

Principal officers: Edward J. Knish, owner; Pam Evans, operations manager; Faye Bain, office/accounting manager; Roy E. Bearden, administrative assistant; Jan Bessire, underwriting manager.

Membership: NAPSLO, AAMGA.

Southern Insurance Underwriters Inc.

1700 Century Circle N.E., P.O. Box 105609, Atlanta, Ga. 30348; 404-325-1700

	1984	1983
Premium volume	$30,000,000	$30,000,000
Gross revenues	NA	NA
Employees	110	85
Commercial lines	35%	35%
Admitted business	90%	90%
Non-admitted	10%	10%

Year founded: 1964.

Type of business: 95% managing general agent, 5% broker.

Subsidiaries: Siuprem Inc.

MGA for: Scottsdale Insurance Co., National Indemnity Co., Leader National Insurance Co., Independent Fire Insurance Co., Northland Insurance Co., Great Southwest Fire Insurance Co., Jefferson Insurance Co. of New York, First State Insurance Co., United National Insurance Co., Lloyd's.

Broker for: Royal Excess & Surplus Lines Insurance Co., Evanston Insurance Co., Constitution State Insurance Co.

Principal officers: W.C. Duesenberg Sr., president; W.C. Duesenberg Jr., executive vp; W.P. Grubbs, vp-commercial lines; W.K. Glenn, vp-personal lines; E.L. Parker Jr., vp-marketing.

Membership: NAPSLO, AAMGA, Georgia Surplus Lines Assn.

Southwest Surplus Insurance Agency Inc.

6090 Surety Drive, El Paso, Texas 79905; 915-779-3651

	1984	1983
Premium volume	$5,000,000	$3,000,000
Gross revenues	$500,000	$300,000
Employees	17	14
Commercial lines	70%	60%
Admitted business	50%	60%
Non-admitted	50%	40%

Year founded: 1971.

Type of business: 40% underwriting manager, 50% managing general agent, 10% broker.

Underwriting manager for: Lloyd's of London, Great Southwest Fire Insurance Co., International Underwriters Insurance Co., Insurance Corp. of America.

MGA for: Alliance Insurance Co. Inc., Interstate Fire & Casualty Insurance Co., National Lloyds Insurance Co., Sun Insurance Co. of New York, Imperial Insurance Co.

Broker for: Primarily Chicago Insurance Co., American International Group Inc., New York Insurance Exchange, Fidelity & Casualty Insurance Co., Western Surety Co., Lawyers Surety Corp., Lloyd's of London.

Specialties: Attorneys professional liability, commercial property, bloodstock.

Principal officers: Dexter M. Mapel, president.

Membership: NAPSLO, AAMGA, Texas Surplus Lines Assn.

Sovereign Group International Inc.

156 William St., New York, N.Y. 10038; 212-349-5580

	1984	1983
Premium volume	$10,500,000	$10,000 000
Gross revenues	NA	NA
Employees	19	18
Commercial lines	100%	100%
Admitted business	100%	100%

Year founded: 1976.

Type of business: 60% managing general agent, 40% broker.

Branch offices: Avenel, N.J.

MGA for: National Casualty Co., Western World Insurance Co., Jefferson Insurance Co. of New York.

Broker for: Primarily National Casualty Co.

Principal officers: W.J. Lynch, president; W.F. Lynch, vp; D.J. Lynch, secretary.

Membership: NAPSO, AAMGA, PIWA of New York.

Special Insurance Services Inc.

401-417 Fayette Ave., Springfield, Ill. 62704; 217-753-2500

	1984	1983
Premium volume	$6,244,600	$6,378,000
Gross revenues	$872,700	$893,300
Employees	26	27
Commercial lines	56%	62%
Admitted business	92%	90%
Non-admitted	8%	10%

Year founded: 1966.

Type of business: 75% underwriting manager, 25% managing general agent.

Underwriting manager for: First Financial Insurance Co.

MGA for: American Modern Home Insurance Co., First State Insurance Co., National Fire & Marine Insurance Co., National Indemnity Co., Occidental Fire & Casualty Co. of North Carolina, U.S. Insurance Group.

Principal officers: William H. Kelso, president; Arthur L. Culver, senior vp; Paul L. Hebron, James T. Shea, vps; Gloria G. Kelso, treasurer/secretary.

Special Risks Inc.

Suite 201, 4663 Haygood Road, Virginia Beach, Va. 23455; 804-460-1104

	1984	1983
Premium volume	$10,259,496	$6,181,132
Gross revenues	$1,322,377	$717,341
Employees	14	10
Commercial lines	85%	83%
Admitted business	98%	98%
Non-admitted	2%	2%

Year founded: 1909.

Type of business: 90% managing general agent, 10% broker.

MGA for: Imperial Casualty & Indemnity Co., Republic Insurance Co., Northland Insurance Co., Windsor-Mount Joy Mutual Insurance Co.

Broker for: Primarily Northland Insurance Co., Employers Reinsurance Co., Essex Insurance Co.

Specialties: Law enforcement and professional liability.

Principal officers: E. Joseph Nusbaum, president; Robert M. Bryant, vp; Barbara M. Roberts, secretary/treasurer.

Membership: NAPSLO.

Specialty Insurance Services Inc.

6624 Merrill Road, P.O. Box 11869, Jacksonville, Fla. 32239-1869; 904-743-4314

	1984	1983
Premium volume	$1,150,679	$1,363,689
Gross revenues	$114,281	$122,242
Employees	4	3
Commercial lines	99%	95%
Admitted business	26%	30%
Non-admitted	74%	70%

Year founded: 1977.

Type of business: 80% managing general agent, 20% broker.

MGA for: Alliance Insurance Co., Agricultural Excess & Surplus Insurance Co., Empire Fire & Marine Insurance Co., Lloyd's of London.

Broker for: Primarily L.W. Biegler & Co.; Shand, Morahan & Co.; James P. Daly; London Agency.

Specialties: Commercial automobile, surcharged property, surcharged general liability.

Principal officers: Harley K. Dulaney, president; Joanne S. Dulaney, vp.

Membership: NAPSLO, Florida Surplus Lines Assn.

Myron F. Steves & Co.

P.O. Box 4479, Houston, Texas 77210-4479; 713-522-1100

	1984	1983
Premium volume	$34,000,000	$28,428,646
Gross revenues	$3,740,000	$3,313,356
Employees	70	68
Commercial lines	85%	93%
Admitted business	60%	66%
Non-admitted	40%	34%

Year founded: 1955.

Type of business: 40% underwriting manager, 50% managing general agent, 10% broker.

Continued on facing page

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NAPSLO

Continued from facing page

Underwriting manager for: Safety Mutual Insurance Co., Guaranty National Insurance Co., Surplus Underwriters Casualty Insurance Co.

MGA for: Guaranty National Insurance Co., Insurance Co. of North America, Lloyd's, Rockwood Insurance Co., National Security Fire & Casualty Insurance Co., National Fire & Marine Insurance Co., Scottsdale Insurance Co., National Indemnity Co.

Broker for: Primarily Shand, Morahan & Co., Lexington Insurance Co.

Specialties: Hospital professional liability.

Principal officers: Myron F. Steves, managing partner; Myron F. Steves Jr., William K. Davis Jr. and Frederick B. Steves, partners.

Membership: NAPSLO, AAMGA.

Stewart Smith Holdings Inc.

123 William St., New York, N.Y. 10038; 212-964-2929

See profile on page 42.

Surplus Insurance Brokers of North America

3807 Wilshire Blvd., Suite 900, Los Angeles, Calif. 90010; 213-480-4656

	1984	1983
Premium volume	$11,800,000	$11,500,000
Gross revenues	$5,200,200	$800,000
Employees	100	100
Non-admitted	100%	100%

Parent company: CIGNA Corp.

Year founded: 1979.

Type of business: 100% underwriting manager.

Branch offices: Chicago; Lawrenceville, N.J.

Underwriting manager for: California Union Insurance Co., Illinois Union Insurance Co.

Specialties: Commercial casualty.

Principal officers: Nick Yuschenkoff, president; Jack Kirchen, vp.

Membership: NAPSLO.

Swartz & Corcoran Insurance Agency Inc.

15 Broad St., Boston, Mass. 02109; 617-367-8638

	1984	1983
Premium volume	$6,000,000	$5,000,000
Gross revenues	NA	NA
Employees	14	11
Commercial lines	95%	95%
Admitted business	50%	50%
Non-admitted	50%	50%

Year founded: 1980.

Type of business: 80% managing general agent, 20% broker.

Principal officers: Stephen D. Swartz, president; Michael J. Corcoran, executive vp; Bruce R. Leonard, vp.

Membership: NAPSLO, AAMGA.

Swett & Crawford Group

3699 Wilshire Blvd., Los Angeles, Calif. 90010; 231-251-1200.

See profile on page 41.

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Tennessee Underwriters Inc.

140 Fourth Ave. S., Franklin, Tenn. 37064; 615-791-1400

	1984	1983
Premium volume	$3,700,000	$3,100,000
Gross revenues	$450,000	$380,000
Employees	8	6
Commercial lines	95%	95%
Admitted business	15%	20%
Non-admitted	85%	80%

Year founded: 1980.

Type of business: 70% managing general agent, 30% broker.

MGA for: United National Insurance Co., Lloyd's of London, Lincoln Insurance Co.

Broker for: Primarily Central National Insurance Co. of Omaha, Liberty National Insurance Corp., Mutual Fire, Marine & Inland Insurance Co.

Specialties: Property, special multiperil.

Principal officers: Barry Guest, Edward Hrabousky.

Membership: NAPSLO.

Dwight Tope State Agency Inc.

P.O. Box 8580, Albuquerque, N.M. 87198; 505-255-8773

	1984	1983
Premium volume	$15,869,000	$14,100,000
Gross revenues	$834,878	$852,000
Employees	35	31
Commercial lines	70%	60%
Admitted business	95%	95%
Non-admitted	5%	5%

Parent company: New Hampshire Insurance Group.

Year founded: 1956.

Type of business: 90% managing general agent, 10% broker.

MGA for: New Hampshire Insurance Group, Ranger Insurance Co., Rockwood Insurance Co., American Reliable Insurance Co., Foremost Insurance Co., Minnehoma Insurance Co., National Indemnity Co., Great Southwest Fire Insurance Co., Jefferson Insurance Co. of New York.

Broker for: American International Group Inc., Shand, Morahan & Co. Inc., Employers Reinsurance Corp.

Principal officers: W.L. Matula, president; Ray Perovich, vp/chief executive officer; Dwight Tope, chairman.

Membership: AAMGA.

The Travers Co.

5 Greenway Plaza, Suite 200, Houston, Texas 77046; 713-840-8454

	1984	1983
Premium volume	$6,000,000	$4,800,000
Gross revenues	$285,000	$270,000
Employees	7	5
Commercial lines	100%	100%
Admitted business	80%	70%
Non-admitted	20%	30%

Year founded: 1981.

Type of business: 15% managing general agent, 85% broker.

Branch office: Dallas.

MGA for: National County Mutual Insurance Co.

Broker for: Primarily Republic Insurance Co. of Dallas.

Specialties: Oil and gas.

Principal officers: Peyton L. Travers, president.

Membership: Texas Surplus Lines Assn.

Tri-State General Insurance Agency Ltd.

208A E. Main St., Salisbury, Md. 21801; 301-546-1255

	1984	1983
Premium volume	$6,700,000	$3,502,473
Gross revenues	$804,000	$420,296
Employees	21	13
Commercial lines	80%	80%
Admitted business	15%	20%
Non-admitted	85%	80%

Year founded: 1979.

Type of business: 50% underwriting manager, 30% managing general agent, 20% broker.

Branch offices: Harrisburg, 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: Excess Insurance Co., Terra Nova Insurance Co. Ltd., Bishopsgate Insurance P.L.C., Bryanston Insurance Co. Ltd., St. Katherine Insurance Co. P.L.C., River Thames Insurance Co. Ltd., English & American Insurance Co. Ltd., Lloyd's of London.

MGA for: Excess Insurance Co., Terra Nova Insurance Co. Ltd., Bishopsgate Insurance P.L.C., Bryanston Insurance Co. Ltd., St. Katherine Insurance Co. P.L.C., River Thames Insurance Co. Ltd., English & American Insurance Co. Ltd., Lloyd's, Guaranty National Insurance Co., Rockwood Insurance Co., Lincoln Insurance Co.

Broker for: Primarily Mount Hawley Insurance Co., Pine Top Insurance Co., Mutual Fire, Marine & Inland Insurance Co.

Specialties: Restaurant packages.

Principal officers: Edward A. Dickerson, president; Kathy Gray, executive vp; Eileen Dickerson, secretary/treasurer; Edward Dickerson III, vp.

Truckers Insurance Associates Inc.

7117 Hickman Road, Des Moines, Iowa 50322; 515-276-7704

	1984	1983
Premium volume	$5,000,000	$4,000,000
Gross revenues	$825,000	$697,000
Employees	11	10
Commercial lines	99%	99%
Admitted business	99%	99%
Non-admitted	1%	1%

Year founded: 1965.

Type of business: 100% managing general agent.

MGA for: Northland Insurance Co., Carolina Casualty Insurance Co., Hartford Accident & Indemnity Co., Home Insurance Co., Marine Office of America Corp.

Specialties: Long-haul trucking.

Principal officers: Kenneth Albaugh, president; Gary Albaugh, Doug Wilson, executive vps.

Membership: AAMGA.

Tuley/Barnard & Associates Inc.

13831 Northwest Freeway, Suite 365, Houston, Texas 77040; 713-690-3181

	1984	1983
Premium volume	$9,939,941	$8,296,681
Gross revenues	$844,895	$622,251
Employees	15	17
Commercial lines	98%	98%
Admitted business	15%	20%
Non-admitted	85%	80%

Year founded: 1980.

Type of business: 15% managing general agent, 85% broker.

MGA for: First State Insurance Co., Tri-State Insurance Co. of Illinois, Lloyd's.

Broker for: Primarily First State Insurance Co., Hudson Insurance Co., St. Paul Surplus Lines Insurance Co., Tri-State Insurance Co. of Minnesota, Interstate Fire & Casualty Co., Fireman's Fund Insurance Cos., Hartford Insurance Group.

Principal officers: John D. Tuley, president; Bob Barnard, executive vp; Marilyn Svec, senior vp; Susan Trimble, vp.

Membership: NAPSLO, AAMGA, Texas Surplus Lines Assn.

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U.S. & Overseas Agencies Inc.

1693 Stuyvesant Ave., Union, N.J. 07083; 201-964-5950

	1984	1983
Premium volume	$2,900,000	$2,700,000
Gross revenues	$405,000	$375,000
Employees	11	11
Commercial lines	80%	80%
Admitted business	25%	25%
Non-admitted	75%	75%

Year founded: 1933.

Type of business: 60% managing general agent, 40% broker.

MGA for: Mount Vernon Fire Insurance Co., United States Liability Insurance Co., Foremost Insurance Co., Lloyd's of London.

Broker for: Primarily Evanston Insurance Co., Imperial Casualty & Indemnity Co.

Specialties: General, excess and umbrella liability.

Principal officers: Jack Neubauer, president; Bernice Bender, treasurer; Ingrid Neubauer, secretary; Jeffrey S. Neubauer, assistant treasurer.

Membership: NAPSLO.

Unifax Insurance Systems

7966 Beverly Blvd., Los Angeles, Calif. 90048; 213-653-5060

	1984	1983
Premium volume	$7,000,000	$4,000,000
Gross revenues	NA	NA
Employees	50	35
Commercial lines	100%	100%
Admitted business	100%	100%

Parent company: Unico American Corp.

Year founded: 1953.

Type of business: 100% managing general agent.

MGA for: Crusader Insurance Co.

Specialties: Small multiperil.

Principal officers: Erwin Cheldin, president; Jack Cheldin, chairman/secretary.

Membership: NAPSLO, AAMGA.

Uni-Service Excess Facilities Inc.

180 Genesee St., New Hartford, N.Y. 13413; 315-735-3321

	1984	1983
Premium volume	$2,465,528	$1,562,170
Gross revenues	$291,000	$171,000
Employees	7	5
Commercial lines	98%	95%
Admitted business	99%	95%
Non-admitted	1%	5%

Parent company: Utica National Insurance Group.

Year founded: 1979.

Type of business: 50% underwriting manager, 50% broker.

Underwriting manager for: Utica Mutual Insurance Co.

Broker for: Primarily American International Group Inc., North Star Excess Insurance Corp., United States Liability Insurance Co.

Principal officers: Jack B. Riffle, president; Curtis M. Pearsall, vp; John R. Lanz, treasurer; John P. Sullivan, secretary.

Membership: NAPSLO.

v

Variable Protection Administrators Inc.

7123 Pearl Road, Cleveland, Ohio 44130; 216-888-8585

	1984	1983
Premium volume	$60,000,000	$53,000,000
Gross revenues	$5,555,000	$4,955,000
Employees	92	90
Commercial lines	100%	100%
Admitted business	99%	99%
Non-admitted	1%	1%

Year founded: 1968.

Type of business: 11% underwriting manager, 86% managing general agent, 3% broker.

Underwriting manager for: Dependable Insurance Group Inc., Boston Mutual Life Insurance Co, California Life Insurance Co.

Broker for: Primarily Dependable Insurance Group Inc., California Life Insurance Co., Boston Mutual Life Insurance Co.

Principal officers: David T. Manley, president; Timothy Eisenmann, vp-operations; Anthony Manley, vp-claims; Marvin Settle, vp-underwriting; Norman Louie, treasurer.

Vermont Specialty Underwriters

102 South Winooski Ave., Burlington, Vt. 05401; 802-862-4635

	1984	1983
Premium volume	$2,866,259	$1,343,693
Gross revenues	$258,262	$155,172
Employees	4	3
Commercial lines	0%	0%
Admitted business	100%	100%

Year founded: 1982.

Type of business: 100% managing general agent.

MGA for: American International Group Inc., Foremost Insurance Co.

Principal officers: Warren L. Thompson, president; Roger Teese, senior vp; Steve Gentile, vp; Bradley Matulonis, treasurer.

w

Weicholz Management Corp.

1750 University Drive, Suite 201, Coral Springs, Fla. 33065; 305-752-1222

	1984	1983
Premium volume	$3,500,000	$2,600,000
Gross revenues	NA	NA
Employees	24	6
Commercial lines	100%	100%
Admitted business	50%	90%
Non-admitted	50%	10%

Year founded: 1975.

Continued on next page

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Continued from preceding page

Type of business: 50% underwriting manager, 40% managing general agent, 10% broker.

Underwriting manager for: Britamco Underwriters Inc. (syndicate on Illinois Insurance Exchange), American Fidelity Fire Insurance Co., American Consumer Insurance Co.

Specialties: Retail package and restaurant/tavern programs.

Principal officers: Stephen Weicholz, president; Myron A. Burdge, vp/general manager.

Western Network Insurance Services Inc.

650 California St., San Francisco, Calif. 94108; 415-397-5731

	1984	1983
Premium volume	$1,900,000	$985,000
Gross revenues	$144,000	$75,789
Employees	2	2
Commercial lines	100%	100%
Admitted business	100%	100%

Year founded: 1983.

Type of business: 100% broker.

Specialties: Large line property, directors & officers liability.

Principal officers: David Pfaff, chief executive officer; Ronald Hughes, president; John Smalley, vp.

World Trade Services Inc.

One World Trade Center, Suite 3369, New York, N.Y. 10048; 212-466-0600

	1984	1983
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: 1984.

Type of business: 100% managing general agent.

MGA for: Lloyd's of London.

Principal officers: Patrick S. Whalen, president.

Worldwide Insurance Brokers Inc.

4348 Jeffrey Drive, Baton Rouge, La. 70816; 504-292-6041

	1984	1983
Premium volume	$3,500,000	$2,700,000
Gross revenues	$1,000,000	$700,000
Employees	8	7
Commercial lines	50%	50%
Admitted business	50%	40%
Non-admitted	50%	60%

Year founded: 1980.

Type of business: 50% managing general agent, 50% broker.

MGA for: American Risk Assurance Co., American Fidelity Fire Insurance Co.

Broker for: Primarily RLI Insurance Co., Lloyd's, Sun Insurance Co., Integrity Insurance Co., Mt. Hawley Insurance Co., Terra Nova Insurance Co. Ltd., Illinois Insurance Exchange, Insurance Exchange of the Americas, New York Insurance Exchange.

Specialties: Small-business packages.

Principal officers: Robert B. Politzer, president/chief executive officer.

Membership: NAPSLO, Louisiana Assn. of Professional Surplus Lines Brokers, Louisiana Assn. of Managing General Agents.

Information on the following company was received too late to be included within the alphabetical list of excess/surplus lines wholesale marketers.

Allied Programs Corp.

120 Wall St., New York, N.Y. 10036; 212-809-1200

	1984	1983
Premium volume	$26,000,000	$23,000,000
Gross revenues	NA	NA
Employees	25	25
Commercial lines	99%	99%
Admitted business	90%	95%
Non-admitted	10%	5%

Year founded: 1976.

Type of business: 100% broker.

Branch offices: Union, N.J.

Broker for: Primarily Fireman's Fund Insurance Cos., Columbia Casualty Co., Providence Washington Insurance Co., American International Group Inc., Zurich-American Insurance Co., First State Insurance Co.

Specialities: Products, real estate risks.

Principal officers: David Lawrence, president.

Membership: NAPSLO.

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(Exclusively through Agents and Brokers)

Regulators abandoning drive for more surplus lines rules

By CAROL CAIN

The constriction of the admitted market is forcing state insurance regulators to abandon their drive for more control over the surplus lines market.

The function of the surplus lines market is to complement the admitted market. . .to close the gaps, says C. Robert Hall, vp with the National Assn. of Independent Insurers in Des Plaines, Ill. "It's a friend of both the admitted market and the regulator."

But, it was only a year ago that state regulators were cracking down on this "friend." The National Assn. of Insurance Commissioners, as well as individual regulators, were clamoring for tougher security requirements for surplus lines insurers, mandatory membership in professional associations for surplus lines marketers and, most of all, the establishment of surplus lines guaranty funds (*BI*, Aug. 20, 1984).

Amid all the din, New Jersey took the unprecedented step in July 1984 of establishing the first—and only—surplus lines guaranty fund (see story, page 68).

But, as admitted insurers' capacity declined and they began implementing tighter underwriting conditions at the end of 1984, the renewed need for the surplus lines market became evident and regulators began to soften their stance, observers note.

"As the admitted market capacity shrinks, everyone relies more on surplus lines. It doesn't seem like the appropriate time to increase regulations," said John George, Alaska insurance director and chairman of the NAIC Surplus Lines Task Force.

This year, only a handful of states considered major changes to tighten regulations or laws governing the surplus lines market.

"With the market condition so tight. . .regulators see the value now of the surplus lines market," said Richard M. Bouhan, government relations director for the National Assn. of Professional Surplus Lines Offices. NAPSLO, based in Roswell, Ga., is the trade association for surplus lines marketers.

"Surplus lines is perceived by regulators now as fulfilling an important function," he said.

How much states regulate the surplus lines market is tempered by concern that overregulation will force the market to shrink, making it impossible for some buyers to find needed coverage, and by the fact that regulators have had their hands full the last year monitoring the financial stability of admitted insurers as underwriting losses have mounted on coverage written at very low rates over the last six years.

"The energies of regulators have been on matters other than surplus lines," said Tharpe Forrester, Alabama's acting insurance commissioner and a member of the NAIC Surplus Lines Task Force.

Besides most states not implementing tougher regulations for surplus lines insurers and brokers, none have attempted this year to establish a surplus lines guaranty fund.

Regulators were lobbied hard not to set up such funds by surplus lines marketers who believed regulators did not understand how these guaranty funds would work, said Mr. Bouhan.

This education has "brought home to regulators the fact that guaranty funds can't work," he added.

"Any policyholder protection offered by these guaranty funds is illusory, since the surplus lines premium base is too small in any state to generate sufficient revenues to pay claims on surplus lines policies," notes a position paper adopted in June by the NAPSLO board.

"I think the guaranty fund issue has been beaten to death at the NAIC level. We've talked about it and decided that guaranty funds are unworkable," as long as there are other solvency requirements in place, said Paul A. Synnott, Virginia's deputy insurance commissioner and a member of the NAIC Surplus Lines Task Force.

The Risk & Insurance Management Society also has lobbied against surplus lines guaranty funds and other stringent regulations that would deny the sophisticated buyer access to this market, said Jon Harkavy, RIMS' director of governmental affairs.

"We would much rather see a high, legitimate, capital and surplus requirement," Mr. Harkavy said.

Many state regulators apparently agreed with the RIMS stance.

In those states where surplus lines laws were amended this year, most raised the minimum capital and surplus requirements for insurers that want to write policies in the non-admitted market.

One of the states to introduce higher capital and surplus requirements law was North Carolina, which last month became the second state to adopt what essentially is the NAIC model surplus lines law. Alaska adopted the 1982 model last year (*BI*, July 2, 1984).

The North Carolina law—incorporating H.B. 537 and H.B. 1330—went into effect July 11 and allows a non-admitted insurer to write surplus lines coverage in the state if it meets minimum capital and surplus requirements. These requirements vary according to the type of insurance company. On the average, the minimum requirement is about $4.5 million, said William Hale, deputy insurance commissioner and chief counsel in North Carolina.

The new law requires alien insurers—insurers based outside the United States including Lloyd's of London underwriters—and insurance exchanges that want to write surplus lines in North Carolina to maintain an irrevocable trust fund containing not less than $1.5 million in either a national bank or a Federal Reserve System member bank.

The new law also requires surplus lines brokers to post a $50,000 bond, increased from $1,000, and to join a surplus lines association.

In some states, such an association takes a quasi-governmental role in monitoring and checking every surplus lines policy written (see story, page 67).

But, in North Carolina, the newly established North Carolina Surplus Lines Assn. will act as a clearinghouse and a vehicle to disseminate information, and in an advisory capacity to the regulator, said Tapley O. Johnson Jr., president of Tapco Underwriters Inc., an insurance wholesaler in Graham, N.C.

Mr. Johnson is on the board of directors for the new surplus lines association, which has scheduled its first meeting of members this month.

The surplus lines association also will distribute to members a list of eligible surplus lines insurers, Mr. Hale said.

Prompted by insurer insolvencies in other states, Georgia has also shored up its surplus lines law, although it has not adopted the NAIC

Continued on next page

'Surplus lines buyer beware,' warns amendment to NAIC law

An amendment to the National Assn. of Insurance Commissioners' 1982 model surplus lines law gives buyers of non-admitted insurance a very strong message:

Let the buyer beware.

The amendment requires surplus lines brokers to declare in the affidavit they file with the state insurance department that a potential policyholder "was expressly advised in writing prior to the placement of the insurance" that the insurer is not licensed in the state, not subject to the state's supervision and, in the event of an insolvency, losses would not be paid by the state's guaranty fund (*BI*, July 8).

Even though only two states—Alaska and North Carolina—have adopted the NAIC model law, several states already have this or a similar provision in their surplus lines regulations. And, other states are proposing the provision in new laws or regulations.

Besides state regulators, the National Assn. of Professional Surplus Lines Offices also suggests that buyers of surplus lines coverage be given adequate notice about the nature of the non-admitted market.

"Although surplus lines insurance buyers are generally knowledgeable commercial insurance purchasers, the fact that a policy is procured in the surplus lines market should be made clear to buyers, regardless of their degree of insurance sophistication," notes the board of directors of NAPSLO in a position paper it adopted in June.

The Roswell, Ga.-based trade association represents surplus lines marketers.

NAPSLO is calling for all states to mandate that all surplus lines policies contain the notation: "The company issuing this policy is a non-admitted company and the policy is not protected by a guaranty fund."

In those states where a surplus lines guaranty fund exists, NAPSLO recommends that surplus lines policies inform the buyer about the guaranty fund's existence and spell out the limit of losses to be covered under the fund.

New Jersey is the only state so far to establish a surplus lines guaranty fund.

The Risk & Insurance Management Society in New York also would like stronger language to be contained in surplus lines policies.

"We don't want regulation to keep people out of the market, just so that people know what they're getting into," said Jon Harkavy, director of governmental affairs for RIMS.

Continued from previous page
model law, said Ralph W. Terry, deputy insurance commissioner.

H.B. 56, which became law April 10 and applies to new and renewed surplus lines policies written after July 1, increases minimum capital and surplus requirements for non-admitted insurers and raises the bonding requirements for surplus lines brokers.

Minimum surplus and capital for alien insurers is $10 million, up from $3 million under the old law. An alien insurer still must have been in business at least 10 years before it can write coverage in Georgia.

For foreign insurers, which are those licensed in other states, minimum capital and surplus requirements have been increased to $3 million from $1 million.

The new law also mandates that surplus lines brokers post a $50,000 bond, up from $20,000.

Nevada and New Jersey also increased the minimum capital and surplus requirements for non-admitted insurers.

In Nevada, H.B. 156, which became law July 1, requires alien and foreign insurers that want to write in the non-admitted market to have $3 million in capital and surplus, up from $1.5 million.

And, in New Jersey, A.B. 1320 requires non-admitted insurers to have twice the minimum capital and surplus required of admitted insurers. The requirements for admitted insurers vary according to the requirements of the state in which they are domiciled.

The law, which took effect Jan. 23, requires new non-admitted insurers to comply with the requirements immediately. Established surplus lines insurers have three years to comply (*BI*, Jan. 28).

Louisiana also adopted three surplus lines bills this year, but they are watered-down versions of earlier bills backed by Insurance Commissioner Sherman A. Bernard.

The bill that makes the biggest change—S.B. 1081—sets criteria for a non-admitted insurer to be placed on an approved list of surplus lines insurers in Louisiana.

For example, an insurer must file with the insurance commissioner an annual statement and an affidavit stating it has passed a specified number of the NAIC's early warning tests for solvency.

Insurers also must file evidence that their net written premium does not exceed four times their capital and surplus.

The other Louisiana bills deal with regulation of surplus lines brokers. S.B. 684 stipulates under what circumstances brokers' licenses can be revoked, and S.B. 973 requires surplus lines brokers to pass an exam to be licensed.

Early in the legislative session, Commissioner Bernard drafted measures to prohibit surplus lines insurers from writing primary workers compensation and personal lines coverages, but those measures failed. He still would like to see such provisions enacted into law, and so would NAPSLO.

In its position paper, NAPSLO stated that the surplus lines market is neither appropriate nor intended for all risks.

"Specifically, workers compensation coverage and primary personal automobile liability coverage up to statutory limits should not be included in the non-admitted market," the paper reads. It says that in every state, a sufficient admitted market or other facilities exist for these coverages.

Last year, Mr. Bernard also drafted a post-assessment guaranty fund bill, which called for a 2.5% assessment on all surplus lines premiums written in the state (*BI*, Aug. 20, 1984). But, it also failed.

"I felt strongly and still feel strongly that the bills passed will not solve the problem" of insurer insolvencies, said Mr. Bernard, citing the liquidation of North-West Insurance Co. Northwest, a Portland, Ore.-based insurer, had written state and federal work comp, marine and general liability, primarily on a surplus lines basis in Louisiana's oil patch (*BI*, May 27).

"Oil contractors still want to buy that cheap, negotiated insurance, and they didn't want the bills I proposed," Mr. Bernard said, adding that without the oil contractors' support, there weren't enough votes to pass the measures.

But, the Louisiana Legislature did approve funds for three new staff positions in the Insurance Department, and Mr. Bernard intends to use those positions to create a special surplus lines division.

Connecticut also placed tighter rules on the surplus lines market.

Insurers that want to do business in the non-admitted market there will have to give the Insurance Department financial data and meet specific capital and surplus requirements based on the amount of business written in the state, said Commissioner Peter Gillies.

Both the insurer and buyer also will have to sign affidavits pledging that a diligent search for coverage in in the admitted market was made before turning to the surplus lines market, Mr. Gillies said.

Meanwhile, several states—including Utah, South Carolina and Virginia—are changing their surplus lines regulations as part of overhauls of their insurance codes.

While South Carolina is just beginning the process, the Utah Legislature adopted a revised insurance code earlier this year to go into effect July 1, 1986.

A hearing on the surplus lines section of the revised Utah insurance code is scheduled for Aug. 26.

In Virginia, revisions to the insurance code, including sections on surplus lines, are expected to be introduced in the Legislature in January, Mr. Synnott said.

Portions of the NAIC model surplus lines laws, specifically the sections on financial requirements, are already in the Virginia law. However, other parts are expected to be included in the revision.

For instance, one item will stipulate that a payment to a surplus lines broker constitutes a payment to the insurer.

The Virginia proposal also will require the buyer be notified in writing that the insurance being purchased is not from an admitted insurer and is not covered by a guaranty fund. This provision was included this year as an amendment to the NAIC model (see story, page 66).

Virginia also is expected to tighten regulations requiring brokers to try first to place risks in the admitted market before turning to the surplus lines market.

Other states also are expected to look to the NAIC model surplus lines law during the next year.

Alaska's Mr. George would like other states besides Alaska and North Carolina to adopt the model. "Until the model is more widely accepted, we'll be looked upon as the tough state," he said.

In fact, to make things easier for surplus lines insurers in Alaska, Mr. George will seek to amend Alaska's surplus lines law to cap at $2.5 million the size of the trust fund account required of alien insurers. Current law requires alien insurers to have a trust fund in the United States of at least $1.5 million. This is to increase to $2.5 million as of Sept. 19; $3.5 million in 1986; and $5 million in 1987.

The NAIC model calls for a trust fund of only $1.5 million; however, Mr. George would like that increased to $2.5 million. The advisory committee to the NAIC Surplus Lines Task Force is expected to issue a report either next month at the NAIC's fall meeting in Syracuse, N.Y., or in December at a meeting in Reno, Nev. ■

Surplus market helps regulate itself

By CAROL CAIN

Three more states are allowing surplus lines industry associations to help regulate the non-admitted market, while others are pondering the notion.

Surplus lines associations with varying responsibilities were formed this year by the Illinois and North Carolina legislatures. A third state, New Jersey, adopted a law that would give broad powers to either the already existing surplus lines association or any new group that might form.

Initially, the Illinois association, to which all surplus lines producers in the state must belong, is expected to play a quasi-governmental role and operate a stamping office for surplus lines policies in the state.

Enabling legislation in New Jersey will allow an association in that state to take on tasks similar to those to be undertaken by the Illinois association.

In North Carolina, the association will be used as a vehicle to disseminate information to surplus lines marketers.

Surplus lines marketers contend they are in the best position to understand and monitor the non-admitted marketplace, according to a position paper adopted in June by the National Assn. of Professional Surplus Lines Offices, a trade association in Roswell, Ga.

"California and a number of Western states have instituted strong self-regulatory quasi-governmental associations. . . .The self-regulatory concept of state surplus lines associations has worked well in many states and is growing," NAPSLO says.

"NAPSLO supports this concept and urges all states to consider it," the position paper states.

The Surplus Line Assn. of Illinois, which officially formed at the end of April, began processing surplus lines policies last month, said A. Norman Dubois, association chairman and president of Insurance Brokers Inc., a Chicago-based surplus lines broker.

The authorization for the Illinois association was included in a bill passed by the Legislature last year that took effect Feb. 27. Under that law, all surplus lines policies written in Illinois will be submitted to the association's stamping office, where the association will check the policy, Mr. Dubois said. Each policy also will be labeled with a notation specifying that a guaranty fund will not protect the buyer in the event of insurer insolvencies.

The new law also eliminates the previous "white list" of approved surplus lines insurers to be used by surplus lines producers in the state.

Eliminating the list has both advantages and disadvantages, however. While producers now will have access to more non-admitted insurers, their liability is increased, Mr. Dubois.

"The onus is on us to make sure we are picking proper security for the citizens of Illinois," Mr. Dubois said.

As part of its obligations, the Surplus Line Assn. of Illinois will provide the state Insurance Department with monthly reports outlining what business was written in the non-admitted market that month. The first report is expected to be issued this week.

"One of the things eventually we hope to have is some type of library, where all the financial statements and records will be on file," Mr. Dubois said.

This is exactly what regulators want.

"We'll have records about who's writing, who isn't and what's being written," said Ken Smith, a deputy director with the Illinois Insurance Department. He said such information would be vital in the event of an insurer insolvency.

The Illinois department is fully behind the idea of partial self-regulation by surplus lines associations, Mr. Smith said. "The whole association idea is a dramatic difference, but one that's supported by the department."

For some, however, the concept has its faults. Some producers, for instance, don't particularly like having to pay higher fees and supply duplicate policies to the association, according to Mr. Smith. But, he added, the law provides assurances that the surplus lines business in Illinois will be reported and that premium taxes will be paid.

The association in Illinois is financed through membership fees of $150 per individual licensed surplus

Continued on next page

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Associations

Continued from previous page
lines broker and $250 per registered firm, plus a tax equal to 0.5% of a policy's premium that will be paid by the buyer, Mr. Dubois said.

In New Jersey, A.B. 1320 authorizes a surplus lines association to help the Insurance Department by making sure surplus lines insurers meet financial security requirements, compiling statistics and establishing a peer review program.

The measure became law Jan. 23.

This was not the first time such an idea was considered, said Jim Walls, president of the Surplus Lines Assn. of New Jersey and vp of Quaker Agency, a wholesaler in Sea Girt, N.J. The idea of establishing a quasi-governmental group was explored by the association a few years ago "in hopes that we would be able to monitor the surplus lines market," he said.

However, the Legislature turned its attention to creating a surplus lines guaranty fund after Ambassador Insurance Co. was placed into rehabilitation (see related story).

The Surplus Lines Assn. of New Jersey, while now basically a trade association, someday may take on the responsibilities set in this new legislation, Mr. Walls said, adding it currently is concentrating on the surplus lines guaranty fund law.

The measure adopted this year in North Carolina—H.B. 537—requires surplus lines brokers to join an association formed to disseminate information, said Tapley O. Johnson Jr., president of Tapco Underwriters Inc. in Graham, N.C.

The North Carolina Surplus Lines Assn. currently is organizing, said Mr. Johnson, who is on the association's board.

Unlike the Illinois association, the North Carolina group will not serve as a stamping office. Instead, it will be advisory and act as an information clearinghouse, he said.

Other states, notably Pennsylvania, are considering establishing self-regulatory surplus lines associations, and enabling legislation may be introduced during the next session, observers say.

"One of the problems when you form an association is whether membership is voluntary or mandatory," said Richard Bouhan, NAPSLO government relations director. Brokers usually oppose mandatory membership, he said.

Those favoring the establishment of associations for self-regulation also run into another snag: funding. The obvious funding method is a tax that ultimately is passed along to the buyer, Mr. Bouhan said.

In addition, such associations change the perception of wholesalers. "It will put them in a new role, one that will require some education and some change," he said. ■

N.J. is hoping insurer's return a good sign for guaranty fund

By MEG FLETCHER

TRENTON, N.J.—One of the surplus lines insurers that decided to quit rather than fight the establishment of New Jersey's surplus lines guaranty fund last year is returning to the state.

State officials hope that will mean smoother sailing for the nation's first surplus lines guaranty fund, which had a rocky first year.

After New Jersey established the guaranty fund in July 1984, 26 of the 55 surplus lines insurers writing business in the state withdrew.

But, now one of those insurers—Pacific Insurance Co. of Los Angeles—is returning.

Pacific Insurance, which wrote $73,832 in premium in 1984 in New Jersey, will soon resume writing in New Jersey so it can offer clients a market in all 50 states, said Harry Boyd, counsel for Pacific Insurance, a unit of Continental Corp.

New Jersey officials hope this is the beginning of better times for the guaranty fund, which during 1984 was established, amended and successfully fought legal challenges (*BI*, Nov. 26, 1984; Jan. 28).

However, industry observers still are concerned about the effect of the insurers' withdrawal on the non-admitted market in the state.

"It is difficult to assess," said Richard M. Bouhan, government relations director for the National Assn. of Professional Surplus Lines Offices Ltd. in Roswell, Ga.

The withdrawal of 26 surplus lines insurers caused at least a short-term, 25% reduction in commercial insurance capacity in New Jersey last summer and fall. The insurers that withdrew wrote $21 million of the $85 million in total surplus lines premium written in New Jersey in 1984, according to Insurance Department figures.

But, the tightening of the surplus lines and admitted markets nationwide, which began last year, makes it difficult to identify the specific impact of the guaranty fund law, Mr. Bouhan said.

The guaranty fund legislation was hastily drawn last spring in hopes of generating at least $12 million to pay outstanding claims of New Jersey policyholders of Ambassador Insurance Co., which is domiciled in Vermont. Later estimates are that $50 million is due to 4,700 claimants (*BI*, June 3).

Ambassador was taken over by the Vermont Insurance Department and found insolvent by a state judge. However, its parent company is appealing that decision and has proposed avoiding liquidation by transferring its liabilities to a reinsurer (*BI*, May 6).

The surplus lines guaranty fund is now paying New Jersey's Ambassador policyholders an initial 40 cents on the dollar—up to $120,000 per claim—for approved claims (*BI*, June 3). About $4.5 million is soon expected to be paid out to more than 600 claimants.

The fund eventually hopes to pay all claims in full up to a $300,000 cap set by the Legislature as part of the guaranty fund law.

Money for the fund comes from a variety of sources:

- Surplus lines insurers were assessed $25,000 each.
- Policyholders now pay a maximum 4% surcharge on new and renewal policies. The surcharge is expected to generate $2.6 million annually, said Jesse Benton, manager of the surplus lines fund.

Amendments to the law switched the surcharge burden from surplus lines insurers, which were to pay up to 4% of premiums written in the previous year, to policyholders.

- The surplus lines guaranty fund can borrow up to $10 million from the state's guaranty fund for admitted insurance companies, but must repay the money.

The surplus lines fund expects to borrow money for the first time in the coming year, Mr. Benton said. But, he emphasized that payouts will be greatest in the first two years and then will decline, while annual surcharge revenues are expected to remain constant.

The fund also could get money if Ambassador is liquidated.

Health care costs still rising, but rate of increase slowing

By JERRY GEISEL

washington

WASHINGTON—Health care costs still are climbing but the rate of increase is slowing down, the federal government says.

Last year, health care costs rose 9.1% to $387.4 billion, the lowest annual percentage increase in 20 years, according to the Department of Health and Human Services.

That 9.1% increase compares with increases of 15.3% in 1980—the highest single-year increase—and 15.2% in 1981. Health care spending rose 10.3% in 1983 and 12.5% in 1982.

"Lower overall inflation accounted for a large measure of the reduced growth in health care spending, but the most important development was the drop in use of hospital inpatient services," said HHS Secretary Margaret Heckler.

For example, figures from the American Hospital Assn.'s Community Health Panel Survey show that community hospital admissions fell 3.7% and inpatient days dropped 8.6% last year, HHS said.

Other findings reported by HHS this month include:

- Health care spending as a percent of the gross national product in 1984 was 10.6%, down from 10.7% in 1983, reflecting the first decrease in health spending as a percentage of GNP since 1978.
- Health care spending amounted to $1,580 per person in 1984, up from $1,459 in 1983 and $207 in 1965.
- The nation's $387.4 billion health care bill included $157.9 billion for hospital care, $75.4 billion for physician services, $32 billion for nursing home care, $25.8 billion for drugs and medical supplies and $25.1 billion for dental care.
- Health insurers and self-insured employers paid $120.5 billion, or 31.1%, of all health care expenditures; direct-patient payments accounted for $95.4 billion, or 24.6%. The federal government accounted for $111.9 billion, or 28.9% of expenditures, and state and local governments paid $48.3 billion, or 12.5%.
- Third parties, such as insurers and government programs, paid about 75% of total personal health care bills in 1984. The share paid by third parties ranged from a high of 91% of hospital care to a low of 24% for drugs and other medical nondurable items.

401(k) protest

Some 135 trade associations have signed a letter to Treasury Secretary James Baker protesting a provision in the Reagan administration's tax reform package to eliminate 401(k) salary reduction plans for tax-exempt employers.

"It is our strongly held position that the use of these sensible, flexible and inexpensive plans for encouraging retirement savings should be encouraged further—rather than discouraged—for the broadest possible number of American workers," the letter says.

"In this context, the proposal to eliminate access to 401(k) plans for employees of tax-exempt organizations such as ours is particularly ill-advised," the letter said.

The trade groups all are members of the Coalition to Preserve 401(k) Plans for Tax-Exempt Organizations, recently organized by the American Society of Assn. Executives and the U.S. Chamber of Commerce (*BI*, July 22). They wrote to tell Mr. Baker that they will have more difficulty attracting and keeping employees if they cannot offer 401(k) plans.

"These significant differences in the retirement savings protection for employees of taxable and tax-exempt organizations are not only inequitable, but also defeat the administration's stated goal of encouraging retirement savings," the letter said.

Current law doesn't explictly allow or forbid 401(k) plans for tax-exempt employers. However, the Internal Revenue Service, on a case-by-case basis, has approved 401(k) plans for non-profit employers, according to the ASAE.

Social Security is 50

The nation's biggest public retirement benefit program is 50 years old this week.

The government pension program has grown tremendously since President Franklin D. Roosevelt signed the Social Security Act into law on Aug. 14, 1935.

For example, in 1940 some 222,000 people collected more than $60 million in retirement and survivors' benefits. Last year, the Social Security old age retirement trust fund paid out more than $160 billion to about 33 million people.

Taxes paid by employers and workers to support the program also have jumped. In 1940, the FICA tax was a total of 2% of the first $3,000 of salary—paid equally by employers and workers. So, the maximum annual FICA tax per worker was $60, with the employer and employee each paying $30.

Today, the FICA tax is 14.1% of the first $39,600 of salary, also paid equally by employers and employees. Thus, the maximum annual payroll tax per worker is $5,583.60, with the employer and the employee each paying $2,791.80.

The Social Security program covers all private employers. However, federal workers hired before 1984 are not covered under the program. In addition, about one-fourth of all state and local government employees are not covered because their employers have not elected coverage, says benefit consultant William M. Mercer-Meidinger Inc.

Before Congress in 1983 passed amendments to the Social Security Act, public employers had the right to drop out of Social Security. Public employers no longer can opt out of the program, although public employers that left Social Security before 1983 or have never participated do not have to join. ■

Budget resolution impact

Continued from page 2
terminate defined benefit pension plans without having set aside sufficient assets to pay promised benefits.

The PBGC now pays benefits to about 70,000 people covered by plans that have been terminated and taken over by the agency.

Although it is not itself a law, the budget resolution puts Congress on record as favoring an increase in the premiums paid to the PBGC. That increases the chances that Congress will ultimately approve a premium increase, PBGC officials say.

"The resolution means that Congress will follow with authorization bills" to increase the premium, said Kevin Putt, the PBGC's assistant executive director.

"The resolution is a signal. There will be a premium increase," added Edward J. Davey, vp-technical analysis at Johnson & Higgins in New York.

Although Congress has ignored several previous PBGC requests for premium increases, recent terminations of badly underfunded plans have increased congressional concern about the financial stability of the PBGC, said J&H's Mr. Davey.

For example, last month, the PBGC was hit with the largest claim in its 10½-year history when Allis-Chalmers Corp. terminated a pension plan covering union workers (*BI*, July 22).

The PBGC estimates that the plan's liabilities, which the agency will have to assume, may exceed assets by about $165 million.

And, the PBGC is watching to see if Wheeling-Pittsburgh Steel Corp. will terminate several underfunded pension plans.

Wheeling-Pittsburgh, which has filed for reorganization, warned last month that the company could terminate its pension plans if members of the United Steelworkers union continue their strike against the company (*BI*, Aug. 5). However, no official move has been made to terminate the Wheeling-Pittsburgh plans, which the PBGC says are underfunded by between $200 million and $300 million (*BI*, April 29).

At the end of the 1984 fiscal year, the PBGC reported $1.063 billion in assets and $1.525 billion in liabilities, resulting in a $462 million deficit. This deficit has been steadily increasing, and some fear that PBGC will someday run out of money to pay promised benefits if the premium is not increased.

Besides the PBGC premium increase, the budget resolution also calls for the government to cut Medicare spending by a total of $11 billion over the next three years. Like the PBGC premium increase, it will be up to congressional committees to work out the details of how Medicare spending will be reduced.

However, the House Ways and Means Committee already has approved a proposal that would require companies with at least 20 employees to give workers and spouses age 70 and older a choice between enrolling in the corporate health plan to provide their primary health coverage or using Medicare as their primary insurer (*BI*, July 29).

Experts say that, given such a choice, older workers would shun Medicare, which has high coinsurance requirements and deductibles, in favor of employer-provided health plans.

This shifting of older workers' and spouses' health care costs to employer plans, which would go into effect Jan. 1, 1986, would save Medicare a total of $990 million over the next three years—and presumably add that much to corporate health care bills.

In 1982, Congress took the first step to shift older workers' health care costs onto employers when it passed legislation requiring companies to give workers age 65 through 69 the opportunity to opt for the employer health plan instead of Medicare for their primary coverage. The current Ways and Means Committee proposal extends that option to all workers and their spouses eligible for Medicare, regardless of age.

Finally, the budget resolution rejects a one-year freeze on Social Security benefit increases, an idea that the Senate favored but the House opposed.

Currently, Social Security benefits are raised every January to match increases in the Consumer Price Index during the previous year. ■

Baseball strike

Continued from page 2

union.

Mercer-Meidinger provided benefit information to both sides during negotiations on the impact of various proposals, according to Ms. Rowan.

Under the players' pension plan, players are immediately vested, according to Ms. Rowan. Typically, corporate defined-benefit plans require 10 years of service before an employee vests.

However, 10-year vesting would not be practical for baseball players, explains Ms. Rowan, noting that many of the players do not play in the major leagues for 10 years.

Pension benefits paid to retired players are based upon the number of years they play in the major leagues and the age at which they collect benefits, she said. Players' salaries have no effect on their benefits, she notes.

Players may begin collecting pension benefits as early as age 45 or as late as age 65, Ms. Rowan explained.

Under the old contract, a player that started his career during or after the 1970 season and retires after 20 years in the major leagues would receive a monthly benefit of $4,824 at age 65, Ms. Rowan says.

Also under the 1981 contract, active major league players receive $150,000 in life insurance coverage. That benefit is reduced to $75,000 when the player stops playing and drops to $10,000 when he begins collecting pension benefits.

Major league players also receive major medical, hospitalization and dental benefits under the 1981 contract.

The major medical coverage has a $50 deductible and pays 80% of reasonable and customary charges up to a lifetime maximum of $250,000, Ms. Rowan says. Players' out-of-pocket costs are not capped under the plan.

Pension benefits paid to retired baseball players are based upon the number of years they play in the major leagues and the age at which they collect benefits; players' salaries don't affect the benefits, says Mercer-Meidinger's Ms. Rowan.

The hospitalization coverage pays the full cost of a semi-private room for up to 30 days annually, she said.

The players' dental coverage requires a $25 annual deductible and pays 80% of basic services, like examinations and fillings, and 60% of more extensive services. There is a $1,000 per person annual benefit limit.

The life, major medical and dental benefits are underwritten by Equitable Life Assurance Society of the United States, based in New York, while hospitalization benefits are written by Blue Cross of Greater New York.

Ms. Rowan says the players' benefits were state-of-the-art when they were originally structured in 1957. She noted that many medical plans today provide coverage for 365 days of hospitalization and cap employees' out-of-pocket expenses.

But, she notes that the $50 major medical deductible is "practically first-dollar coverage today."

Club owners were undoubtedly pleased this year's players' strike lasted only two days. Unlike in 1981, when players struck for 50 days, owners this year had no strike insurance.

In 1981, team owners collected $46.8 million of the $50 million limit provided by their strike coverage. The coverage paid $100,000 per canceled game after an initial 153 games were canceled because of the strike.

The team owners paid $3.25 million for the policy, which was written by Lloyd's of London and U.S. underwriters (*BI*, Aug. 10, 1981).

Edward A. Dipple, president of Lockwood, Dipple & Green Inc., who helped broker the 1981 strike coverage, would not say whether he had been approached to place a strike policy for the owners this year.

But, Mr. Dipple said, "If they decided they wanted to buy, I don't think it would have been available."

A lack of both capacity and interest on the part of underwriters in writing strike coverage would have made it unlikely the owners could have purchased a policy in 1985, he said. ■

Lloyd's deadline

Continued from page 2

Many of the more than 1,500 Beckett names had said repeatedly before the solvency deadline that they would not pay the losses because of what they felt was mismanagement of their loss-plagued syndicates.

Last year, the syndicates' members paid 39 million pounds ($52.3 million) in losses to Lloyd's. That payment was largely offset by a payment of 38.17 million pounds to Beckett members by Minet Holdings P.L.C., Beckett's parent, and Alexander & Alexander Services Ltd. to cover losses resulting from alleged misappropriation of syndicate funds when the syndicates were managed by PCW Underwriting Agencies Ltd. (*BI*, July 2, 1984).

As part of the agreement with Minet and A&A, the members agreed not to sue Minet, A&A or Beckett. However, some members now say that agreement may be invalid, especially in light of a recent audit by accountant Price Waterhouse that said the syndicates engaged in improper reinsurance and overwrote their capacity. The audit also said incomplete information was released to Beckett names when they accepted the Minet and A&A offer, although Minet denies that it released incomplete information (*BI*, June 17).

Recently, management of the syndicates was assumed by a new agency, Additional Underwriting Agency III.

However, many of the members remain angry and confused about exactly what they owe—and why.

"As it is a totally moving feast, I'll wait to see what happens. I would rather pay my losses as they occur," said syndicate member Keith Whitten.

Lloyd's July 31 solvency deadline already had been delayed from May 31 to accommodate the Beckett names. The deadline is set in order for Lloyd's to obtain a certificate of solvency from the British Department of Trade and Industry. Lloyd's must have this proof of solvency to continue underwriting in the United States and elsewhere.

Losses not paid by the names will be assumed by the Central Fund, which is financed by the accumulation of dividends on the fund and by an annual levy on Lloyd's members. This levy currently is 0.45% of the allocated premium volume of each member, but it may be increased next year, Mr. Davison said.

In addition to the Central Fund, Lloyd's also can tap the more than $10 billion in members' deposits, assets and technical reserves to pay for losses.

"Our tackle is in order and the system works," Mr. Davison emphasized. "Lloyd's solvency is impregnable as at any time." ■



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CEO's presidents and owners...2,531
Vice-presidents, general managers and other administrative personnel 2,547

Financial:

Chief financial officers and vice-presidents of finance 2,075
Secretaries, treasurers, controllers and other financial personnel ...6,886

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 8,048

Sub-total 22,087

Associations 804
Government, unions and educational systems 1,030

Commercial Consumers

Sub-total 23,921

Insurance agents and brokers 9,548
Insurance companies 6,089
Financial institutions 536
Actuaries, attorneys, adjusters, appraisers and consultants 3,464
Others allied to the field 1,320

TOTAL 44,878

* Source: Business/Occupational breakdown of qualified circulation, May 6, 1985 issue, as submitted to BPA for June 1985. BPA Publisher's Statement.

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Jetliner crash

Continued from page 1

coverage was written in the London market, according to underwriters.

Richard Maylam, Lloyd's underwriter for syndicates managed by Alexander Howden Underwriting Ltd., confirmed he was the London claims lead.

The remainder of the coverage was placed in other markets, including La Reunion Aerienne in Paris, underwriters say.

USAIG officials would not comment on their participation. An official at Associated Aviation Underwriters confirmed that AAU participated on the risk.

Mutual Marine Office Inc. in New York wrote 5% of the Delta coverage, according to President Joe Parte. He added that his company has already paid about $1.2 million, its share of the hull loss.

Aviation Office of America, a Dallas-based Crum & Forster unit, wrote a portion of the coverage, said AOA President Peter O'Grady. He declined to discuss specifics of the coverage, except to say AOA has been on the Delta risk for four years.

American International Group Inc. confirmed that it is on the risk, but a spokesman declined to discuss details.

Delta's coverage was placed by broker Johnson & Higgins in Atlanta and Lloyd's broker Willis Faber P.L.C. in London.

About 10 lawsuits stemming from the crash were filed as of late last week by San Francisco attorney Melvin M. Belli, but none of the suits specified damages.

The suits name Delta as the only defendant, but an associate of Mr. Belli says he plans to include the Federal Aviation Administration as a defendant.

Underwriters say Delta has one of the best loss records in the commercial aviation business. Delta has not suffered a major aviation loss in 12 years.

In fact, a syndicate on the Insurance Exchange of Americas in Miami, which reinsures one of Delta's direct underwriters, says it wanted a larger portion of Delta's risk than it eventually wrote.

The year-old Exchange Aviation Underwriting Group Inc. reinsures 0.26% of the Delta risk, says Trevor Jarvis, vp and underwriter, who declined to identify the ceding company.

Mr. Jarvis said he would have liked to have written a larger share of the Delta account, but added he was happy to write the small amount because of Delta's favorable loss record and because his syndicate is a new market.

Delta had not suffered a major loss since 1973, when the airline was involved in three major incidents, according to Air Claims Information Digest, a London-based publication.

A Delta DC-9 jetliner crashed on July 31, 1973, at Boston's Logan Airport, killing 89 people. The same day, another DC-9 crashed at an airport in Chattanooga, Tenn., causing major damage to the hull but no fatalities.

In November 1973, a Delta DC-9 crashed upon landing, again in Chattanooga, destroying the aircraft. There were no fatalities.

Delta "was regarded throughout the world as one of the airline risks to write" when it renewed its coverage on July 1, said one underwriter, adding that is one of the reasons the airline's aviation insurance costs increased only slightly when its coverage was renewed.

According to a London underwriter, the rate for Delta's hull coverage, 22 cents per $100 of insured value, remained unchanged from its July 1984 renewal.

Delta's liability rates increased only slightly to 28.3 cents per 1,000 revenue passenger miles from 26.5 cents, the underwriter said.

Other airlines that have recently renewed their aviation coverage received similarly low rate increases.

"At the moment, hull rate increases are between 3% and 5.5% and liabilities are from 7.5% to 10% of last year," said a London underwriter.

Other U.S. airlines that renewed their coverage on July 1 included Pan American World Airways and Northwest Orient Airlines.

Pan Am placed an 18-month hull and liability insurance program on July 1, so its insurance program coincides with its fiscal year, according to one London underwriter.

Pan Am's hull rates set by European underwriters increased to 32 cents for every $100 dollars of hull value from 29 cents last year, said the London underwriter.

Because Pan Am is selling its Pacific routes to United Airlines at the end of the year, Pan Am's fleet value will be set at $3.8 billion from July until December and $2.3 billion during 1986, the underwriter said.

The liability rates charged by European insurers for a $500 million limit increased to 40.5 cents per revenue passenger mile, compared with 35 cents last year.

Like last year, Pan Am is taking an aggregate deductible on top of the standard per-occurrence deductibles for partial hull losses, one underwriter said. Pan Am will carry a $5 million deductible for the first six months of the policy period, while the deductible will increase to $10 million for the next 12 months, he said.

Pan Am's rates reflect two major losses in the past three years that, combined with smaller claims, have cost aviation underwriters at least $70 million.

In July 1982, a Pan Am Boeing 727 jetliner crashed near New Orleans, killing 146 people aboard the plane and eight people on the ground (*BI*, July 9, 1982). And, in September 1983, a Pan Am Boeing 747 jetliner skidded off a runway in Karachi, Pakistan, causing millions of dollars in hull damage.

Pan Am officials would not comment on its insurance program.

Northwest Orient's gross premiums for its hull and liability insurance coverage increased at its July renewal to $14.8 million from $12.3 million last year, the London underwriter said. The rates Northwest Orient paid were not available.

However, Northwest Orient also increased its fleet value to $2.9 billion from $2.4 billion and increased it liability limits to $600 million from $500 million, the underwriter said.

"Generally, these are in line with the general trend of increases," he said.

But, market observers note, airlines that renew their coverage later in the year may be faced with much larger rate hikes.

The Delta loss brings the amount of Western-built hull losses in 1985 to $270 million. The only year in which aviation underwriters have paid out that much was in 1983, when hull claims totaled $302 million.

As a result of 1985's horrible loss experience, aviation underwriters say that they will carefully review their rates before other airlines renew their aviation coverage in October and November, though none will estimate how much rates will rise.

"With the recent string of losses, I am sure that underwriters are reviewing their position yet again, because obviously there are significant sums of money to be found," said David Peachey, chairman of the Lloyd's Aviation Underwriters Assn.

"Generally, there have been increases this year, but not as extreme as last year."

"Rates went down in the last few months because at the beginning of the year there were no major losses," a London underwriter said. "But, trends may harden in September and October now. We will have to wait and see."

Federal investigators last week were still attempting to determine the exact cause of the Delta crash, which occurred as the aircraft was attempting to land at the Dallas-Fort Worth International Airport. But, officials speculated that violent downdrafts called "microbursts," a form of wind shear that can force an airplane during takeoff or landing down to the ground, may have been responsible for the disaster.

Last week, several lawmakers questioned why the government has been slow to appropriate funds for the installation on an advanced radar system, known as Doppler radar, at the nation's airports.

Doppler radar, experts say, has the ability to track microbursts and allow air traffic controllers to inform pilots of a microburst's existence. ▪

IBM had no key-man cover for executive killed in crash

By ROBERT A. FINLAYSON

ARMONK, N.Y.—International Business Machines Corp. did not have key-man coverage on the life of a top company executive killed in the Aug. 2 crash of a Delta Air Lines jetliner in Dallas.

Phillip D. Estridge, vp of manufacturing for IBM's worldwide operations, and his wife, Mary Ann, were killed in the crash. Also killed were four other IBM employees: three Los Angeles-based marketing employees and a staff engineer.

A spokesman for the giant computer and business machine manufacturer based in Armonk, N.Y., said IBM does not take out key-man life insurance on its top executives. Key-man insurance provides companies with coverage when an employee considered critical to a company's operations is killed or disabled.

Mr. Estridge, 47, oversaw the growth of IBM's personal computer division from a small development group to a $4.5 billion-a-year business. Earlier this year Mr. Estridge left the personal computer division to become vp of manufacturing for IBM's worldwide operations.

IBM provides all its employees with group life insurance. The amount of the coverage is based on an employee's length of service, and the maximum benefit is $50,000 for 25 years of employment with IBM, a company spokesman said.

In addition, beneficiaries of employees who die also receive a survivors' income benefit equivalent to three times the employee's regular annual compensation, the spokesman said.

Employees traveling on company business are covered by IBM's travel accident insurance plan, which pays a designated beneficiary five times the deceased employee's annual salary in addition to the life insurance and survivors' benefit, the spokesman said.

Survivors of employees who die on company business also are eligible for workers compensation benefits.

IBM officials declined to say whether any of the employees killed in the Delta crash were traveling on business.

However, the company spokesman did say that the IBM employees who were on the ill-fated Delta jetliner were not traveling as one group.

Two IBM student interns also were killed in the accident. There is no insurance coverage for the interns, the spokesman said.

Gregory Freeman, an IBM employee based in Boca Raton, Fla., was among the survivors of the crash.

update

Wausau officials resign

Continued from page 2

utive officer of Wausau, announced his resignation. Mr. Schoneman gave as the reasons for his decision Wausau's $207 million loss in 1984 and disagreement with Thomas Hancock, chairman of the executive committee, who replaced Mr. Schoneman in his posts.

Also, Wausau said it wants to sell the business of its Toronto-based Canadian operation because the business is mostly personal lines.

Rulings issued in KAL crash

WASHINGTON—A federal District Court judge has dismissed Boeing Co. and Litton Systems Inc. from litigation stemming from the crash of a Korean Air Lines jet shot down by the Soviet Union on Sept. 1, 1983. All 269 people aboard the jet died in the crash.

Judge Aubrey E. Robinson also ruled Aug. 1 that the victims' families could not sue the Soviet Union in federal court.

Boeing manufactured the plane and Litton manufactured the navigation equipment. Judge Robinson ruled that that even if the companies were negligent, they could not be held responsible for the victims' deaths because the plane was shot down.

Still remaining as defendants in the litigation are Korean Air Lines and the U.S. government (*BI*, Sept. 12, 1983).

Attorneys seek Robins' receiver

RICHMOND, Va.—Citing previous verdicts, a group of plaintiffs' attorneys is seeking a court order holding A.H. Robins Co. Inc. liable for all remaining Dalkon Shield claims. The attorneys also ask that all the remaining claims be consolidated into one class and that a receiver be appointed for Robins, which they contend is insolvent.

The motion, filed in U.S. District Court, comes shortly after Judge Robert H. Mehrige denied Robins' request to create a mandatory class action for punitive damages (*BI*, July 29).

"We endorse efforts to place all Dalkon Shield claims in a nationwide class-action, but in other respects the motion will be resisted vigorously," a spokesman for Robins said.

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~~Jul 1~~	~~Jun 19~~
~~Jul 8~~	~~Jun 25~~
~~Jul 15~~	~~Jul 3~~
~~Jul 22~~	~~Jul 9~~
~~Jul 29~~	~~Jul 17~~
~~Aug 5~~	~~Jul 24~~
~~Aug 12~~	~~Jul 30~~
Aug 19	~~Aug 7~~
Aug 26	Aug 13
Sep 2	Aug 20
Sep 9	Aug 28
Sep 16	Sep 4
Sep 23	Sep 11
Sep 30	Sep 17
Oct 7	Sep 25
Oct 14	Oct 2
Oct 21	Oct 8
Oct 28	Oct 16
Nov 4	Oct 23
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Manville plan

Continued from page 1

$300 million in cash or proceeds from other insurance coverage that is currently the subject of litigation in federal court in San Francisco.

- A non-interest bearing bond in the amount of $1.65 billion, payable in annual installments of $75 million starting in the fourth year after the plan is finalized and continuing through the 25th year. Starting in the 13th year, however, the annual payment would be made only to the extent that it is needed to cover claims and costs of the trust.

In addition, the trust would receive Manville stock equaling 50% of the company's outstanding shares, plus preferred stock that could be converted to the equivalent of another 30% of the company's common shares if needed to pay claims.

Full conversion of the preferred stock would give the trust control over 80% of Manville's common shares, though the plan provides that the preferred shares could not be converted unless the trust's common shareholding falls below 20% of total outstanding common shares.

The newly issued common shares—which would dilute the value of outstanding Manville stock—could not be sold during the first three years after the plan takes effect, and sales in the fourth and fifth years would be limited.

Voting rights on the trust's common shares would also be limited in the first four years, with the trust required to vote its common stock in favor of Manville management's nominations for the company's board of directors. After four years, there would be no restrictions on voting rights.

Theoretically, the trust would have the power after four years to oust Manville's management, though a lawyer familiar with the reorganization plan observed that it would be in the asbestos claimants' best interest to retain management as long as Manville remains a profit-making company.

If these assets aren't enough to cover claims against the trust, the plan also provides that Manville will contribute up to 20% of its profits annually to pay additional claims.

This provision is what is selling some lawyers on the proposal.

The plan's fixed funding provisions are "wonderful," but the "indefinite, absolute, ongoing contingency payment" of Manville profits "is absolutely crucial to why this plan is acceptable," Mr. Rosenberg said.

In addition to funding the trust, the Manville plan would also provide more than $425 million in payments to the company's unsecured creditors, consisting of $250 million in cash and a $175 million interest-bearing note payable over three years.

Before the reorganization plan could take effect, several preconditions would have to be met, including:

- A court order limiting property damage claims for the costs of removing asbestos from public and private buildings to a total of $50 million, if such claims are allowed by the bankruptcy court at all.
- A similar order limiting payments on asbestos injury punitive damage claims to $5 million, to be contributed by Manville.
- A court order freeing Manville of further asbestos-related liabilities, and an injunction barring further claims against the company.
- A commitment by the Manville trust fund to join the Wellington asbestos claims facility, if that facility becomes operational and the bankruptcy court approves.

A Manville spokesman said that company officials have not yet met with anyone involved in the Wellington facility to discuss the inclusion of the trust.

"The financial package is attractive and probably will be acceptable," said Mr. Rosenberg, but he said he objects to the provision barring suits against Manville.

The trust and Manville's commitment of 20% of its yearly profits may cover current and future claims, but "if the day comes when there are still claims and Manville is still earning money, there should not be an injunction," he said.

He added that he considers the $5 million offered to cover punitive damage claims inadequate.

Manville faced about 17,000 claims at the time of its bankruptcy filing, and 4,865 new claims have been filed since then. The total amount of the claims probably exceeds $60 billion, said a Manville spokesman, who called the damages sought "grossly overstated."

Attorneys for property damage claimants are also expected to fight the plan's $50 million limit on the claims. Property damage claims now pending against Manville seek as much as $80 billion.

"That is an area of major dispute," Mr. Rosenberg said. "If it's going to fail anywhere, it's most likely to fail there."

Manville shareholders, who face a substantial dilution of their equity, are also expected to object to the plan, lawyers say.

Preferred shareholders would be among those most seriously hurt: one of the plan's provisions calls for current holders of Manville preferred stock to be issued a new class of preferred shares of significantly less value.

The new preferred shares would be worth a total of $85 million, where current preferred shares have an estimated liquidation value of about $300 million, lawyers say.

For the shareholders, "in polite parlance, it's called a haircut," one attorney observed.

But, the views of common and preferred shareholders are typically lowest on the priority list in a bankruptcy proceeding, noted Mr. Rosenberg. However, Manville is seeking agreement to the plan from all parties, lawyers note.

Meanwhile, the Manville spokesman denied suggestions that the company had miscalculated when it sought Chapter 11 bankruptcy protection in 1982 to shield itself from asbestos-related lawsuits.

"We believe we have met most of the objectives of Chapter 11," the spokesman said. The filing gave the company time to "work out a settlement that balances the interests of all parties involved."

"From that standpoint, we think it's been a success," he said. ■

Midterm cancellations

Continued from page 1

Just within the last month, Maryland, California and Texas have issued directives to stop insurers from changing the terms of policies midstream.

In Washington state, a law that took effect May 10 spells out how much notice policyholders must receive before policies can be canceled or rates increased midterm.

Earlier this year, Oregon and Arizona issued directives to insurers (*BI*, July 1), and other states are monitoring the situation and may put out directives later this year.

Oregon will hold a hearing this week to determine if its directive will become permanent.

Meanwhile, the NAIC went on record at its summer meeting in June as opposing midterm coverage cancellations and short notices of non-renewal for commercial insurance policies.

According to a still uncompleted survey by the NAIC, about 18 states have taken some action to curtail midterm cancellations and rate increases, Mr. Muhl said. That survey is expected to be tabulated later this month; a report will be issued at the NAIC's fall meeting Sept. 8-11 in Syracuse, N.Y., he said.

About 18 other state regulators who responded to the NAIC survey said they were concerned about insurers canceling policies or increasing premiums midterm, but said laws in their states preclude them from taking any action, Mr. Muhl said.

Maryland's law allows insurers to cancel a policy midterm if such action is within "the realm of economic and business purpose," Mr. Muhl said.

But in an Insurance Division order issued to some select insurers last month, Mr. Muhl said that certain activity by insurers could be considered an unfair trade practice under Maryland law.

Insurers probably would be allowed to cancel policies in Maryland if they could prove to the Insurance Division that they were facing insolvency, Mr. Muhl said. But, "they're going to have to prove to me some logic and reason for canceling."

Complaints from day-care centers that were facing midterm cancellations prompted the Maryland Insurance Division to send out the directive to specific insurers, Mr. Muhl said.

But a similar order will be issued to all property/casualty insurers within the next few weeks.

Meanwhile, California Insurance Commissioner Bruce Bunner late last month sent letters to the chief executive officers of the estimated 675 property/casualty insurers in his state, warning them that legal or legislative action could be expected unless they voluntarily stop canceling policies and raising rates midterm and stop refusing to renew policies without sufficient notice.

"In recent months, the California Department of Insurance has received in increasing numbers both consumer and producer complaints involving activities undertaken by licensed insurance companies in the tightening insurance marketplace," Mr. Bunner said in his letter.

In April, Transport Indemnity Co. in Los Angeles canceled as many as 2,500 property/casualty policies, although the California Insurance Department points out the cancellations did not violate state laws (*BI*, July 1).

Those most affected by midterm cancellations and midterm premium increases in California are small and medium-sized commercial establishments, particularly day-care centers, a department spokesman said.

"Many commercial policies were canceled midterm with no notice," explained Richard Roth, the department's assistant commissioner and chief actuary.

Some policies have five-day cancellation provisions, he said, but by the time the policyholder receives the notice in the mail, the five days are up, Mr. Roth said.

"This particular phenomenon is not confined to California alone," the letter said.

"It is widespread throughout several states in varying degrees of severity."

Even if such action would not be considered an unfair trade practice on the surface, a court may consider it such or the Legislature could take action against it, Mr. Bunner said.

"Nevertheless, if the commercial insurance policy contains a cancellation provision or other provision for premium modification during its term predicated upon a stipulated notice period, without further condition or provision, in the opinion that California has traditionally held, it may be difficult to define generally as an unfair trade practice the legitimate exercise of a contractual right to which both parties have agreed. A court may nevertheless decide differently," Mr. Bunner's letter said.

A policyholder has the right to assume that the policy will continue in force under normal conditions, Mr. Roth said.

"It's not fair to cancel midterm," he noted.

Such activity, "if continued in indiscriminate fashion without regard to risk quality or loss experience of the individual policyholder, will draw the increased attention of the California Legislature during this current session or during the 1986 session and may result in enactment of statutory restraints upon such practices," Mr. Bunner's letter adds.

Such legislative action would be supported by Mr. Bunner as "a practical long-range solution to this burgeoning practice and would be enforced by this department."

The letter reminded insurance company executives that in the late '60s, the California Legislature limited midterm cancellations in automobile and homeowners policies by prohibiting such action unless there was non-payment of premium or, in the case of auto policies, the driver's license was revoked.

Mr. Bunner said in the letter that even without legislation, he has "sufficient latitude" under the state's Unfair Trade Practices Act to hold hearings requiring individual insurers to show that their "methods, acts or practices" were not unfair or deceptive.

Midterm cancellations and premium increases may occur only if it can be demonstrated by the insurer that the policyholder withheld unfavorable underwriting information at the inception of coverage, Mr. Bunner's letter said.

The California directive does not apply to surplus lines policies, a department spokesman said.

In a letter last month to property/casualty insurance companies licensed in Texas, the Texas State Board of Insurance reminded executives that the board prohibits cancellation of entire lines of coverage or all coverage in specific geographic areas, a board spokesman said.

The Texas Board also adopted a policy July 24 requiring insurers to give a 14-day notice before canceling a policy.

In Washington, the Legislature in April amended the insurance code to require insurers to give a 45-day notice for a midterm cancellation on any commercial lines policy.

The measure, part of H.B. 39, also requires insurers that intend to increase rates at renewal to give policyholders a 20-day notice.

These provisions, became effective May 10.

In March, the Idaho Insurance Department issued a bulletin that said "unjustified" midterm cancellations would be viewed by the department as an unfair trade practice, which would result in administrative action against the insurer.

The Idaho action was prompted by an attempt to cancel policies of oil carriers in the state, said Scott Wolfley, a deputy attorney general who serves as counsel to the Insurance Department.

Insurers are still permitted to cancel individual policies midterm in Idaho, but cannot cancel coverage en masse, Mr. Wolfley said. ■

insurance services guide

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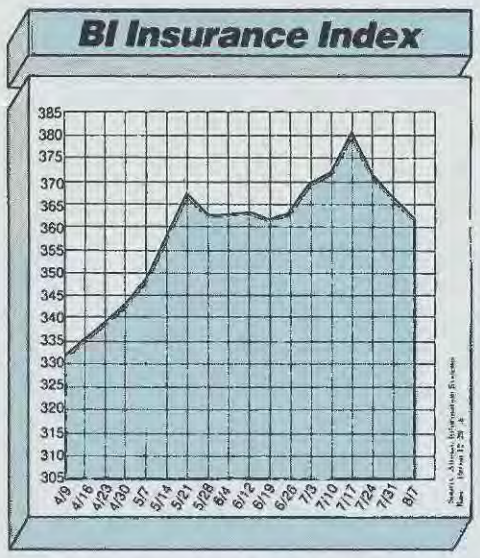
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The *Business Insurance* stock index continued its downward plunge during the most recent trading period, posting its third consecutive weekly decline. The index closed at 363.1 points on Aug. 7, down 4.2 points from 367.3 points on July 31. A total of 17 stocks posted gains, 32 stocks declined and eight stocks remained unchanged. The biggest gains for the period were posted by W.R. Berkley Corp., up 8.4%; Crown Life Insurance Co., up 5.1%; Liberty Corp. S.C., up 3.1%; Reed Stenhouse Cos. Ltd., up 3%; and Monumental Corp., up 2%. The biggest losses for the trading period were posted by Statesman Group Inc., down 13.5%; CNA Financial Corp., down 7.2%; Old Republic International Corp., down 6.3%; Baldwin & Lyons Inc., down 6.2%; and Emett & Chandler Cos. Inc., down 5.3%. The *Business Insurance* index dropped 1.1% for the period, which was slightly smaller than the declines in other market indicators. The New York Stock Exchange composite, the Standard & Poor's 500 and the Dow Jones 30 Industrials indexes all fell 1.7% for the same trading period.

British Issues

8 Aug Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	212	N/M	16.9	8.0	212	208
Genl Accident	630	35.0	28.6	4.5	630	615
Gdn Royal Exch	730	21.5	37.1	5.1	730	718
Royal	675	84.4	33.9	5.0	690	675
Sun Alliance	473	26.3	21.1	4.7	473	463
Brokers						
CE Heath	622	8.3	30.0	4.8	622	608
Hogg Robinson	252	10.5	11.4	4.5	252	243
JH Minet	196	10.9	8.9	4.5	196	194
Sedg Grp	375	14.2	14.3	3.8	375	342
Stew Wrightson	595	12.1	25.7	4.3	595	553
Willis Faber	655	16.8	18.6	2.8	655	615

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

Nothing to complain about in latest brokerage results

By LEONARD M. WILSON

Special to Business Insurance

NO ONE CAN COMPLAIN about the second-quarter earnings reports of the publicly owned insurance brokers. Results ranged from merely good to spectacular. Performance varied from one broker to the other, but certain common denominators of operating progress were evident.

New business is particularly robust. That is not surprising since the clout of the large broker comes in handy during tight markets and attracts the desperate client. We suspect that less-overt effort is currently devoted to securing new business than was needed in the soft market of the past several years.



Mr. Wilson

Fee income, not of equal importance for all the public brokers, advanced considerably less than commissions. We might broaden our definition of fee income to include not only that related to property and casualty services, but also employee benefits.

Reinsurance brokerage moved ahead strongly, and for some brokers it outstripped the advance in direct brokerage. Reinsurance rate increases seem to have accelerated a little as compared with the first quarter, according to industry sources.

Investment income generally rose moderately, but more than short-term interest rates would have led one to expect. The sharp expansion in premium volume has sustained investment income, although the drop in short-term interest rates will be felt more keenly in upcoming quarters.

"Expenses follow revenues" could be an adage for insurance brokerage. For most of the reporting brokers, costs advanced year over year, well into the high teens. Interestingly, head counts are not increasing markedly. We think that catch-up in compensation levels and accruals tied to production and profitability are accounting for the lion's share of the sizable increases.

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.

As for specifics, Marsh & McLennan Cos. Inc. posted a 22% rise in revenues and a 35% advance in earnings. Actually, domestic insurance brokerage for the industry leader was much stronger than the aggregate revenue gain. Reinsurance brokerage posted formidable growth both in the United States and, as might be expected, in the London market as well.

Alexander & Alexander Services Inc. registered a total revenue rise about equal to that of its larger competitor. Operating earnings, perhaps a better measure of comparison due to last year's special charges, almost doubled. The company has a long way to go before returning to its former level of profitability, but the momentum is strengthening.

A&A's merger with Reed Stenhouse Cos. Ltd. finally received the green light from Canadian regulators, so upcoming A&A earnings comparisons will soon reflect a much altered mix of business geographically, and a certain amount of dilution from the terms of the acquisition.

Frank B. Hall & Co. Inc. posted a 13% increase in revenues, but earnings expanded about 50%, excluding special charges. There were extenuating circumstances in the quarter. The firm's traditional strength in the laggard ocean marine insurance market and a high proportion of fee income from administrative and claims adjusting services tended to inhibit progress. Notably, though, expenses rose only 8% over the prior year's quarter, by far the best showing in the group.

Corroon & Black Corp. achieved a 30% gain in commissions and fees and came reasonably close to doubling earnings. Each of the company's important segments contributed to the quarter's rise, including reinsurance brokerage and a rapidly growing employee benefit unit.

The Crump Cos. Inc., perhaps with less visibility among investors than other brokers owing to a regional image, posted a stellar quarter. Revenues moved ahead better than 30%, while earnings more than doubled. Acquisitions were not, we believe, a material factor. Crump has a high proportion of middle-sized and smaller accounts due to its geographical position. Clearly, this segment of the marketplace is geting a substantial boost from rates and new business.

Arthur J. Gallagher & Co. has the greatest proportion of fee income among the public brokers, owing to longstanding representation in self-insurance services. By way of contrast, commissions rose 28%, while fees increased 14%, certainly a highly creditable showing, but one that looks a little pallid in comparison with rate-driven commissions. Net income, though, had a pronounced gain of 160%.

When premiums are rising as much as they are currently, the brokerage business looks easy. In actuality, some insurance markets are bordering on chaos when it comes to placing risks. Clients are almost universally disconcerted by the escalating cost of commercial insurance and shrinking availability.

The insurance broker, the ever-present middleman, is truly caught in the middle between difficult markets and hapless clients. Times are good—using the income statement as the measure of insurance brokerage prosperity—but it would be hard to deny that the broker is assuredly earning his keep in the current environment of cross-currents and readjustments.

As we look at the second quarter, it is evident that profit margins are expanding substantially, given strong top-line growth. But, profit margins are still depressed, and it will take many more good quarters to get most of the public brokers back to the normal profitability characteristic of a high-quality service business. ■

McCaffrey heads Hall

Continued from page 2

week that it intends to sell its Jartran Inc. truck-leasing subsidiary, which it acquired in December 1981. Jartran recently emerged from Chapter 11 reorganization.

Last year, Hall announced that it would dispose of its direct underwriting operations, including Union Indemnity Insurance Co. of New York, which is now being liquidated by the New York Insurance Department.

Mr. McCaffrey said he and Mr. Pruitt "are both delighted to have the opportunity to help this company move ahead. This doesn't mean that we will divest ourselves of such operations as Adjustco and Risk Science International, just because they are not brokers. It does mean, however, that we are getting out of the trucking business."

Adjustco Inc. is Hall's claims-handling subsidiary, while RSI is an environmental risk management consultant.

The company did not give the reasons behind Mr. Tahmoush's resignation.

"Mr. Tahmoush was a dynamic, fine leader. A lot of us learned a lot from him," Mr. McCaffrey said.

Herbert E. Goodfriend, a securities analyst for Prudential/Bache Securities Inc. in New York, said Reliance's Mr. Steinberg was behind the management changes. "Saul Steinberg has been unhappy with the lag in the financial picture at Hall caused by the Jartran losses and the fact that Hall's earnings pace has been more halting in the marketplace than that of the other major brokers," Mr. Goodfriend commented.

However, Mr. McCaffrey explained, "Mr. Steinberg did not trigger this change. It was an internal situation. He supported it, but the changes did not start externally. Our directors stood by the recommendations made."

"I think that Mr. Steinberg is a very capable and bright person, and I think there's no question that he could be of considerable assistance to Hall in solving their problems," said Sidney A. Stewart Jr., chairman of The Crump Cos. Inc. in Memphis, Tenn., the nation's ninth-largest broker. Reliance Group Holdings also owns 38.3% of Crump's stock.

A Reliance spokesman noted that while Mr. Steinberg is taking a more active role at Hall, Mr. McCaffrey and Mr. Pruitt are the top officers of of the company. He added that Reliance now has only a 20% representation on the Hall board.

Hall last month reported a first-half net loss of $8.7 million, compared with a $6.9 million gain in the first half of 1984. The 1985 losses were due largely to a $12 million aftertax charge in the second quarter related to Hall's discontinued underwriting operations. Jartran also booked first-half aftertax losses of $4.9 million.

Hall's income for continuing insurance service operations for the first half rose 41.4%. ■

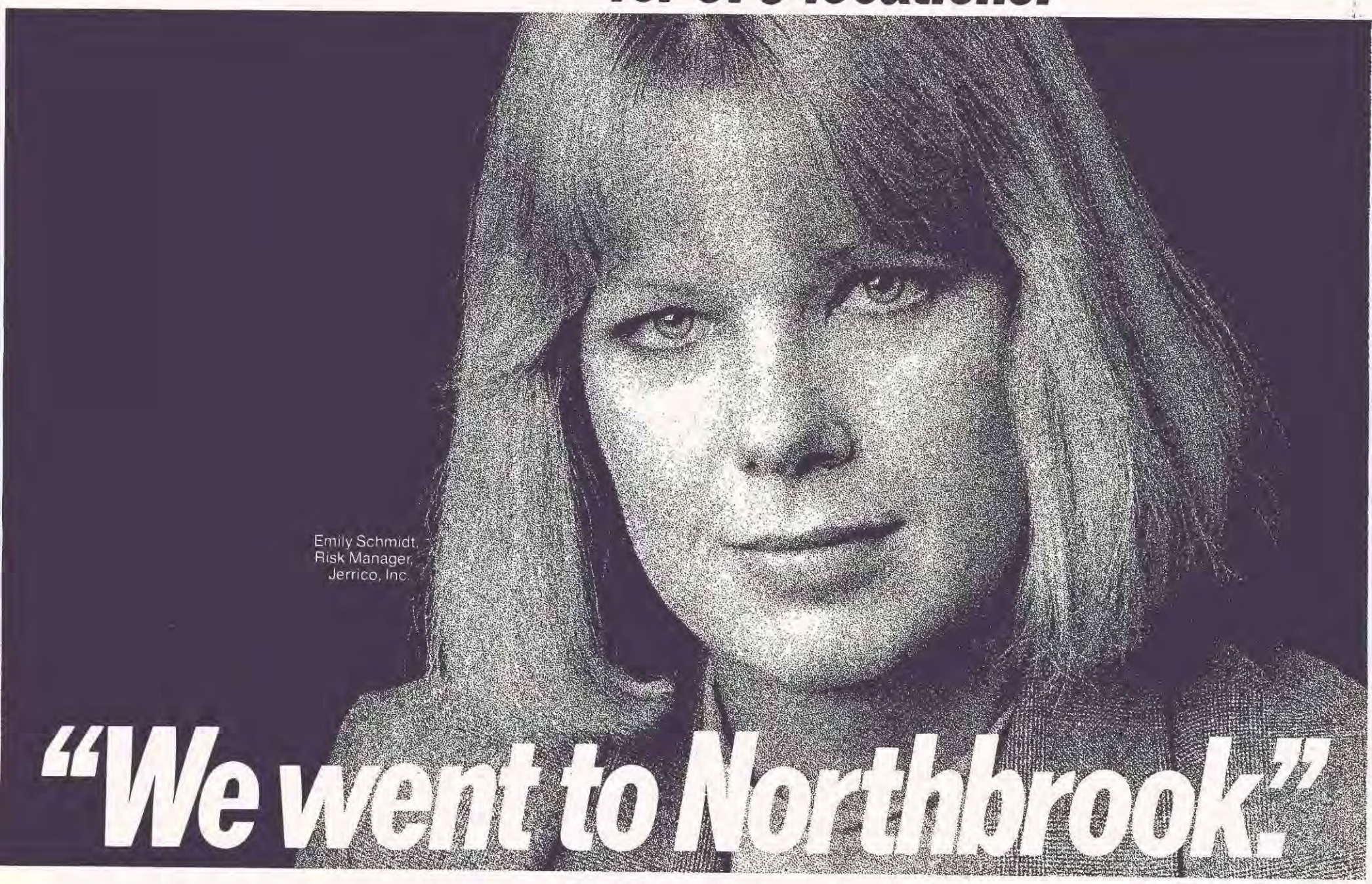
BI Industry Stock Report

August 7, 1985 8/1/85 thru 8/7/85

Brokers		Price	% Chg.	P/E	$ Div.	% Yld.	High	Low	Vol.(000)
Alexander & Alexander Svcs	NYSE	27.63	-1.3	0.0	1.00	3.6	28.13	27.38	541.2
Baldwin & Lyons Inc	OTC	60.00	-6.2	9.9	0.80	1.3	67.00	60.00	0.0
Corroon & Black Corp	NYSE	47.75	0.3	0.0	1.00	2.1	48.25	47.75	174.6
Crump E H Cos Inc	OTC	33.00	-0.8	21.3	0.50	1.5	33.25	33.00	19.8
Emett & Chandler Cos Inc	OTC	13.50	-5.3	34.6	0.00	0.0	14.25	13.50	14.3
Gallagher Arthur J & Co	OTC	38.75	-0.6	21.6	0.28	0.7	39.00	38.75	16.4
Hall Frank B & Co Inc	NYSE	29.63	0.0	0.0	1.00	3.4	30.13	29.25	365.9
Marsh & Mclennan Cos Inc	NYSE	69.75	-2.8	17.8	2.40	3.4	72.25	69.75	128.0
Poe & Assoc Inc	OTC	8.00	0.0	0.0	0.80	10.0	8.00	8.00	2.5
Reed Stenhouse Cos Ltd	OTC	21.25	3.0	27.6	0.00	0.0	21.50	21.00	280.4
AGENTS/BRCKERS	AVERAGE			37.8		2.2			
Conglomerates & Holding Cos.									
American Express(Fireman's Fd)	NYSE	42.88	-3.1	14.8	1.28	3.0	45.00	42.88	1,830.7
Anderson Clayton(Ranger/PanAm)	NYSE	40.00	-4.8	34.5	1.32	3.3	42.25	39.75	58.9
Armco Inc	NYSE	10.25	-4.7	0.0	0.00	0.0	10.75	10.25	573.7
Berkley W R Corp	OTC	19.38	8.4	57.0	0.32	1.7	19.38	18.75	279.4
CIGNA Corp	NYSE	54.75	0.0	77.1	2.60	4.7	55.75	54.25	1,143.5
City Investing Co. (Home Ins.)	NYSE	28.38	-2.6	4.4	0.00	0.0	29.00	28.38*	275.5
CNA Finl Corp (CNA)	NYSE	51.25	-7.2	19.7	0.00	0.0	56.00	51.25	181.6
General Re Corp	NYSE	86.63	-1.3	137.5	1.56	1.8	89.88	86.63	402.5
ITT (Hartford Group)	NYSE	33.13	0.8	9.6	1.00	3.0	33.75	33.00	3,599.9
Sears Roebuck & Co. (Allstate)	NYSE	35.13	-1.7	9.4	1.76	5.0	36.38	35.13	1,669.7
Teledyne Inc (Argonaut)	NYSE	252.75	-0.8	5.4	0.00	0.0	254.75	252.75	100.0
Transamerica Corp (Occidental & Fred S. James)	NYSE	28.50	-2.6	14.7	1.64	5.8	29.63	28.50	315.2
CONGLOMERATES/HOLDING COS.	AVERAGE			10.6		1.7			
Insurers									
Aetna Life & Cas Co	NYSE	45.75	-1.6	18.8	2.64	5.8	47.25	45.75	907.4
American General Corp	NYSE	32.63	0.4	10.1	1.00	3.1	33.63	32.38	1,176.3
Amern Heritage Life Invt Co	NYSE	33.75	-4.9	9.9	1.20	3.6	35.38	33.75	3.6
American Indty Finl Corp	OTC	21.00	1.2	0.0	1.12	5.3	21.25	20.75	8.3
American Intl Group Inc	NYSE	85.50	-1.3	22.0	0.44	0.5	86.88	85.13	369.8
Aneco Reins Ltd	OTC	1.25	0.0	0.0	0.00	0.0	1.25	1.25	0.0
Avemco Corp	NYSE	29.88	-1.6	13.1	0.60	2.0	30.50	29.88	13.4
Business Mens Assurn Co Amer	OTC	25.75	-0.5	7.1	1.04	4.0	28.25	25.75	49.3
Chubb Corp	NYSE	68.75	-2.3	16.8	2.20	3.2	71.88	68.75	275.6
Combined Intl Corp	NYSE	47.88	1.3	9.3	2.16	4.5	48.25	47.63	221.0
Continental Corp	NYSE	41.75	0.0	21.3	2.60	6.2	43.00	41.75	477.3
Crown Life Ins Co	OTC	175.50	5.1	10.6	0.00	0.0	175.50*	167.00	0.0
Durham Corp	OTC	39.50	-1.3	7.4	1.28	3.2	39.50	39.50	3.1
Farmers Group Inc	OTC	63.00	-1.2	10.8	1.76	2.8	65.38	63.00	407.1
Fremont Gen Corp	OTC	23.88	-4.5	0.0	0.48	2.0	24.88	23.88	209.4
Great West Life Assurn Co	OTC	425.00	0.0	10.9	1.60	0.4	425.00	425.00	0.1
Hanover Ins Co	OTC	43.50	0.6	73.7	0.56	1.3	44.00	43.50	58.7
Hartford Steam Boiler Insptn	OTC	50.00	-2.0	16.0	1.60	3.2	50.50	50.00	16.3
Kans City Life Ins	OTC	25.75	-1.9	10.1	0.87	3.4	26.50	25.75	9.6
Kemper Corp	OTC	56.88	0.7	16.3	1.80	3.2	57.88	56.75	80.5
Liberty Corp S C	NYSE	29.50	3.1	13.8	0.72	2.4	29.50	28.50*	95.3
Lincoln Natl Corp Ind	NYSE	42.63	0.6	10.2	1.84	4.3	44.25	42.63	243.0
Mission Ins Group Inc	NYSE	6.25	-2.0	0.0	0.00	0.0	6.50	6.25	113.9
Monumental Corp	OTC	32.50	2.0	11.9	1.40	4.3	32.50	32.25	18.4
Nobel Ins Ltd	OTC	10.50	0.0	13.8	0.25	2.4	10.88	10.25	44.5
Northwestern Natl Life Ins	OTC	26.25	-3.2	6.3	0.80	3.0	27.25	26.25*	512.0
Ohio Cas Corp	OTC	60.50	-2.0	22.7	2.80	4.6	62.88	60.50	82.5
Old Rep Intl Corp	OTC	35.38	-6.3	9.5	0.74	2.1	39.50	35.38	534.2
Orion Cap Corp	NYSE	25.25	-1.9	0.0	0.76	3.0	26.00	25.25	20.7
Protective Corp	OTC	18.50	1.4	6.8	0.66	3.6	19.50	18.50	153.0
Provident Life & Acc Ins Co	OTC	24.38	1.6	6.6	0.76	3.1	24.38	24.00	213.9
St Paul Cos Inc	OTC	72.25	0.9	0.0	3.00	4.2	73.75	72.25	347.0
SAFECO Corp	OTC	39.13	-2.5	12.7	1.60	4.1	41.50	39.13	1,094.7
Sri Corp	OTC	19.88	0.6	58.5	0.80	4.0	20.25	19.88	71.4
Seibels Bruce Group Inc	OTC	18.00	-1.4	0.0	0.80	4.4	18.25	18.00*	34.5
Statesman Group Inc	OTC	4.00	-13.5	0.0	0.15	3.8	4.75	4.00*	89.4
Tokio Marine & Fire Ins Co	OTC	178.25	-3.6	30.8	1.05	0.6	183.25	178.25	44.5
Torchmark Corp	NYSE	46.13	-3.1	9.6	1.20	2.6	47.50	46.13	204.5
Travelers Corp	NYSE	43.88	-2.2	10.6	2.04	4.6	45.25	43.88	1,150.4
United Fire & Cas Co	OTC	25.50	0.0	0.0	0.80	3.1	25.50	25.50	0.4
United States Fid & Gty Co	NYSE	35.13	1.4	146.4	2.20	6.3	35.63	35.00	502.5
Uslife Corp	NYSE	38.00	-1.3	8.6	1.04	2.7	39.25	38.00	194.8
Washington Natl Corp	NYSE	25.25	-3.8	7.3	1.08	4.3	26.13	25.25	62.3
Zenith Natl Ins Corp	OTC	18.00	-2.7	0.0	0.68	3.8	18.75	18.00	64.0
INSURANCE COMPANIES	AVERAGE			17.4		2.6			

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