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Update

Bush administration to unveil tort reform recommendations

WASHINGTON—The Bush administration this week will unveil a series of recommendations, including new limits on punitive damage awards, to reduce tort system costs, an administration official said.

Included in the package is a recommendation that would limit punitive damage awards in personal injury suits to the amount of compensatory damages awarded.

Another recommendation proposes—

Continued on next page

Final IRS rules ban 401(k) plan restructuring

By JERRY GEISEL

WASHINGTON—The Internal Revenue Service is prohibiting a popular technique that has made it easier for employers' 401(k) plans to pass tough IRS non-discrimination tests.

That technique, known as restructuring, will be banned after the end of this year under final Internal Revenue Service 401(k) regulations. Those 246 pages of regulations, which deal with numerous other issues affecting the operation of 401(k) plans, will be published this week in the Federal Register.

The final 401(k) rules overturn an IRS proposal—made just last year as part of the agency's massive proposed pension non-discrimination regulations—that opened up a new and more attractive method of running the 401(k) non-discrimination tests (*BI*, Sept. 17, 1990; July 9, 1990).

"Restructuring a 401(k) plan for testing purposes has meant the difference between passing and failing the non-discrimination tests" for many employers, said Tom Butterworth, a consultant in the Rowayton, Conn., office of Hewitt Associates.

In addition, restructuring has allowed highly compensated employees to contribute as much as several hundred dollars more to their 401(k) plans annually.

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Oversight proposals hit

NAIC head blasts Dingell, Metzenbaum proposals

By DOUGLAS McLEOD

NEW YORK—Federal insurance regulatory proposals unveiled in Congress this month are drawing scathing criticism from the National Assn. of Insurance Commissioners and measured objections from several industry groups.

NAIC President James E. Long last week sharply criticized proposals by Sen. Howard M. Metzenbaum, D-Ohio, and Rep. John D. Dingell, D-Mich., that provide for federal oversight of insurer solvency regulation.

Charging that botched federal regulation contributed to crises in the savings and loan and banking industries, Mr. Long said that "any prudent observer of this circus would conclude that federal involvement in the regulation of financial institutions is anything but a guarantee of quality regulation."

"The Metzenbaum/Dingell proposals would substantially replicate the dual federal-state regulatory structure that generated the regulatory fiascos in the thrift and bank systems over the last decade." Mr. Long, the North Carolina insurance commissioner, charged in a statement.

Insurance industry and risk management representatives, meanwhile, offered mixed to moderately critical views of the bill introduced by Sen. Metzenbaum and the outline of legislation released by Rep. Dingell. The proposals are similar in several respects.

Insurance industry trade groups complained that both proposals could create duplicate federal/state regulation, restrict insurance market capacity and hamper the use of captive insurers.

Observers generally give more weight to the Dingell proposal, despite the fact that Sen. Metzenbaum has already put his ideas in the form of a bill.

The Metzenbaum bill, for example, would create a federally administered guaranty fund. That idea may be tough to sell in Congress in the wake of huge federally insured bank and thrift losses, observers say.

Rep. Dingell, chairman of the House Energy and Commerce Committee and its Oversight and Investigations Subcommittee, also may have clearer jurisdiction over insurance regulation than Sen. Metzenbaum does in the Senate, observers say. Sen. Metzenbaum is chairman of the Senate Judiciary's Antitrust, Monopolies and Business Rights Subcommittee.

"It's pretty clear that Dingell is still driving this train," said Andrew Wright, senior counsel to the American Insurance Assn. in Washington, D.C. "The action is still on the House side."

Separately, the Senate Banking, Housing and Urban Affairs Com-

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Executive Life sale won't derail lawsuits

By JOANNE WOJCIK

LOS ANGELES—The plan to sell and rehabilitate Executive Life Insurance Co.—under which most policyholders may be made whole—will not derail lawsuits against employers that purchased Executive Life annuities to replace pension benefits.

The tentative pact California insurance regulators have hammered out with French investors does not release employers from their fiduciary liability to act in plan participants' best interests, attorneys say.

A large French life insurer and a subsidiary of a large French bank are leading two investor groups that have agreed to pay $3 billion in cash to purchase Executive Life's assets and liabilities and rehabilitate the company, California Insurance Commissioner John Garamendi announced last week.

The agreement is subject to approval by Los Angeles Superior Court Judge Kurt Lewin, who is overseeing Executive Life's conservatorship.

According to Insurance Department estimates, individual annuity contract holders and pension plans that purchased Executive Life guaranteed investment contracts would receive 81 cents on the dollar.

However, holders of Executive Life GICs used to back municipal bond issues, which are not considered insurance products under California law, will receive nothing, Mr. Garamendi said at a press conference last week.

Several factors could still change the value of the transaction, Mr. Garamendi cautioned, including the resolution of a $643 million tax

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HMO savings confirmed

PPOs also reduce costs, survey finds

By JERRY GEISEL

NEW YORK—Group health care coverage provided through health maintenance organizations costs hundreds of dollars less per worker than coverage provided through indemnity plans, including plans with preferred provider options, a new survey shows.

HMO premiums averaged $2,683 per employee in 1990, or 16.5% less than the $3,214 average cost for coverage written through traditional indemnity plans and 9.1% lower than the $2,952 cost of coverage written through indemnity plans with PPO options.

And while HMO premiums are rising at double-digit rates, those increases are substantially less than the cost increases racked up by indemnity plans, according to the new survey by benefit consultant A. Foster Higgins & Co. Inc. of New York.

Last year's average HMO premium of $2,683 per employee represents a 15.7% increase from $2,319 per employee in 1989.

Indemnity plan costs, including plans with and without PPO options, leaped 21.6% last year to an average of $3,161 per employee from $2,600 in 1989. Plans with PPO options were not broken out separately from traditional indemnity plan costs in 1989.

Premium costs include both employer and employee contributions.

The new survey provides proof that managed care—especially HMOs—is far more cost-effective than traditional indemnity plans, said John Erb, a Foster Higgins managing consultant in New York.

"We finally have some convincing evidence that managed care works: HMO costs are lower than traditional indemnity plans and PPOs are more cost-effective traditional indemnity plans," Mr. Erb said.

In fact, more employers now believe that HMOs are effective in controlling health care costs.

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GRAPHIC BY JOHN SMITHER

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NEWSPAPER

Update

Federal tort reform proposal

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on a limited experimental basis—forcing the losing party to pay the legal costs of the winning party.

The package also proposes certain incentives for disputing parties to use alternative dispute mechanisms.

The entire package of recommendations will be presented by Vice President Dan Quayle at the American Bar Assn. meeting in Atlanta. The vice president chairs the President's Council on Competitiveness, which drafted the recommendations.

World Life & Health in runoff

HARRISBURG, Pa.—World Life & Health Insurance Co. of Pennsylvania is now being run off after a state court late last month granted the state insurance department's April 1 liquidation order.

The King of Prussia, Pa.-based insurer, which was suspended by the department from writing new business on June 6, was ordered into liquidation by a Pennsylvania Commonwealth Court on July 30. When it was suspended, World Life was insolvent by about $4.5 million, a department spokesman said.

The department moved to shut down World Life & Health after disallowing $6.2 million in reinsurance from offshore companies lined up by World Re Inc. of Atlanta, an intermediary that U.S. Senate investigators say is linked to insurance consultant Alan Teale (*BI*, April 29).

The liquidation order does not cancel any group life or health policies or annuities. The Pennsylvania Life & Health Guaranty Assn. will pay all policyholder claims. Policyholders wishing to surrender their policies are eligible to receive up to $100,000. All life and health claims will be capped at $300,000.

World Life & Health wrote $24.2 million in group accident and health premiums and $470,000 in group life premiums in 1990, the department says.

Ex-Fireman's Fund chief sues

NOVATO, Calif.—Fund American Cos. Inc. will ask a federal judge on Oct. 3 to dismiss a suit by a former chairman of Fireman's Fund Insurance Co. alleging that being kept in the dark about the impending buyout of Fireman's Fund in 1990 cost him more than $5 million.

William McCormick stepped down at the end of 1989 but agreed to spend nearly two more years as a director of Fund American, which then owned Fireman's Fund. However, his suit alleges that Fund American solicited him to sign an $8 million buyout agreement in May 1990 without telling him that Allianz A.G. Holdings of Germany was negotiating to buy Fireman's Fund (*BI*, Aug. 6, 1990).

Mr. McCormick agreed to a share price of $38 for his shares and options. Three months later, when Allianz announced the buyout, the stock had risen to $50 a share. He now seeks at least $5 million in compensatory damages, punitive damages and recision of the pact.

Saying the suit is "without merit," Fund American attorney Philip Berelson, a partner with Brown & Bain in Palo Alto, Calif., contended that "the testimony in depositions is that Mr. McCormick was told all the details" of the Allianz talks. In addition, "on May 16, he signed an acknowledgment that he had been told about the negotiations and he still wanted to go ahead," Mr. Berelson said.

Mr. McCormick counters that he was misinformed. In his suit, filed in U.S. District Court in San Francisco, he alleges that Fund American had begun a search for a buyer for Fireman's Fund in January 1990 and that he was not told of the search, even though he was still a Fund American director.

When asked to sign the May 16 acknowledgment, Mr. McCormick was told that a "foreign insurer" was interested in buying Fireman's Fund but "did not have the ability" to do so, contends the former chairman's lawyer, Mark Scott of Sausalito, Calif. Allianz "always had the ability" to acquire the insurer, Mr. Scott said.

GM early retiree suit allowed

DETROIT—Forty thousand early retirees who claim their health care benefits were illegally cut by General Motors Corp. in 1988 can bring a class-action suit in federal court, a judge ruled.

But, the judge dismissed similar claims filed by 44,000 retirees who did not take early retirement.

The suit, originally filed in Los Angeles on behalf of all 84,000 salaried retirees (*BI*, Aug. 14, 1989) but later transferred to federal court in Michigan, charges that GM had promised the retirees first-dollar lifetime basic health benefits through an indemnity plan. By later adding retiree coinsurance and deductible requirements, GM violated federal common law, the Employee Retirement Income Security Act of 1974 and agreements with the early retirees, the suit charges.

U.S. District Court Judge John Feikens said he would allow the early retirees' suit to proceed because their claim for unspecified damages is based on contracts made as part of an early retirement program GM implemented in 1974. Some early retirees had agreed to release the Detroit-based auto giant from liability in age discrimination suits and other actions in exchange for the enhanced benefits, he noted.

But, GM was free to cut the benefits of regular retirees because health benefits do not ever vest under ERISA, Judge Feikens ruled.

The judge has asked the 6th U.S. Circuit Court of Appeals to review his decision, but the appeals court has not decided whether it will review the case.

Briefly noted

The Missouri Insurance Department has approved a 13.5% **workers compensation rate increase**, effective Sept. 1. The department also approved a 20% rate surcharge on employers that obtain coverage through the state's assigned risk pool if their experience modification factor is 1.2 or higher. . . .Entertainer **Wayne Newton** is asking the U.S. Supreme Court to vacate or reverse a federal appellate ruling that stripped him of a $5.2 million libel award from NBC-TV and dismissed his suit against the network (*BI*, Sept. 3, 1990). Reports aired by NBC in October 1980 suggested Mr. Newton bought a Las Vegas hotel with the help of organized crime.

Accreditation standards for HMOs winning praise

By CHRISTINE WOOLSEY

WASHINGTON—Employers and managed care companies are embracing the expanded quality review standards recently released by the National Committee for Quality Assurance.

The NCQA, an independent, nonprofit organization that reviews and accredits health maintenance organizations, has created new guidelines on health service utilization management, provider credentialing, members' rights and preventive health services.

The Washington, D.C.-based organization—which charges HMOs to be reviewed—also has clarified existing standards on quality assurance and medical records.

Managed care companies that meet the review requirements receive the NCQA's accreditation—which some observers liken to the "Good Housekeeping seal of approval."

"Accreditation is necessary because outside customers want an assurance that HMOs are delivering quality health care, not just discount health care," said NCQA Executive Director Margaret O'Kane.

Alan Peres, manager-benefit planning at American Information Technologies Corp. in Chicago, agreed.

"A big part of what we are interested in is quality management programs," he said. "I want to know whether those programs just exist on paper or whether they are actually being carried out."

As part of its review of HMOs, NCQA examiners now will assess the organization's:

- Utilization management. The organization must have a written utilization management program description that includes, at a minimum, procedures used in evaluating medical necessity, criteria used to judge the proper course of treatment, information sources and the process used to review and approve medical services.

"Our standards provide a safeguard that utilization management isn't compromising quality," Ms. O'Kane said.

- Credentialing process. The

Continued on page 74

McIntyre to succeed Malecki as *BI* publisher

Burcke to become editor effective Jan. 1

Kathryn J. McIntyre, associate publisher and editor of *Business Insurance*, will be promoted to publisher and editorial director, effective Jan. 1.

Ms. McIntyre will succeed Alfred Malecki, who is will retire at year end. Mr. Malecki has been publisher of *Business Insurance* and vp of Crain Communications Inc., which publishes *BI*, since 1970.

Managing Editor James M. Burcke will succeed Ms. McIntyre as editor.



Ms. McIntyre



Mr. Malecki



Mr. Burcke

Ms. McIntyre, 39, joined *Business Insurance* in January 1977 as associate editor. She was promoted to news editor in November 1978 and to managing editor in July 1979. She was named editor in June 1980 and also named associate publisher in August 1987.

Ms. McIntyre, a magna cum laude graduate of Syracuse University in Syracuse, N.Y., is a member of Phi Beta Kappa and has earned the Associate in Risk Management designation. In 1989, she received the Dorothy and Harry Goodell Award from the Risk & Insurance Management Society Inc., recognizing outstanding achievement in furthering the goals of risk management. She was named 1989 Insurance Woman of the Year by the Assn. of Professional Insurance Women.

"I am delighted that Kathryn McIntyre will be assuming the reins at *Business Insurance*," said Keith E. Crain, vice chairman of Crain Communications. "She has done a remarkable job as editor and has been able to learn all the important skills from Al that will allow her to become one of our most capable publishers."

Mr. Malecki, 70, has been with *Business Insurance* since the magazine's inception in 1967. He served as advertising director before being named publisher.

In addition, Mr. Malecki served as the founding publisher for *Pensions & Investments*, another Crain Communications publication, from 1973 until 1976, when he returned full-time to *Business Insurance*.

Before joining *Business Insurance*, Mr. Malecki was Eastern advertising manager for *Advertising Age*, also published by Crain Communications.

Mr. Malecki was born and educated in Leipzig, Germany. After moving to South America with his family, he embarked on a marketing career that culminated in his appointment as manager of Mobil Corp.'s operations in Bolivia. He has been involved in publishing in the United States since 1953.

In 1987, he was selected by B'nai B'rith International to receive its National Insurance Industry Achievement Award.

"I have always enjoyed working with Al and will personally miss his experience and publishing acumen," Mr. Crain said. "The job that he has done on *Business Insurance* has been spectacular, and he has taken the magazine to a level of international recognition that is to be admired and envied."

Mr. Burcke, 35, joined *Business Insurance* in 1981 as a copy editor. He was promoted to assistant managing editor in 1983 and to managing editor in 1985.

Before joining *Business Insurance*, Mr. Burcke worked at newspapers in Michigan and Kentucky. He received bachelor's and master's degrees in journalism from Northwestern University in Evanston, Ill.

"In the 10 years Jim has worked at *BI*, I have been impressed with his dedication to editorial excellence and his knowledge of the issues confronting our readers," Ms. McIntyre said. "*BI* will continue to excel and deliver timely news under his leadership as editor."

Inside

✔ While rating agencies must improve their track record, buyers should look at more than ratings when selecting an insurer, this week's editorial says. **PAGE 8**

✔ Employers, insurers, regulators and others are scrambling to pass legislation guaranteeing small businesses in California access to health insurance—before voters decide to do it themselves. **PAGE 80**

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Surplus lines: Battered, not beaten

Premium volume up 6.4% despite fierce competition from admitted insurers

By MARK A. HOFMANN

The surplus lines insurance market continues to be battered by pressure from the admitted market, which has grown increasingly hungry for business traditionally left to non-admitted insures.

And while surplus insurers and wholesalers agree that the soft property/casualty insurance market still is not hardening, those still inclined to the fine art of augury disagree as to whether the worst is over.

They also disagree over how much business has been lost to the alternative risk financing market and whether that business is lost forever.

Despite competition from admitted insurers and continued rate cutting, the nation's surplus lines premium volume increased a modest 6.4% to $6.73 billion in 1990 from $6.32 billion in 1989, according to statistics compiled by *Business Insurance* from state insurance departments. That compares with growth of less than 1% in 1989 compared with $6.31 billion in 1988 (see charts, pages 4 and 11).

In fact, five of the Top 10 surplus lines insurers registered gains in direct, non-admitted premiums in 1990 compared with 1989, with increases ranging from 1.1% to 18.3%. The premium declines registered by the other five ranged from 2.5% to 27.5%.

Two insurers joined the ranks of the Top 10. Evanston Insurance Co., a unit of Markel Corp., made the list for the first time since the mid-1980s on the basis of $91.9 million in non-admitted direct premium, which earned it seventh place. CIGNA Corp.'s California Union Insurance Co. returned to the list after a one-year absence, replacing American Empire Surplus Lines Insurance Co. in 10th place.

Crum & Forster Inc.'s International Surplus Lines Insurance Co., which ranked third a year ago, plunged off the list. ISLIC's non-admitted premium volume dropped more than 60%, reflecting the decision of Crum & Forster Managers Group, which manages ISLIC, to shift business to the admitted market.

Among the nation's largest wholesalers, Price Forbes North America, a unit of Sedgwick Group P.L.C., moved into second place among brokers on the basis of a 13.4% increase in premium volume. General Star Management Corp., a unit of General Re Corp., reappeared in fifth place on the list of the largest managing general agents/underwriting managers after several years of absence.

Conflicting combined ratios have you confused? See story, page 73.

Montgomery & Collins Inc., another CIGNA unit, dropped from the ranks of the 10 largest wholesalers following a 3% drop in premium volume.

Even though surplus lines premium volume increased in 1990, surplus lines executives did not claim to see any marked improvement in market conditions last year and do not foresee an end to competition anytime soon.

"You could classify 1990 as a static year, with no significant change in the market," observed Lawrence S. Doyle,

Continued on next page

Ten largest U.S.-based surplus lines insurers

Insurers / Parent company	Non-admitted direct premiums 1990	Non-admitted direct premiums 1989	% change	Total gross premiums 1990	Total gross premiums 1989	% change	Statutory combined ratio 1990	Statutory combined ratio 1989
Lexington Insurance Co. American International Group Inc.	$861,468,986	$851,801,154	1.1%	$899,690,202	$884,955,216	1.7%	85.5%	87.7%
Scottsdale Insurance Co. Nationwide Mutual Insurance Co.	531,648,440	493,690,291	7.7	812,663,445	802,295,784	1.3	109.6	105.7
General Star Indemnity Co. General Re Corp.	152,473,564	130,744,958	16.6	156,115,897	134,629,796	16.0	94.8	99.6
Illinois Insurance Exchange	121,735,229	136,031,602	-10.5	163,300,132	204,777,463	-20.3	95.0	99.2
United National Insurance Co. American Manufacturing Corp.	105,109,381	90,971,397	15.5	138,019,788	128,619,727	7.3	95.0	97.9
St. Paul Surplus Lines Insurance Co. The St. Paul Cos. Inc.	94,911,332	112,827,537	-15.9	122,913,527	138,709,196	-11.4	103.1	105.6
Evanston Insurance Co. Evanston Services Inc./Markel Corp.	91,923,545	77,695,785	18.3	123,213,136	91,083,136	35.3	96.7	106.9
Admiral Insurance Co. W.R. Berkley Corp.	88,415,488	99,224,537	-10.9	105,810,608	122,920,475	-13.9	110.7	105.2
First State Insurance Co. Hartford Insurance Group/ITT Corp.	87,150,257	119,779,394	-27.2	272,202,151	304,362,679	-10.6	108.3	105.6
California Union Insurance Co. CIGNA Corp.	78,300,888	80,317,050	-2.5	88,185,569	92,464,963	-4.6	108.8	102.5

Source: *BI* survey

GRAPHIC BY HOLLY SEGUINE

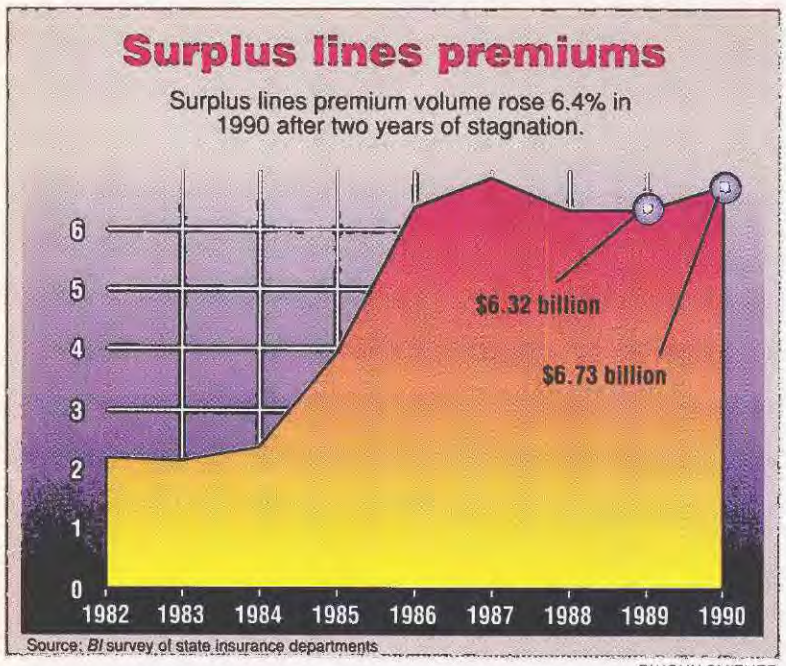
Ten largest U.S.-based insurance wholesalers

Brokers / Parent company	Premium volume 1990	Premium volume 1989	% change	Gross revenues 1990	Gross revenues 1989	% change	Percent surplus lines[1] 1990	Percent surplus lines[1] 1989
Swett & Crawford Group The St. Paul Cos. Inc.	$533,861,000	$557,815,000	-4.3%	$51,262,000	$53,777,000	-4.7%	65.0%	65.0%
Price Forbes North America Sedgwick Group P.L.C.	403,600,000	356,000,000	13.4	36,000,000	32,000,000	12.5	75.0	75.0
Tri-City Insurance Brokers Inc. Privately held	288,888,888	248,000,000	16.5	17,800,000 E	15,000,000 E	18.7	10.0	10.0
Willis Faber Holdings Inc. Willis Corroon P.L.C.	256,000,000	257,000,000	-0.4	20,294,000	20,376,000	-0.4	64.0	64.0
Alexander Howden North America Inc. Alexander & Alexander Services Inc.	255,612,706	272,225,000	-6.1	17,046,000	16,590,000	2.8	28.0	25.0
MGAs/Underwriting managers Parent company	Premium volume 1990	Premium volume 1989	% change	Gross revenues 1990	Gross revenues 1989	% change	Percent surplus lines[1] 1990	Percent surplus lines[1] 1989
The Schinnerer Group Inc. Marsh & McLennan Cos. Inc.	489,000,000	548,000,000	-10.8%	41,565,000 E	48,365,000 E	14.5%	5.0%	5.0%
The London Agency Inc. Crum & Forster Inc.	419,878,000	412,418,000	1.8	N/M	N/M	–	10.0	10.0
Crum & Forster Managers Group Crum & Forster Inc.	293,010,000	229,205,000	-2.1	N/M	N/M	–	21.0	62.0
Cameron & Colby Co. Inc. Hartford Insurance Group/ITT Corp.	198,000,000	232,000,000	-14.7	N/M	N/M	–	45.0	52.0
General Star Management Co. General Re Corp.	189,224,310	176,292,776	7.3	N/M	N/M	–	74.4	73.5

[1] Percent placed with non-admitted markets E *BI* estimates N/M Not meaningful

Source: *BI* survey

GRAPHIC BY HOLLY SEGUINE



BI/JOHN SMITHER

Surplus lines

Continued from previous page

chief executive officer of First State Insurance Co., a Boston-based unit of Hartford Group Inc.

"We see a very, very competitive market," said Kevin H. Kelley, president of Lexington Insurance Co. in Boston, a unit of American International Group Inc.

Much of this competition continues to come from the admitted market, even though admitted insurers' underwriting results were less than stellar, he said.

The recession also has held back growth in the surplus lines market, Mr. Kelley added, explaining that new insurance products are a tough sell at a time when companies are cutting their risk management and insurance budgets.

"In January I would have said the market was at bottom and was going to harden," said Kevin P. Brooks, president of General Star Indemnity Co., a General Re unit in Stamford, Conn.

"However, the market has gotten worse. The market is now softer than it was a year ago, and softer than it was six months ago," he said, adding that he sees no improvement in the near term.

"We continue to see substantial rate cuts across the board that can translate into anything from 10% to 40%, depending on coverage and the nature of the risk," said Kieran Burke, president of Tri-City Insurance Brokers Inc. in New York.

"1990 marked the fourth straight year of soft market conditions, which was exacerbated by the entrance of alien insurers. There were more foreign insurers playing in the field, primarily European insurers which entered the market either as direct writers or as investors," said Raymond L. Freudberg, chairman of United National Insurance Co. in Philadelphia.

"This made competition even more heated, because we had more companies going after fewer risks," he explained.

But, for the most part, much of the business that began in the surplus lines market has stayed there, said John R. Hartman, executive vp and chief operating officer of Swett & Crawford Group in Los Angeles.

"We're writing what we're supposed to be writing now," agreed Thomas D. Stamm, vp-underwriting and marketing at Scottsdale Insurance Co. in Scottsdale, Ariz.

"It's just that in a tight market, we write standard business," he said.

"We are a secondary market. Frankly, as long as the standard market wants to write the scope of whatever they are writing, they have every reason to be writing it instead of us," pointed out Janet Nelson, president and chief operating officer of St. Paul Surplus Lines Insurance Co. of St. Paul, Minn., a unit of The St. Paul Cos. Inc.

"It's only as the standard market withdraws from certain segments that it really becomes an area we can expand in. As we look forward, we want to be responsive to areas where the standard market might have less appetite," she said.

However, there are no big gaps nor voids that surplus lines insurers can capitalize on, Ms. Nelson noted. "Right now, the standard market appetite is pretty broad. There are still products we can offer, and we are still growing and writing business.

"I am convinced that there continues to be a real need for the surplus lines marketplace. It is a safety valve for the standard, regulated market. If anything, if there was a period of an anomaly, the abnormal period was the middle and late '80s," when capacity severely tightened in the admitted market, she said. At that time, there was an "increase in the surplus lines market that was way out of proportion. What we are experiencing today is largely the kind of world we will see going forward.

"I'm optimistic about (the future), and I don't spend too much time looking back and bemoaning the fact that 1987 isn't here anymore," Ms. Nelson said.

New business continues to flow into the surplus market from traditional sources like start-up companies and professionals like lawyers seeking errors and omissions insurance, said Paul W. Springman, president of Evanston Insurance Co. in Evanston, Ill.

"U.S. law schools continue to pump out more graduates each year, and they've got to buy their insurance from somewhere," Mr. Springman said.

Newly formed entities and businesses that have never purchased coverages like directors and officers liability insurance also will turn to the surplus lines market, said Robert E. Stalker, vp-marketing for Crum & Forster Managers Group in Chicago.

But such optimism is not universal.

"For the most part the E&S market is way down and the void really hasn't been filled," said James Skelton, president and chief executive officer of the Illinois Insurance Exchange in Chicago.

While 1990 may have been a bad year for most surplus lines marketers, 1991 will be worse, predicted Warren Stanley, president and chief executive officer of Swett & Crawford in Los Angeles.

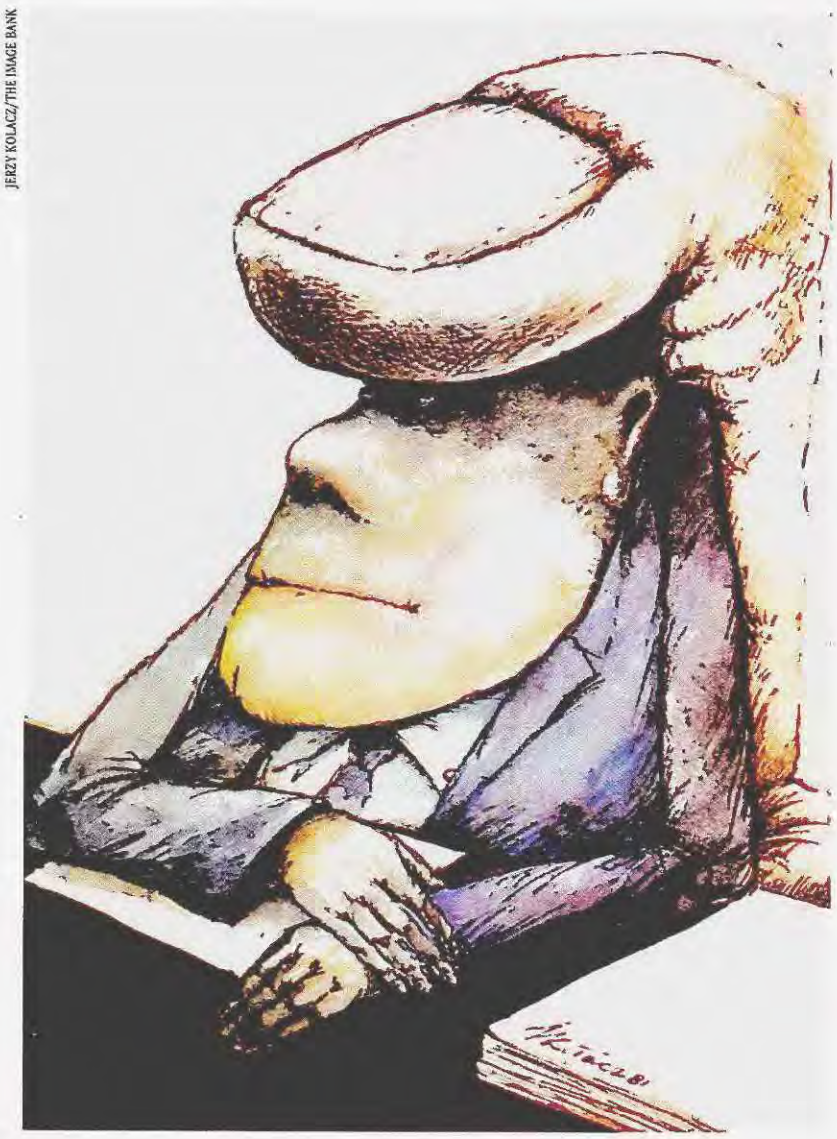
"A lot of people thought that 1990 was the plateau before the market started to rise. But by the end of our 1990 fiscal year—the third quarter for most other companies—it was clear that the market started to fall again," he said.

Scottsdale President Rolland L. Wiegers also does not expect the market to turn any time soon.

"The pressure has to start at the reinsurance level if there's to be a change. But we don't see any signs at all, not in 1991 or 1992,"

Continued on page 6

JERZY KOLACZ/THE IMAGE BANK



"Never say never."

Pressuring producers to conform to inflexible underwriting guidelines is not our idea of a good way to write surplus lines risks. Our underwriters encourage producers to tell us about their ideas for unique risks and specialty programs.

At United National Group – one of the largest surplus lines insurers in America – we seek creative solutions to complicated insurance problems.

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Surplus lines

Continued from page 4

he said.

Seth D. Freudberg, president and chief executive officer of United National, said he has quit forecasting when the market may turn. "Return on investment is pathetic in relation to business and inherent risk. Based on this, the market ought to have hardened yesterday. But all we're seeing is some hardening in pockets. I know London is hardening, but whether that will affect us remains to be seen."

Michael Snead, chairman of Cherry Hill, N.J.-based Admiral Insurance Co., said: "I believe that we shall see a change in 1993. It won't be like it was in 1985 and 1986, but it will certainly be a ratcheting up of prices, because I believe there will be a fair amount of insolvencies in '92 and '93."

Explaining the latter statement, Mr. Snead said that following the problems at Mutual Benefit Life Insurance Co. and Executive Life Insurance Co., "there is a great flight to quality, and customers more and more are going to want to deal with A+-rated companies."

Whether business that has fled the surplus lines market to alternative risk financing mechanisms—like policyholder-owned insurers, captives and risk retention groups—will ever return is a point upon which surplus lines experts disagree.

"Possibly as much as 50%" of the business written by surplus lines insurers five years ago now is with the alterative market, said Joseph D. Timmons, president of the National Assn. of Professional Surplus Lines Offices, a Kansas City, Mo.-based trade organization.

Mr. Timmons predicted that business would return to the surplus market when some risk retention groups begin experiencing financial difficulties.

While surplus lines professionals agree that their market has lost business to the alternative market, many question just how much business left.

A lot of business has gone to markets like captives and risk retention groups, said John M. Griffin, chairman and chief executive officer of The London Agency Inc., an Atlanta-based Crum & Forster Inc. unit.

But, he said he did not know if the 50% figure is accurate.

And, that business may be destined to return to surplus lines insurers, he said.

Alternative markets like risk retention groups historically have not been as well-funded as insurance companies, and some are beginning to see additional financial pressures, Mr. Griffin pointed out.

The London Agency has not seen much of a move of its business to alternative markets, Mr. Griffin noted. "We are in the umbrella marketplace and those that have moved still buy from us because they are buying in the lower layers from the alternative markets."

"I don't think we've lost 50% of our business to the alternative markets," said Orville D. Jones, president and chief executive officer of Crump E&S Group, a Dallas-based unit of Price Forbes.

"But there might be another 25% we would be writing" if those markets did not exist, he added.

While the alternative markets could stumble and some would likely disappear if the next market turn is severe, "I don't think alternative markets are going to leave us," Mr. Jones said.

If some do fold, business will return to the surplus lines market, though the amount depends on how many of the alternative markets survive, he speculated.

Like some commercial insurers, some of the alternative mechanisms are not reserving properly, according to Mr. Jones. If a hard market causes reinsurance capacity to dry up, some of the alternative mechanisms could be forced to fold, he said.

"I don't think a lot of the business we lost in the past two years or so went to the alternatives," said Thomas S. Bloom, president of Willis Faber Holdings Inc. in Grand Rapids, Mich.

"Certainly we didn't lose that much" to alternative markets, said Daniel E. Kestenbaum, chairman and chief executive officer of Alexander Howden North America Inc. in Atlanta, a unit of Alexander & Alexander Services Inc.

But, he believes that many of the alternative markets have some resilience. "There will be some failures," but much of the business that "is handled correctly" by alternative markets will not return to surplus lines insurers, he said.

The business that will return will be that written by inadequately funded alternative insurers, Mr. Kestenbaum predicted.

"Fifty percent is a big number," said Swett & Crawford's Mr. Hartman, referring to Mr. Timmons' remarks. The growth of alternative markets has had a definite impact on the surplus lines market, "but not that much. I'd say 30% to 35% of the standard commercial insurance market has moved to alternative markets."

However, the IIE's Mr. Skelton had no argument with Mr. Timmons' estimate.

"That's credible. I suspect that is not too far off," Mr. Skelton said. While he believes some of the alternatives could fail, a lot of business is gone forever to well-run alternative vehicles, he said.

"Once public entities go that way (toward alternatives), they don't go back to first-dollar coverage," said David N. Thompson, chairman and chief executive officer of Crum & Forster Managers Group.

But, the large corporations that joined offshore facilities like A.C.E. Ltd. and X.L. Insurance Co. Ltd. were not major players in the surplus lines market, he pointed out.

United National's Ray Freudberg also noted that risk retention groups are taking away business that traditionally has fallen to surplus lines insurers. "I feel the risk retention groups have become very significant competitors. The major alphabet house brokers are developing and managing risk retention groups in order to protect their business."

Another element fueling the soft market is that many insurers that used to write both commercial and personal lines coverage have abandoned the less profitable personal lines arena for commercial lines, which has increased competition, according to Seth Freudberg.

"Standard admitted markets are a much bigger factor" in the surplus market's loss of business than alternatives, agreed Swett & Crawford's Mr. Stanley.

"We don't lose much of our business to risk retention groups or risk purchasing groups," said Kenneth Woods, president of California Union. Business lost by Cal Union has gone to the admitted market, he said.

Scottsdale's Mr. Wiegers agreed. "Competition is not from the alternative markets, but from the standard markets."

Mr. Wiegers also pointed out that many risk purchasing groups are insured by surplus lines insurers.

But several risk retention groups for which The Schinnerer Group Inc. in Chevy Chase, Md., serves as underwriting manager have recently experienced sharp growth, years after they were established.

"There is a lot of wait and see on the part of policyholders, especially during a soft market," noted Douglas C. Dolan Jr., senior vp at the unit of Marsh & McLennan Cos. Inc.

Risk retention groups, if designed properly, will grow as employers see the advantage of participating in programs that are intended to provide long-term, stable coverage, Mr. Dolan said. ■

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Opinions

Assessing insurer ratings

THE INSURANCE RATING agencies had better improve their track record of spotting the deteriorating financial condition of insurers, especially large insurers, if they want to stay in business.

At the same time, no insurance buyers should select an insurer based solely on its rating from one—or all—of the rating services.

The major rating services—A.M. Best Co., Duff & Phelps Credit Rating Co., Moody's Investor Service and Standard & Poor's Corp.—cannot always accurately forecast the future solvency of an insurance company, be it a property/casualty or life insurer. Conditions can change too rapidly, as we have seen from the insolvency of Ideal Mutual Insurance Co. in 1984 to the rehabilitation of Mutual Benefit Life Insurance Co. last month. Both had high ratings just months before regulators stepped in (*BI*, Aug. 5).

Quite simply, a top rating one year is no guarantee that an insurer will be equally strong the next year—or even next month.

We are not, however, ready to dismiss the rating agencies as irrelevant or hold them liable every time they fail to spot a deteriorating insurer. Their ratings, while fallible, are valuable as indicators of the solvency of an insurance company. If the agencies were to be held liable for policyholder losses when an A-rated company goes broke the next year, or five years later, the rating agencies could not stay in business.

Of course, the rating agencies could be driven out of business if their ratings are not viewed as accurate by consumers. If their ratings prove to be too unreliable, disgruntled users will stop subscribing to their service.

For their own survival, the rating agencies must continually strive to improve the quality and timeliness of their ratings. While they appear to be responding to their missed calls in the last decade by refining their rating procedures, they will better serve their customers if they improve their analysis before an unrecognized deficiency results in more surprise insolvencies.

At the same time, the rating agencies must not overreact and downgrade too quickly, which would result in needless policyholder fright and flight from generally solid insurers.

We recognize that the rating agencies have the same problem that insurance regulators have: They must rely on financial statements that are months old. And, as we have seen, economic conditions can change quickly, devaluing insurers' junk bonds and real estate holdings, for example.



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Insurance buyers, therefore, must consider current ratings as only one factor in selecting an insurer.

In addition to analyzing all of the assigned ratings—since different agencies use different approaches in assigning ratings—insurance buyers also must use other factors to assess an insurer's financial stability. These include the insurer's reputation in the marketplace, how well it is regulated by its state of domicile and its track record with insurance regulators, its use of independent actuaries in addition to internal actuaries, and the quality of its assets—based on the insurance buyer's own assessment of economic conditions. For stock companies, their standing in the stock market can be another clue to financial strength.

In addition, insurance buyers must recognize that an insurance company's financial strength can change over time. With that recognition, insurance buyers must not only monitor their insurers constantly, but also must consider the risk of long-term contracts with insurers, especially when buying guaranteed investment contracts from life insurers. When buying GICs, diversification among insurers and shorter-term contracts are in order. There's one other tried-and-true test: If an insurer is offering a deal that appears too good to be true, it probably is.

Letters

Current bill not enough to spur product law reform

To the editor: As one who has carefully tracked product liability reform efforts for nearly 10 years, I greet with some skepticism the introduction of product liability "fairness" legislation by Rep. Roy G. Rowland, D-Ga., and Sen. Robert W. Kasten Jr., R-Wis., in the current Congress (*BI*, July 22; March 18).

There appears little really new in these measures, and despite increased co-sponsorship, history is clear that unequivocal support from the committee chairman under whose jurisdiction the proposals may fall is essential to passage. Unless there develop surprising changes of heart, these new attempts will likely languish, then die, as has happened so often in the recent past.

Hopefully, the newly published study on liability reform by the prestigious America Law Institute will add impetus for change (*BI*, April 29). That report does recognize some inconsistencies in the legal climate, although its recommendations deal mainly with limiting and/or capping awards for certain types of damages. But coupled with congressional proposals, there may yet emerge a more powerful consensus which could trigger improvements in our civil justice system.

Norman Chanzis
Senior Consultant
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New York

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Trial lawyers oppose letting juries decide

To the editor: In response to your July 29 article, "Professor Says Peers Back Tort Reforms," if the trial lawyers truly believe that the jury system is the backbone of our legal system, then why don't they use it? As everyone knows, the truth is that the trial lawyers don't use the jury system at all. They merely go through the motions, settling 95% of all filed complaints, *one lawyer to another.*

Why don't the trial lawyers let the jury decide? Quite simply, because then they would lose the absolute power that they now hold over the entire legal process.

Our present legal system is costing this country billions of dollars but still cannot dispense anything close to justice.

Richard K. Fox
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Rebound ends surplus lines slide

Premium volume grew 6% in 1990

U.S. Surplus lines premium volume did an about face last year and increased more than 6% over 1989 levels—fueled primarily by sizable jumps in a few states.

That increase followed negligible growth in 1989 and an 8% decline in 1988 (see chart, page 4).

State insurance departments reported that nationwide surplus lines premium volume totaled $6.74 billion in 1990, up 6.4% from a restated $6.32 billion in 1989. And 1990 surplus lines volume was up 6.7% over restated 1988 levels of $6.31 billion.

The figures are restated by state regulators to more accurately reflect surplus lines premiums written.

However, the 1990 jump in premium volume was skewed by results from several states.

For example, California—which has the largest surplus lines premium volume—reported that premiums increased 16.1% to $1.5 billion last year from $1.28 billion in 1989. If the premium volume for California is removed in both years, the average increase in premiums moderates to 3.7% for all other states.

Levi Lacuesta, chief of the tax bureau in the California Department of Insurance, said that in 1990 the department began conducting more comprehensive, on-site audits of insurers. Statistics from previous years are lower by comparison because they were not as precise, he suggested.

In addition to California, other states that posted sizable gains in surplus lines premium volume were:

- Nevada, up 22.5% to $31.2 million from $25.4 million.
- South Carolina, up 21.3% to $59.9 million from $49.2 million.
- Texas, up 19.3% to $706.7 million from $592.3 million.
- Washington, up 19.2% to $116.2 million from $97.5 million.
- Virginia, up 16.8% to $74.6 million from $63.9 million.

Overall, the number of states reporting gains in surplus lines premium volume was up only slightly to 24 last year from 22 in 1989.

Twenty-seven states, including the District of Columbia, posted declines in premium volume in 1990.

The five largest declines last year were in:

- District of Columbia, down 32.6% to $36.7 million from $54.4 million.
- North Dakota, down 18.6% to $6.4 million from $7.9 million.
- Alaska, down 16.8% to $45.6 million from $54.8 million.
- South Dakota, down 13.3% to $7.2 million from $8.3 million.
- Mississippi, down 12.3% to $40.2 million from $45.9 million. ■

Surplus lines premiums and taxes by state

	Surplus lines premiums					Surplus lines taxes			
	1990	1989	1988	90-89 % change	90-88 % change	1990	1989	1988	% tax rate
Alabama	$102,541,350	$102,546,900	$101,243,450	0.0%	1.3%	$4,101,654	$4,101,876	$4,049,738	4.00%
Alaska	$45,603,800	$54,807,000	$51,319,000	-16.8%	-11.1%	$992,200	$1,100,000	$939,500	2.70%
Arizona	$64,404,416	$56,457,248	$52,248,474	14.1%	23.3%	$1,746,818	$1,693,717	$1,567,454	3.00%
Arkansas	$39,742,904	$41,723,486	$39,216,678	-4.7%	1.3%	$1,616,595	$1,693,427	$1,708,495	4.00%
California	$1,501,170,500	$1,283,814,933	$1,114,942,866	16.9%	34.6%	$45,035,115	$38,514,448	$33,448,286	3.00%
Colorado	$82,123,038	$89,394,313	$78,042,199	-8.1%	5.2%	$1,658,633	$1,802,335	$1,572,730	2.00%
Connecticut	$72,250,426	$68,303,805	$65,503,926	5.8%	10.3%	$2,669,563	$2,744,146	$2,604,552	4.00%
Delaware	$11,418,052	$10,575,346	$9,831,112	8.0%	16.1%	$228,361	$211,449	$196,622	2.00%
District of Columbia[1]	$36,705,229	$54,446,350	$43,575,950	-32.6%	-15.8%	$734,105	$1,088,927	$871,519	2.00%
Florida	$478,164,269	$507,925,483	$466,807,017	-5.9%	2.4%	$16,127,636	$13,444,125	$12,820,624	3.00%
Georgia	$147,454,120	$159,446,156	$126,881,219	-7.5%	16.2%	$5,898,165	$6,377,846	$5,075,249	4.00%
Hawaii	$46,306,383	$43,728,744	$44,343,232	5.9%	4.4%	$2,167,139	$2,046,505	$2,075,263	4.68%
Idaho	$14,566,084	$14,974,721	$15,894,010	-2.7%	-8.4%	$436,119	$454,001	$558,834	3.00%[2]
Illinois	$291,211,257	$300,513,098	$338,035,825	-3.1%	-13.9%	$8,736,338	$9,015,393	$10,168,066	3.00%
Indiana	$71,931,114	$75,419,260	$90,597,058	-4.6%	-20.6%	$1,798,278	$1,885,481	$2,265,677	2.50%
Iowa	$28,422,066	$31,820,890	$33,603,753	-10.7%	15.4%	$568,441	$636,417	$672,075	2.00%
Kansas[3]	$37,009,273	$38,550,094	$38,090,081	-4.0%	-2.8%	$1,480,371	$1,542,004	$1,523,603	4.00%
Kentucky	$38,960,000	$39,243,416	$37,308,250	-0.7%	4.4%	$1,169,800	$1,177,302	$1,119,247	3.00%
Louisiana	$259,362,651	$253,407,000	$254,680,000	2.4%	1.8%	$12,968,133	$12,670,350	$12,734,000	5.00%
Maine	$17,226,760	$15,080,000	$15,704,210	14.2%	9.7%	$510,836	$438,711	$412,127	3.00%
Maryland	$84,476,679	$89,379,657	$86,830,217	-5.5%	-2.7%	$2,534,300	$2,681,390	$2,576,686	3.00%
Massachusetts	$179,975,000[4]	$190,111,197	$175,000,000	-5.3%	2.8%	$7,199,000[4]	$7,604,448	$7,000,000	4.00%
Michigan	$362,962,587[4]	$311,334,711	$333,146,483	16.6%	8.9%	$7,260,253	$6,247,947	$6,662,930	2.00%
Minnesota	$78,998,722	$69,792,911	$104,594,481	13.2%	-24.5%	$2,369,962	$2,093,787	$3,137,834	3.00%
Mississippi	$40,209,561	$45,870,730	$45,268,306	-12.3%	-11.2%	$1,560,097	$1,777,686	$1,855,731	4.00%
Missouri	$108,225,788	$117,872,259	$142,592,505	-8.2%	-24.1%	$5,412,789	$5,893,613	$7,129,625	5.00%
Montana	$11,944,338	$10,333,692	$11,434,804	15.6%	4.5%	$368,863	$325,239	$358,084	2.75%
Nebraska	$18,649,521	$19,675,433	$20,828,371	-5.2%	-10.5%	$544,205	$590,264	$630,793	3.00%
Nevada	$31,156,910	$25,440,849	$29,114,846	22.5%	7.0%	$838,511	$809,702	$809,770	3.50%[5]
New Hampshire	$26,850,347	$23,223,970	$23,902,184	15.6%	12.3%	$542,304	$465,312	$478,044	2.00%
New Jersey	$192,637,797	$194,507,281	$202,051,176	-1.0%	-4.7%	$7,348,063	$5,802,329	$6,061,535	3.00%
New Mexico	$20,239,111	$18,045,237	$20,761,848	12.2%	-2.5%	$607,173	$541,357	$622,855	3.00%
New York	$462,522,861	$406,805,500	$498,151,667	13.7%	-7.2%	$16,650,822	$14,644,998	$17,933,460	3.60%
North Carolina	$77,915,284	$75,112,201	$71,987,389	3.7%	8.2%	$3,895,763	$3,755,611	$3,599,368	5.00%
North Dakota	$6,435,202	$7,905,152	$6,509,053	-18.6%	-1.1%	$112,479	$137,014	$81,006	1.75%[6]
Ohio	$20,450,244	$21,461,754	$26,524,987	-4.7%	-22.9%	$1,043,256	$1,238,877	$1,322,968	5.00%
Oklahoma[3]	$65,684,966	$56,881,683	$70,145,466	15.5%	-6.4%	$3,941,098	$3,412,901	$4,208,728	6.00%
Oregon	$67,205,161	$79,429,616	$71,274,154	15.4%	-5.7%	$1,512,128	$1,787,179	$1,603,681	2.25%
Pennsylvania	$240,000,000	$230,000,000	$300,000,000	4.3%	-20.0%	$7,101,825	$6,838,069	$8,908,064	3.00%
Rhode Island	$75,000,000[E]	$75,561,500	$70,843,600	-0.7%	5.9%	$2,250,000[E]	$2,266,844	$2,125,000	3.00%
South Carolina	$59,911,607	$49,173,568	$42,044,675	21.8%	42.5%	$2,396,464	$1,966,942	$1,681,787	4.00%
South Dakota	$7,151,000	$8,251,000	$6,373,960	-13.3%	12.2%	$186,784	$234,612	$162,632	2.50%
Tennessee	$62,314,300	$60,657,133[4]	$63,025,566[4]	2.7%	-1.1%	$1,869,429	$1,819,714	$1,890,767	2.50%[7]
Texas	$706,734,382	$592,322,890	$546,570,476	19.3%	29.3%	$34,834,016	$27,234,500	$25,251,556	4.85%[8]
Utah	$26,654,044	$28,311,530	$29,856,686	-5.9%	-10.7%	$1,132,797	$1,203,240	$1,268,909	4.25%
Vermont	$13,224,160	$13,313,585	$14,370,804	-0.7%	-8.0%	$396,725	$399,407	$431,124	3.00%
Virginia	$74,591,625	$63,878,000	$60,270,672	16.8%	23.8%	$1,678,312	$1,441,031	$1,655,744	2.25%[9]
Washington	$116,174,310	$97,472,889	$104,082,098	19.2%	11.6%	$2,323,663	$1,951,175	$2,082,449	2.00%
West Virginia	$21,280,000	$22,200,000	$21,400,000	-4.1%	-0.6%	$851,000	$880,000	$850,000	4.00%
Wisconsin	$73,485,126	$68,550,340	$80,214,800	7.2%	-8.4%	$2,210,352	$2,073,854	$2,408,980	3.00%[10]
Wyoming	$8,387,463	$8,410,960	$8,675,281	-0.3%	-3.3%	$259,174	$259,899	$268,067	3.00%
TOTALS/AVERAGES	$6,728,021,788	$6,323,465,471	$6,305,714,865	6.4%	6.7%	$231,875,906	$211,017,401	$211,441,838	3.28%

[1] Fiscal year ends Sept. 30 [2] 3.663% between July 1, 1987 and Aug. 30, 1988 [3] Fiscal years ended June 30, 1990, 1989, 1988 [4] State insurance department estimate [5] 3% before Jan. 1, 1989 [6] 1.25% before Jan. 1, 1989 [7] 2.5% liability, 3.25% fire [8] 3.85% before July 1989 [9] 2.75% before Jan.1,1989 [10] 0.5% on ocean marine. [E] *BI* estimate

Source: *BI* survey

GRAPHIC BY JOHN J. BOHORQUEZ

Spotlight report

No. 1 ranked Lexington's volume may fall

Lexington Insurance Co.

200 State St., Boston, Mass. 02109;
617-330-1100; fax: 617-439-9793

	1990	1989
Gross premiums	$899,690,202	$884,955,216
Non-admitted	$861,468,986	$851,801,154
Net premiums	$293,613,353	$281,822,168
Paid-in capital	$4,100,000	$4,100,000
Capital & surplus	$323,234,956	$247,136,522
Employees	227	227
Combined ratio	85.5%	87.7%
Rating agency	85.4%	87.7%
Net income	$75,732,062	$63,426,501
Best's rating	NA	A+(g)

Gross written premiums at Lexington Insurance Co. may fall this year as competitors lure away business Lexington picked up after the 1990 collapse of the H.S. Weavers (Underwriting) Agencies Ltd. line slip.

The former Weavers business last year helped Lexington shore up its volume against the erosion caused by the soft property/casualty insurance market.

Gross premiums in 1990 rose a modest 1.7% to $899.7 million from $885 million in 1989, while direct, non-admitted volume inched up 1.1% to $861.5 million from $851.8 million in 1989.

This volume still left Lexington, a unit of American International Group Inc., far and away the largest U.S. surplus lines insurer.

Lexington would have been hard pressed to show growth last year without the Fortune 1,000 chemical and pharmaceutical liability, medical malpractice and other accounts picked up after the Weavers line slip—the largest London market for U.S. excess liability business—stopped writing in March 1990.

Lexington picked up a large amount of Weavers' business with "substantial" improvements in terms and conditions, including rate increases of up to 50% and doubling and tripling of aggregate attachment points, according to President Kevin H. Kelley.

"That proved an opportunity for Lexington," Mr. Kelley observed of Weavers' collapse.

Another year of the soft market has changed things, though.

"This year, we're losing a considerable amount of that business, much more than we thought we would," Mr. Kelley reported.

Competitors are drawing the business away with rate reductions of 20% to 50%, and in some cases competitors' rates are at or below levels charged by Weavers, he said.

As a result, North American casualty business written through Lexington's London office is off "substantially," in some months this year amounting to only half what it was a year ago.

"It's something we didn't count on this year," Mr. Kelley observed.

This, along with soft market pressure on Lexington's other business, will likely produce a decline in the insurer's gross volume this year of 10% to 12% and "maybe more," Mr. Kelley predicted.

"We see a very, very competitive market," he said.

Much of this competition continues to come from the admitted market despite the fact that the underwriting results of these insurers are less than stellar, he added.

"The results are not good in the licensed market. They aren't dismal. They are just beyond mediocre, but they are not disastrous," he explained.

Given this, Mr. Kelley observed that he would expect admitted insurers to retreat from riskier surplus lines business and return to the core business they presumably know better.

But "that's not what we are seeing in many cases. We see the (admitted) market continuing to drift away from what they know into what they don't know, and at a dangerous time," he said.

The recession has also held back growth in the surplus lines marketplace, Mr. Kelley added, explaining that new insurance products are a tough sell at a time when companies are cutting their risk management and insurance budgets.

"Today, they are looking just to shave" costs, Mr. Kelly observed of insurance buyers. "We think the current economic environment is not one where there are a lot of extra funds available" for new products.

Lexington maintains a research and development working group, charged with devising new revenue-generating products and services.

While Mr. Kelley had aimed at having new products produce 10% of its revenues last year, the insurer fell short of that goal in 1990.

"We are disappointed with our R&D effort to date," Mr. Kelley conceded, but he added that the insurer has "not given up" on its efforts.

Lexington's business development efforts also include several other working groups, intended to cross-market property and casualty coverages to existing clients and employee benefits stop-loss coverage to policyholders that self-insure their benefit programs.

The insurer has working groups for the transportation, health care and pharmaceutical, chemical, construction/architects and engineers and financial institutions fields.

Business produced through these groups—which also serve as springboards for new product ideas—will probably strengthen this year, Mr. Kelley said.

"We've just got to scratch more for opportunities and be more realistic in our assessment of those opportunities," he observed of Lexington's business development efforts.

The Weavers business "more or less fell in our laps," Mr. Kelly said. "Going forward, those kinds of opportunities that tend to fall to you will come less and less often."

Liability lines, including the business formerly written by Weavers, produced $765 million of Lexington's gross premiums last year, up 2.6% from $745.5 million in 1989, according to the insurer's annual statement.

The mix of this business has changed slightly: about 70% of Lexington's casualty book consists of excess and umbrella liability risks, up from 65% a year ago, Mr. Kelley said.

Transportation risks—written on an occurrence form—account for another 20%, down from 25% a year ago, while primary liability business accounts for the remaining 10%, unchanged from last year.

Earlier this year, Lexington in-

Continued on page 14

Number Two In a Series

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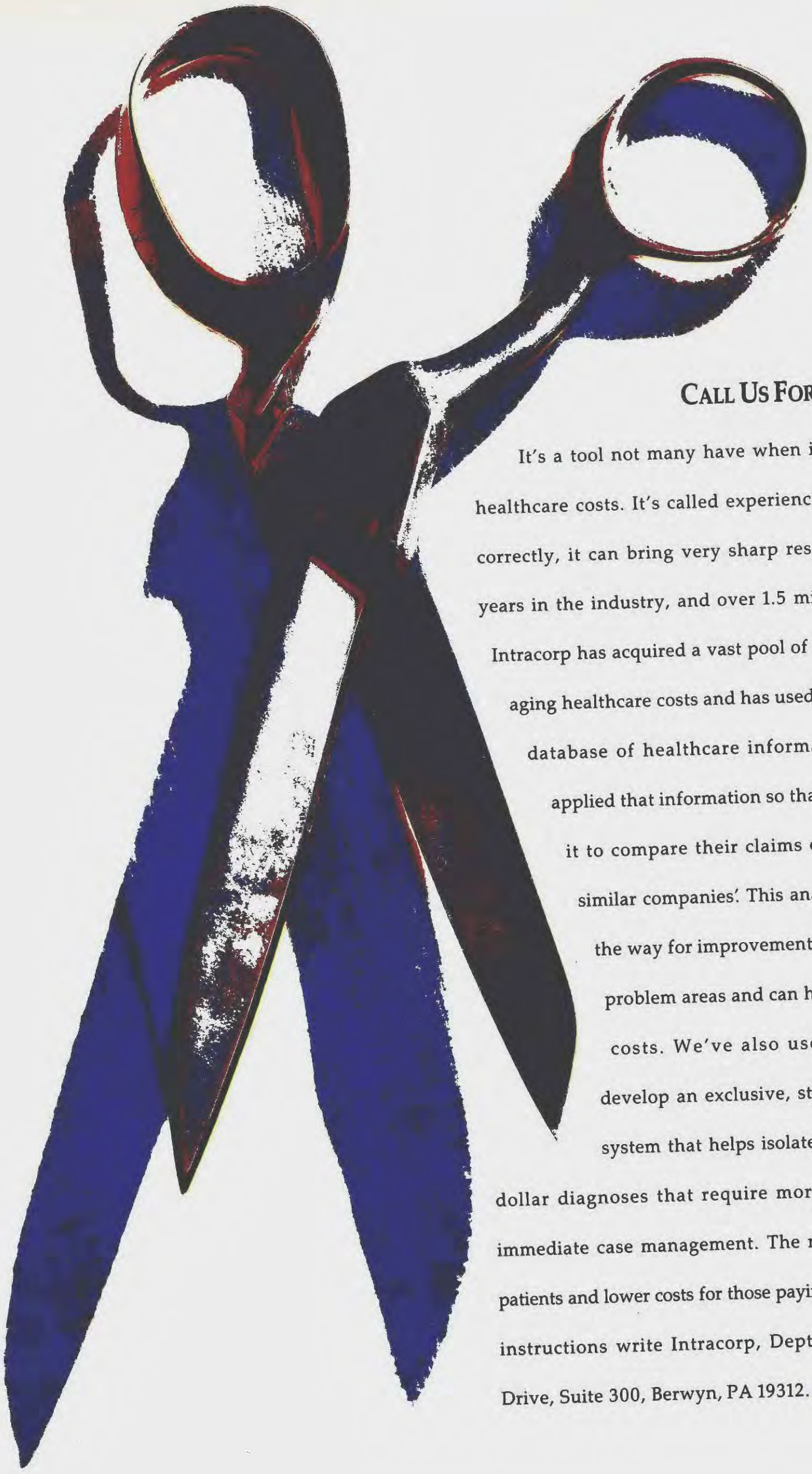
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INTRACORP

Scottsdale Insurance Co.

8877 N. Gainey Center Drive, Scottsdale, Ariz. 85258; 602-948-0505; 602-483-6752

	1990	1989
Gross premiums	$812,663,445	$802,295,784
Non-admitted	$531,648,440	$493,690,291
Commercial risks	96.4%	96.2%
Net premiums	$83,906,406	$106,210,226
Paid-in capital	$6,027,200	$6,013,200
Capital & surplus	$154,896,627	$76,720,144
Employees	692	575
Combined ratio	109.6%	105.7%
Rating agency	110.6%	107.1%
Net income	$6,983,687	($606,642)
Best's rating	A+ (p)	A+ (p)

Scottsdale Insurance Co. outperformed most of its competition in 1990 amid a tough market for surplus lines insurers.

The second-largest U.S. surplus lines insurer's direct non-admitted gross premium volume rose 7.7% to $531.6 million in 1990 from $493.7 million in 1989. That increase comes on top of an 18.7% surge from $416.1 million in 1988 (*BI*, Aug. 13, 1990).

While 1990 growth was restrained by the soft property/casualty market, Scottsdale's growth over the past nine years has been phenomenal. The company started out in 1982 as a two-man operation writing $1.7 million in premiums from an office across the street from Paul's Hardware Store in downtown Scottsdale, Ariz.

President Rolland L. Wiegers left Great Southwest Fire Insurance Co. to form Scottsdale in an effort to more aggressively pursue surplus lines business.

Scottsdale, a subsidiary of Nationwide Mutual Insurance Co. of Columbus, Ohio., now resides in spanking-new headquarters in Scottsdale's prestigious Gainey Ranch Corporate Center.

It employs 692 people, up from 575 at year-end 1989.

The move last November to the new 200,000-square-foot complex was necessary to bring together all of the Scottsdale offices that had been scattered throughout five locations, Mr. Wiegers explained.

Today, Scottsdale's book of business is divided into two segments: "general business," largely written by general agents that have binding authorities, and "specialty business" that is handled by a specialty underwriting division formed in 1989. General underwriting comprises about two-thirds of Scottsdale's business, while specialty business makes up the rest, Mr. Wiegers estimated.

Among Scottsdale's specialties are police professional liability, orthodontists liability, liability for rehabilitation centers, commercial auto liability, umbrella liability and general property/casualty business.

Among the lines that Scottsdale will not write are long-haul trucking risks, personal automobile insurance, difficult product liability coverages, aircraft or ocean marine coverages, coverage for petrochemical risks, medical malpractice liability, high-layer coverages excess of $10 million, Fortune 500 companies and workers compensation.



Without the specialty underwriting division, 'we'd be back to a $400 million company.'
— Rolland L. Wiegers

Scottsdale also reinsures 100% of the business underwritten by National Casualty Co., another Nationwide unit based in Los Angeles. Scottsdale uses National Casualty when it needs an admitted insurer to write business, Mr. Wiegers explained.

About 25% of Scottsdale's premium volume comes from National Casualty, estimated Thomas D. Stamm, vp-underwriting and marketing in the general underwriting division.

That percentage has held steady for the past three years, according to Mr. Wiegers.

The bulk of business underwritten by Scottsdale's general underwriting division is casualty lines, with only about 20% of its volume property business, according to Mr. Stamm.

While up to $1 million in capacity is available for either liability or property coverage, most of Scottsdale's property policyholders purchase an average of only $200,000 to $300,000 in limits, Mr. Stamm said.

And, if a client requests more than $1 million in either property or liability limits, "the risk transfers automatically to the specialty underwriting division," he said.

The general underwriting division also transfers to the specialty underwriting division any property/casualty risks with deductibles or self-insured retentions exceeding $25,000, he said.

Reinsurance intermediary E.W. Blanch Co. in Minneapolis handles Scottsdale's reinsurance placements for most of the general underwriting division's property business. Aon Reinsurance Agency Inc. of Chicago, a unit of Aon Corp., handles most liability reinsurance placements for the division.

Scottsdale generally retains up to $500,000 of each general liability risk and at least $100,000 of each property risk underwritten by the general underwriting division, according to Mr. Stamm.

The specialty underwriting division, which generates about one-third of Scottsdale's premium volume, was launched with 35 people in 1989, "when it looked like the market would get soft," according to Mr. Wiegers.

The division currently employs 75, up from 62 at year-end 1990.

If Scottsdale hadn't started the unit, its general agents would have been forced to submit business for which they did not have policy issuance or binding authorities to other insurers instead of Scottsdale, he explained.

"Instead, this business stayed in-house," he said.

All rating, policy issuance and quoting for the specialty underwriting division are done in-house, according to Vickie Kartchner, vp in charge of the division.

Without the specialty underwriting division, "we'd be back to a $400 million company," Mr. Wiegers said.

In addition to writing business for which MGAs have not been given authority, the unit also handles larger risks and those that require special reinsurance arrangements, Mr. Wiegers explained.

Approximately $120 million of the premiums generated by the specialty underwriting division were from professional liability coverages, while the remainder were higher-limit property/casualty lines, like umbrella liability business, according to Ms. Kartchner.

Police professional liability is the specialty underwriting division's biggest book of business, she added.

Another of its offerings is automobile warranty coverage that extends the manufacturer's warranty on new cars. The coverage, which Scottsdale has been underwriting for three years, is generally sold through car dealers, Ms. Kartchner explained.

Several new programs are in the planning stages, according to Ms. Kartchner.

One is a property and auto liability section. Another is an environmental impairment liability policy for underground storage tank owners in Washington state that will provide coverage to the $1 million per occurrence/$2 million aggregate limits required by the Environmental Protection Agency.



Ms. Kartchner

The state provides reinsurance support for the coverage under special legislation that Ms. Kartchner said should be a model for other states to follow.

"It's a well-conceived plan that doesn't just provide protection, but also motivates people to clean up," she said.

The specialty division can write up to $5 million in property coverage, although it usually writes only $1 million to $1.5 million in limits.

On the casualty side, the division usually writes $1 million in primary liability limits and $2 million in excess limits, though up to $5 million in capacity is available.

An increasing number of businesses are requesting $5 million in limits for owners, landlords and tenants liability coverage because their lease agreements are requiring additional coverage now that the soft market has made them available, she explained.

Most of the business written in Scottsdale's specialty division is reinsured through Aon Reinsurance Agency.

The amount of risk the specialty division retains depends on the risk and the line of business, according to Ms. Kartchner. Scottsdale generally retains between $250,000 and $500,000 of each general liability or professional liability risk and up to $1 million on umbrella liability risks, she said.

While competition is still heated for most lines of business placed in the surplus lines market, Scottsdale has set a walkaway price below which it will not underwrite a risk, according to Mr. Wiegers.

"We lost a lot of renewals on July 1 because of that," said Ms. Kartchner.

Yet Scottsdale is holding firm to its strict underwriting guidelines.

"We've cut rates somewhat, but

Continued on page 18

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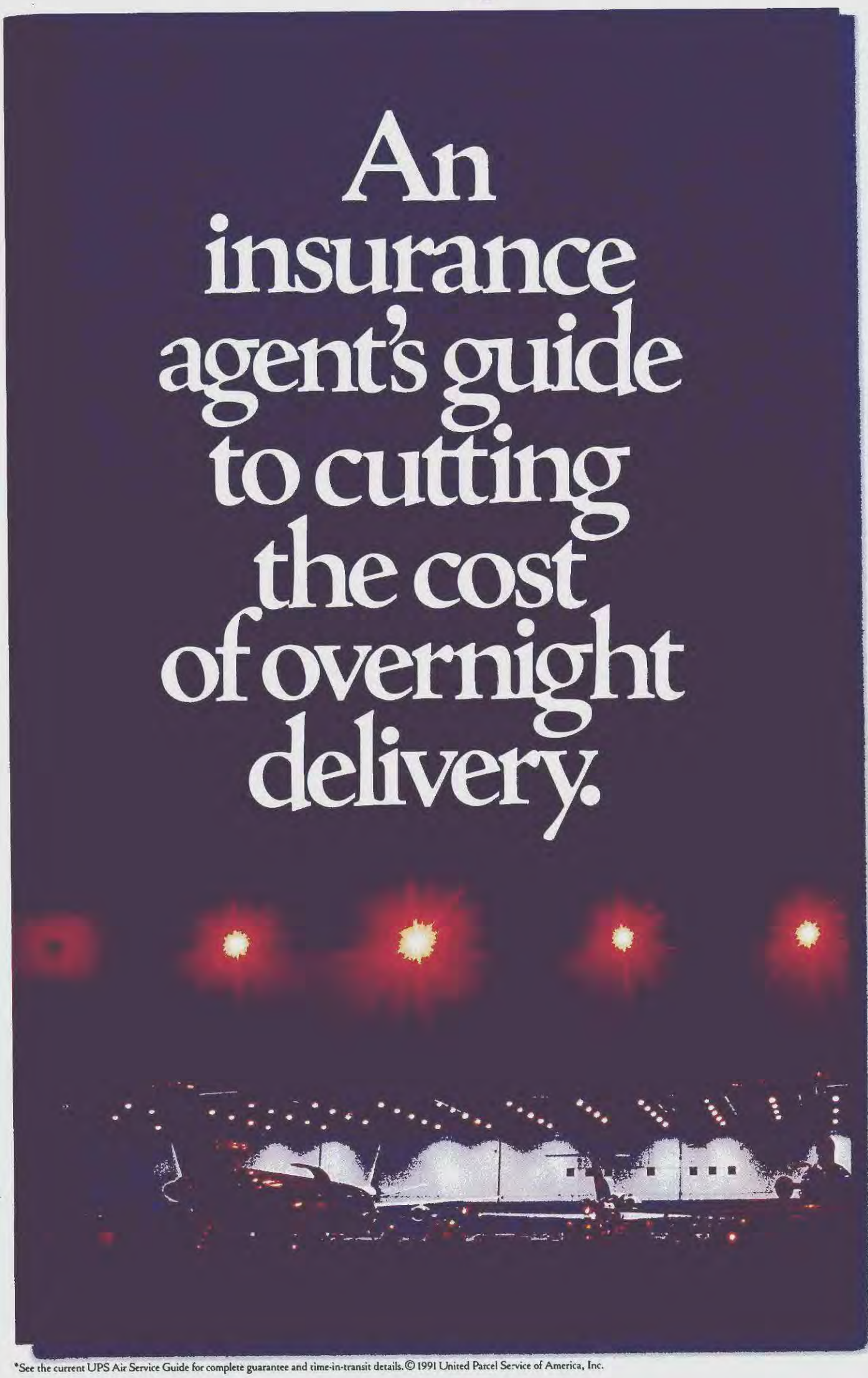
In addition to Mr. Kelley and Mr. Anselmo, top Lexington officers include Michael Castelli and Walter Mooney, senior vps; and Patrick Foley, senior vp and general counsel.

Lexington, founded in 1965, had not been assigned a rating by A.M. Best Co. as of last week. However, other AIG units had been assigned group ratings of A+ .

—By Douglas McLeod

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Continued from page 16

we're still within our minimums," Mr. Wiegers said. However, he admitted: "prices are closer to those minimums than they were a year ago."

Mr. Wiegers expects Scottsdale to realize only modest growth—"2% to 4% at the max"—in 1991 because of the soft surplus lines market.

Much of Scottsdale's competition is coming from the standard markets, as opposed to other surplus lines insurers, according to Mr. Wiegers.

"Some of the standard markets have lowered their underwriting standards to write smaller risks"—the bulk of Scottsdale's business—and some coverages that momentarily appeared too risky, Mr. Wiegers said.

For example, daycare center liability coverage, which Scottsdale "wrote a ton of in 1985 to 1985," has returned to the standard market, he said.

While only two or three standard insurers would underwrite the business five years ago, "that has always been a good book of business for us, despite the horror stories," he asserted.

Mr. Wiegers estimated that Scottsdale's daycare center liability book is down 60% from 1986.

In other types of coverage, though, Scottsdale is still holding its share of the market because many standard markets "still will not write certain classes" of business, he said.

For example, police liability coverage has always been scarce, and the recent negative publicity surrounding the Rodney King beating in Los Angeles has only served to reinforce standard insurance companies' reluctance to underwrite such insurance, according to Mr. Wiegers.

Since Scottsdale participates in a Nationwide Corp. intercompany reinsurance pooling program, many of the numbers reported in Scottsdale's annual statement reflect the experience of the pool.

But when data reflecting Scottsdale's individual performance is broken out, it appears that the surplus lines insurer actually outperformed the Nationwide pool as a whole, pointed out James R. Kapeller, vp and treasurer.

For example, although statutory filings showed that Scottsdale's combined ratio deteriorated to 109.6% in 1990 from 105.7% in 1989, its combined ratio on a stand-alone basis actually improved to 97.7% from 98.3% a year earlier.

Scottsdale's pooled net income surged to nearly $7 million in 1990 from a net loss of $607,642 in 1989.

Nationwide boosted Scottsdale's policyholder surplus more than 100% to $154.9 million in 1990 from $76.7 million in 1989. Mr. Kapeller explained that Nationwide contributed additional surplus based on Scottsdale's premium volume.

According to its 1990 annual statement, Scottsdale took an $11 million charge for unauthorized reinsurance and a $492,107 charge for authorized reinsurance more than 90 days past due.

Scottsdale is approved as a nonadmitted insurer in all states except Arizona, Ohio and Delaware, where the insurer is licensed as an admitted company.

In addition to Mr. Wiegers, Mr. Stamm, Ms. Kartchner and Mr. Kapeller, principal officers at Scottsdale are: Jack A. King, vp-legal; William D. DeMoss, vp-claims; David S. Dale, associate vp-commercial property underwriting; Ronald L. Pieper, vp-data processing; and Barbara D. Nasworthy, vp-administrative services.

Scottsdale received an A+ rating from A.M. Best Co.

—By Joanne Wojcik

General Star Indemnity Co.

695 E. Main St., P.O. Box 10354, Stamford, Conn., 06904-2354; 203-328-5700; fax: 203-328-6460

	1990	1989
Gross premiums	$156,115,897	$134,629,796
Non-admitted	$152,475,564	$130,744,958
Net premiums	$95,057,352	$78,191,667
Paid-in capital	$5,000,000	$2,000,000
Capital & surplus	$145,301,415	$124,967,937
Employees	NA	NA
Combined ratio	94.8%	99.5%
Rating agency	94.4%	97.3%
Commercial risks	100%	100%
Net income	$23,377,787	$18,851,831
Best's rating	A+(e)	A+(e)

Like most surplus lines insurers, General Star Indemnity Co. is struggling to survive the ravages of the soft insurance market, says President Kevin P. Brooks.

"We have traditionally been a price-conscious, conservative organization," said Mr. Brooks. "As a result, we have lost a tremendous amount of business and we continue to lose business."

However, by purchasing a large book of business from Royal Insurance Group, focusing on renewing its better accounts and expanding into new areas of business, General Star Indemnity was able to maintain steady growth in 1990

Written premiums rose for the third straight year, mostly because the General Re Corp. unit bought the property business of Royal Excess & Surplus in July 1990.

A 16.6% increase in direct, nonadmitted premiums—to $152.5 million from $130.7 million—moved the insurer up two notches to the third place in the *Business Insurance* ranking of the largest U.S. surplus lines insurers

Total gross premiums—which also reflect business written in Connecticut where General Star Indemnity is an admitted insurer—increased 16% to $156.1 million from $134.6 million.

According to Mr. Brooks, much of the growth came from the acquisition of the Royal E&S property business.

This business, which was merged with General Star Indemnity's own small property department, was responsible for about a $10 million increase in gross premium volume last year, said Mr. Brooks.

Prior to the acquisition, the property department wrote only $1.1 million in gross written premiums each year, he explained. Following the acquisition, the department wrote $11.5 million in gross premiums in the six-month period between July 1990 and December 1990, he said.

In 1991, Mr. Brooks expects the property department to double that amount, writing $22 million to $24 million in business.

Another factor contributing to the increase in volume was a 10% boost in the insurer's new and renewal business in its primary department, said Mr. Brooks.

"No one is being honest if they say their price isn't going down," Mr. Brook said. "The difference with us is that we are trying very hard to pick those risks that we can reduce the price to the market level," he explained.

For example, General Star Indemnity is focusing on renewing risks it has written loss-free for a number of years, he said.

The insurer's excess department also was able to increase its new and renewal business by about 6%, said Mr. Brooks.

"There will always be risks where the standard market is willing to write $1 million in primary insurance, but not a $10 million umbrella," he explained.

General Star Indemnity also is looking at underwriting new types of business said Mr. Brooks.

"We are attempting to broaden

Continued on next page



Continued from previous page
our risk appetite in recognition that surplus lines companies have to write what is available," Mr. Brooks said. "We cannot compete with standard lines insurers for standard risks."

Among the new risks now being considered by General Star Indemnity are liability insurance for spectator sporting events; liability insurance for daycare centers; and product liability coverage for "tough product risks" like medical products.

In addition, there are certain classes of business that General Star Indemnity underwrites that will always remain in the surplus lines market, Mr. Brooks said. These risks include: high-risk excess auto liability; contractors liability; police professional liability; and public officials errors and omissions coverages.

Generally, risks for which the frequency of claims is small but for which the exposure is great will remain in the surplus lines market, said Mr. Brooks.

The insurer's efforts at writing new business enabled it to report healthy financial results in 1990.

General Star Indemnity posted a 94.8% statutory combined ratio for 1990, a substantial improvement from the 99.6% combined ratio in 1989. A.M. Best Co. calculated General Star Indemnity's combined ratios as 94.4% in 1990 and 97.8% in 1989.

"We had a good year, loss-wise," said Mr. Brooks, noting that the fact that there were no property catastrophes helped improve the insurer's loss ratio.

Net income soared 24% to $23.4 million from $18.9 million.

The improvement in net income was "directly linked to a $5 million increase in investment income," said Mr. Brooks.

Policyholder surplus rose 16.3% to $145.3 million from $125 million in 1989. General Star Indemnity's ongoing healthy surplus is what enabled the insurer to acquire the Royal E&S property business in 1990. Likewise, strong surplus in 1989 enabled the insurer to acquire the surplus lines business of Constitution State Management Corp., a former Travelers Corp. unit (*BI*, Aug. 14, 1989).

'We cannot compete with standard lines insurers for standard risks,' says Mr. Brooks.

The Constitution State business accounted for about 19%, or $28 million, of General Star Indemnity's total gross premiums last year. But the results on this book of business have been poorer than expected, especially for property risks, said Mr. Brooks.

Strong policyholders surplus also allowed General Star Indemnity to retain a larger portion of the business it writes, said Mr. Brooks.

"Since 1989 the company has been retaining each year a greater percentage of risk in order to increase net written premiums and to retain underwriting profits in-house," explained Mr. Brooks.

Net premium volume increased 21.6% to $95.1 million from $78.2 million in 1990.

In addition, the higher retentions reflect a growing recognition of "the quality of our own underwriting, he said.

In 1986, the insurer retained about 35% on average of each risk it underwrote, Mr. Brooks said. Today, the insurer retains about 65% of each risk, he said.

"I don't envision any sharp increases in our retention level," he added. "We are pretty close to where we want to be."

Affiliate General Reinsurance Corp. is the company's primary reinsurer, though reinsurance is also ceded to about 10 non-affiliated reinsurers, said Mr. Brooks. All outside reinsurance is brokered by Thomas A. Greene & Co., a unit of Alexander & Alexander Services Inc.

General Star Indemnity happily reports that it has very little problems with reinsurance collectibility. The insurer is owed only $1,169 in overdue reinsurance and no unauthorized reinsurance, according to its annual statement.

"We have very few problems with collectibility and overdue reinsurance," said Mr. Brooks.

"General Star Indemnity did not come into being until 1979 and the real nightmare of collectibility is from the pre-1986 timeframe," he explained.

In addition, "we have always had a small list of approved reinsurers —almost all domestic, high-caliber companies," Mr. Brooks said. "The bulk of the reinsurance is from seven or eight carefully selected reinsurers," he said.

Currently, the insurer is not looking at making any new acquisitions, said Mr. Brooks.

Rather, the company is focusing on improving service to its clients, he said.

"Comparisons based on price put us at a disadvantage," explained Mr. Brooks. "We hope we can overcome this with improved service."

To achieve this goal of improved service, the insurer first sent a questionnaire to its clients and employees asking them how its service rated.

"Our employees' response was better than anticipated," said Mr. Brooks. "But our clients' response was worse than anticipated."

The next step was to conduct a series of meetings between executives at General Star and representative groups of clients, he said.

These meetings revealed details about how service at General Star could be improved, said Mr. Brooks.

In addition, several strategic planning sessions were held with large groups of managers at General Star Indemnity and all levels of employees, he said.

"These meetings forced us to examine how we deliver service to our clients and how we could make that service significantly better," said Mr. Brooks.

No firm plans have emerged as of yet, he explained. However, four task forces have been formed to examine specific service-related issues:

- Client service.
- Improving office technology.
- Product development.
- Employee needs.

By early fall, these four task forces will report to Mr. Brooks with specific recommendations about how General Star Indemnity can improve service.

"People do business with General Star because of our promise of quality service," Mr. Brooks said.

Even without the benefits of these recommendations, General Star Indemnity's premium volume continues to hold up despite the soft market pressures. First-half 1991 gross premiums rose 14.1% to $82.4 million from $72.2 million in the first six months of 1990.

Some 58% of General Star Indemnity's business is considered primary, including its Constitution State business, while the remainder is excess business. Those numbers are virtually unchanged from 1989.

About half of the primary business is product liability and the other half is owners, landlords and tenants liability and manufactur-

Continued on next page

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Continued from previous page

ers and contractors liability, said Mary Ann Brown, assistant vp.

In 1988, product liability accounted for only 35% of the primary business.

The primary department offers limits of $1 million in-house, said Mr. Brooks. The department can offer limits of up to $2 million through facultative reinsurance, he added.

General Star Indemnity generally writes small to medium-sized primary accounts, for which premiums fall in the $30,000 to $100,000 range.

On the excess liability side, General Star Indemnity writes umbrella and other excess casualty accounts, the vast majority of which generates premiums in the $5,000 to $50,000 range. Limits range up to $10 million, unchanged from previous years.

"The excess department does not use its $10 million in capacity in high-excess layers," explained Mr. Brooks. "We generally like to be in the first or second layer."

Some 53% of its excess contracts cover owners, landlords and tenants liability as well as manufacturers & contractors liability risks, while 34% cover auto risks and 7% cover product liability risks. The rest is miscellaneous business. This is virtually the same as 1990.

In the property department, which is now 90% composed of the Royal E&S book of business, the insurer offers limits in-house of $5 million. With facultative reinsurance, the insurer can offer property limits of up to $20 million. This is a substantial increase in the property department's capacity, according to Mr. Brooks.

The new facilities department, which is composed of the Constitution State business, writes 71% casualty business and 29% property, said Ms. Brown. The department offers a $1 million casualty limit, while it can write more than $1 million in property limits, Mr. Brooks said.

The insurer does business with about 200 producers, including 35 to 40 it took on with the Royal E&S acquisition. Except for a handful of national brokerages, most of its producers are small, regional brokers, in line with its focus on small to medium-sized risks.

General Star Indemnity has no employees of its own. All employees work for General Star Management Co., which also underwrites on behalf of a sister company, General Star National Insurance Co. (see story, page 60).

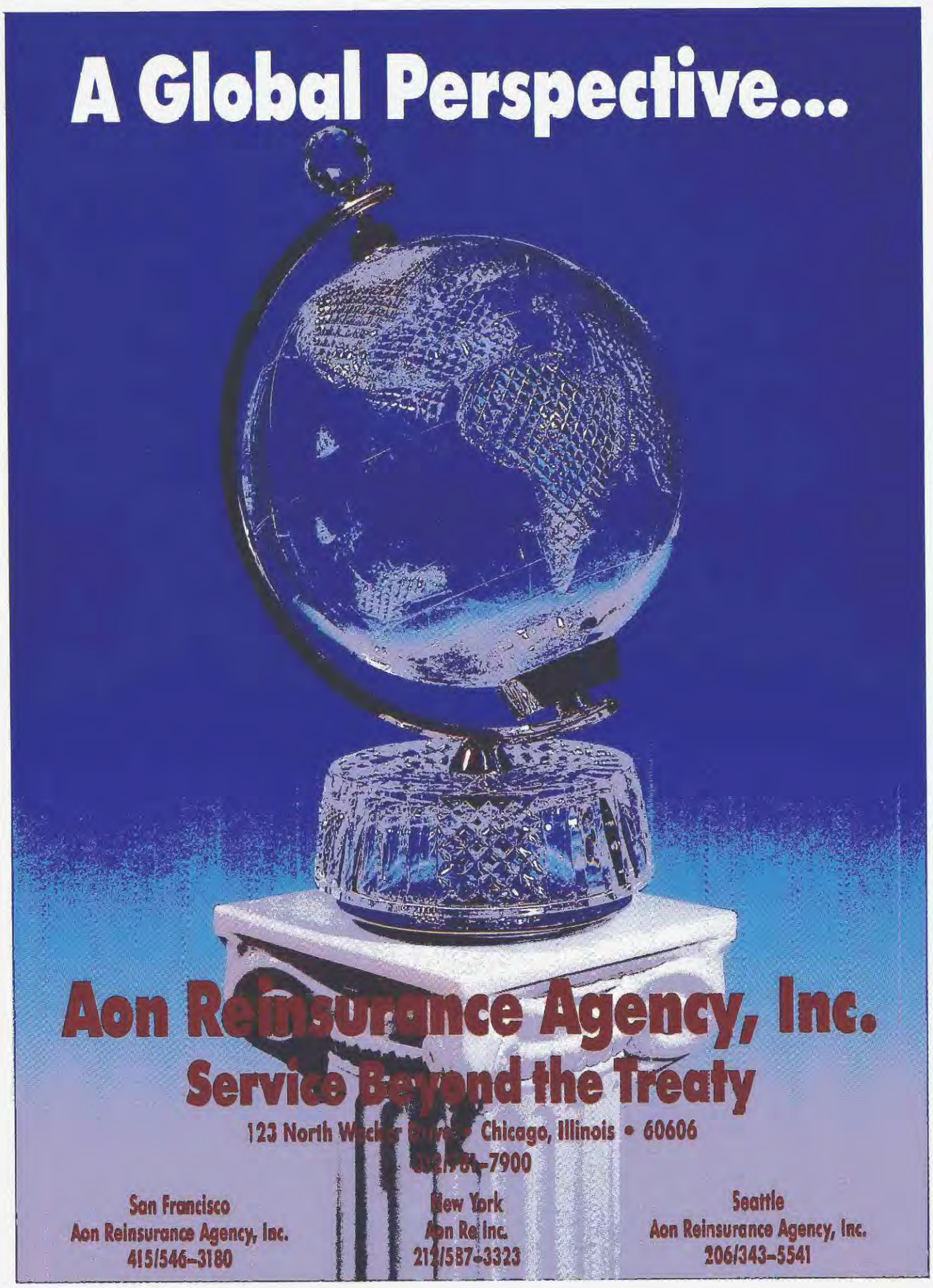
General Star Management had 215 employees at year-end 1990, up 24.3% from 173 the year before. As of June 30, the underwriting manager had 221 employees.

In addition to Mr. Brooks, General Star Indemnity's principal officers are Samuel C. Anderson, Russell D. Hendrickson, Adin S. Tooker and Ronald S. Austin, vps; and Charles N. Venezia, second vp.

General Star Indemnity has an A+ rating from A.M. Best Co.

—By Stacy Adler

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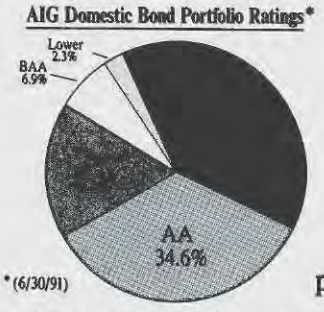
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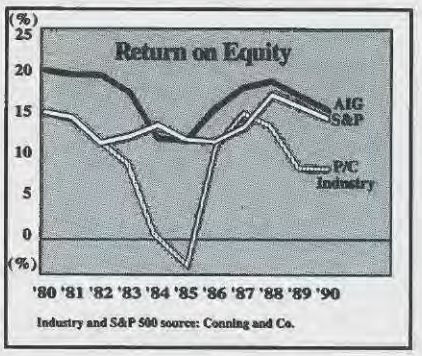
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Illinois Insurance Exchange syndicates

Ranked by gross premium volume in thousands of dollars

Syndicate	Gross premiums written 1990	Gross premiums written 1989	Net premiums written 1990	Net premiums written 1989	Policyholder surplus 1990	Policyholder surplus 1989	Net premium to surplus ratio 1990	Net premium to surplus ratio 1989	Combined ratio 1990	Combined ratio 1989	Net investment income 1990	Net investment income 1989	Net income (loss) 1990	Net income (loss) 1989
Transco Syndicate #1 Ltd.	$29,922	51,613	30,615	36,759	15,943	15,858	1.92:1	2.32:1	95.9	94.3	4,570	5,041	4,274	4,663
Britamco Underwriters Inc.	27,899	31,333	25,850	30,829	19,043	14,062	1.36:1	2.19:1	105.1	104.8	7,404	5,545	4,149	2,501
Classic Syndicate Inc.	23,155	23,832	14,861	20,422	17,154	8,369	.87:1	2.44:1	91.8	101.3	5,477	5,382	3,917	3,423
First Oak Brook Corp. Syndicate	19,937	15,596	10,822	8,558	5,752	4,038	1.88:1	2.12:1	97.8	97.5	377	250	(114)	210
First Mercury Syndicate Inc.	18,073	17,138	15,794	14,518	20,483	18,021	.82:1	.81:1	89.3	104.7	4,436	4,050	3,717	2,079
Geneva Underwriters Syndicate Inc.	8,012	13,330	5,484	13,312	11,619	11,574	.56:1	1.15:1	73.2	98.9	1,379	3,145	3,287	1,418
Geneva Assurance Syndicate Inc.	7,966	19,552	6,403	14,042	14,260	13,545	.45:1	1.04:1	65.2	93.3	1,612	3,390	3,857	2,082
Resure Inc.	6,898	4,744	3,620	4,585	5,720	5,753	.63:1	.80:1	96.7	88.4	151	593	293	1,166
Alliance Syndicate Inc.	6,306	9,415	3,165	4,131	3,710	4,166	.85:1	.99:1	93.2	96.9	1,130	877	(648)	912
Comprehensive Ensurers Market Syndicate	5,693	4,877	4,879	4,303	3,807	3,783	1.31:1	1.14:1	105.0	101.9	641	619	278	477
AAI Syndicate #1 Ltd.	4,810	5,397	4,792	5,188	5,173	5,000	.93:1	1.04:1	95.0	98.1	726	514	205	(141)
Agora Syndicate Inc.	4,629	2,952	3,896	2,952	4,174	4,312	.96:1	.69:1	107.9	102.4	436	123	(269)	(653)
Total active syndicates	**163,300**	**204,777**	**132,381**	**159,600**	**130,332**	**111,778**	**1.02:1**	**1.43:1**	**95.0**	**99.2**	**28,601**	**30,772**	**23,275**	**18,326**

Source: Illinois Insurance Exchange

GRAPHIC BY JOHN J. BOHORQUEZ

Illinois Insurance Exchange

311 S. Wacker Drive, Suite 400, Chicago, Ill. 60606; 312-408-8000; fax: 312-408-8001

	1990	1989
Gross premiums	$163,300,132	$204,777,463
Non-admitted	$121,735,229	$136,031,602
Net premiums	$132,380,788	$159,599,699
Paid-in capital	$18,259,844	$17,859,844
Capital & surplus	$130,332,003	$111,778,028
Employees	40	42
Combined ratio	95%	99.2%
Net income	$23,274,818	$18,325,625
Best's rating	NA	NA

The Illinois Insurance Exchange is coming of age.

This year, for the first time, A.M. Best Co. issued letter-grade ratings to IIE syndicates that met Best's minimum requirement of having a relatively stable book of business for at least five years.

Specifically, Best's gave an A−, or "excellent," rating to Resure Inc.

It also gave B+, or "very good," ratings to Comprehensive Ensurers Market Syndicate Inc., Classic Syndicate Inc., First Mercury Syndicate Inc., Britamco Underwriters Inc. and Transco Syndicate #1 Ltd.

Five other active syndicates did not receive letter ratings, primarily because they did not meet the age requirement.

And First Oak Brook Corp. Syndicate and AAI Syndicate #1 Ltd. received a 5, or "average," on its Financial Performance Index which is assigned to some insurers not eligible for letter ratings. The rank is somewhat indicative of what a company's future letter-grade ratings may be, explained John Snyder, vp of the Best property/casualty department.

"We are certainly pleased that the syndicates achieved individual ratings," said James M. Skelton, IIE president and chief executive. This is "very important" to buyers who are often told to buy coverage from only rated insurers, he said.

He said, though, that he was surprised that there were not more A ratings.

The ratings reflect Best's policy of being "very cautious and conservative" about young insurers, said Mr. Snyder. It takes time for evaluators to become comfortable with an insurer's executives and their business acumen, he explained.

Also, some syndicates still rely on letters of credit for capitalization, which could depress their ratings depending upon their premium volume, Mr. Snyder said. Most IIE syndicates are trying to replace LOCs with cash and securities, he added.

Ratings for individual syndicates, rather than the entire exchange, signify that the exchange has "lost the battle" for an entity-wide rating, Mr. Skelton said.

He said there is some precedent for an exchange-wide rating because Demotech Inc., a financial stability rating firm in Columbus, Ohio, has given the IIE its "A Prime—Unsurpassed" rating for the past two years and the first quarter of 1991.

The IIE believes that a single exchange-wide rating better reflects the presence of the exchange's untapped $28.5 million guaranty fund, which is "the glue" that holds the IIE together, Mr. Skelton said.

But Best's Mr. Snyder said it is "totally unrealistic" to rate the IIE as a whole, in part because of uncertainties about how syndicates would respond if the guaranty fund were triggered by unpaid claims and the syndicates were assessed to help pay those claims. However, Best does consider the guaranty fund's presence when it rates individual syndicates, Mr. Snyder said.

A culture that favors market discipline is helping syndicates remain healthy. They continue to write business at or near the renewal price or not at all, Mr. Skelton said.

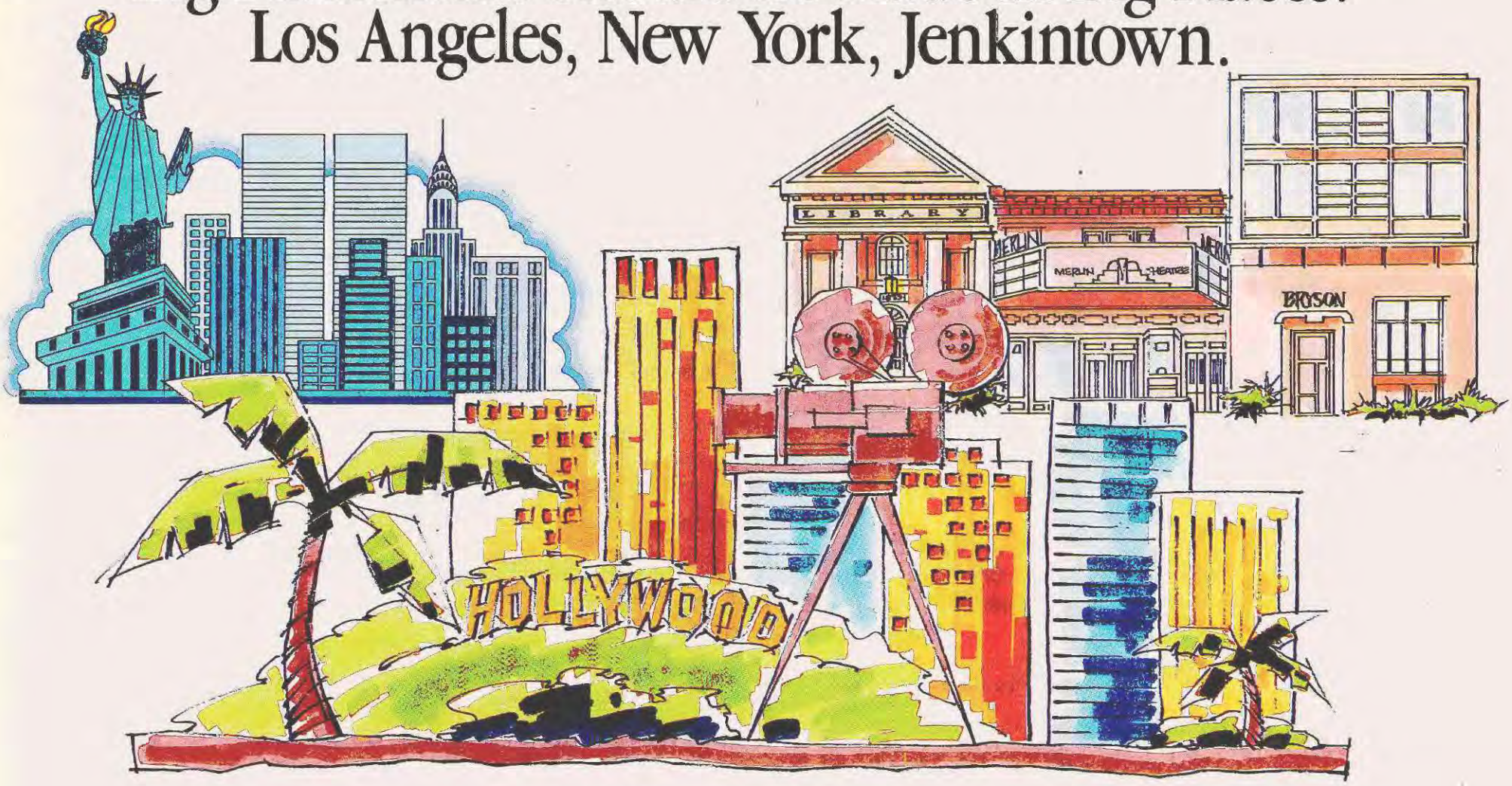
That refusal to cut rates to retain business in a competitive market is reflected in the 1990 results.

Syndicates wrote a total of $163.3 million in gross premiums in 1990, down 20.3% from $204.8 million in 1989 and $100 million less than the IIE record $263 million in 1986.

Premiums written on a direct, non-

Continued on page 24

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Continued from page 22
admitted basis totaled $121.7 million last year, down about 10.5% from $136 million in 1989.

Nevertheless, the Illinois Insurance Exchange retained its ranking as the fourth-largest U.S. surplus-lines insurer.

The IIE's net written premium volume totaled $132.4 million last year, down 17% from $159.6 million in 1989.

Direct insurance continues to provide 85% of IIE's volume, while reinsurance comprises only 15% of the IIE syndicates' books of business.

The exchange posted an aggregate 95% statutory combined ratio in 1990, an improvement over the 99.2% reported in 1989.

In addition, the IIE saw a 27% increase in net income to nearly $23.3 million from $18.3 million in 1989.

The IIE reported that aggregate policyholder surplus increased 16.5% to more than $130.3 million in 1990 from $111.8 million in 1989.

When the Illinois Legislature created the exchange in 1979, it envisioned a Lloyd's of London-style market writing hard-to-place insurance risks with the backing of nontraditional sources of capital.

The exchange itself, which began business as a non-profit corporation in 1982, was designed to provide a facility for issuing policies on behalf of syndicates that have been approved for writing on the exchange and for the clearing, settling and reporting of premium and claims transactions between the syndicates and exchange brokers.

However, failures of insurance exchanges New York and Florida in the mid-1980s temporarily tarnished the exchange concept in the minds of some buyers and brokers.

The IIE, which moved to new offices this year, currently has 11 active syndicates, one less than last year.

Alliance Syndicate Inc. received permission from the Illinois Insurance Department to formally withdraw from the IIE as of June 30 to merge with Alliance General Insurance Co., its parent, said Eric Rahn, executive vp and chief operating officer of the former syndicate. The action resolves a legal dispute that erupted in February over the IIE's access to Alliance's books and records (*BI*, Feb. 25).

In other syndicate changes, Talon Re, a Los Angeles-based insurance management company, completed its purchase of Resure Inc. earlier this year. Talon Re originally contributed 33% of the syndicate's capital and surplus in 1985.

Currently, IIE syndicates write coverage in 42 states. The IIE itself is eligible to write coverages in most states. However, at least four states—California, Colorado, Nevada and Florida—allow only certain syndicates to write coverages there.

About 70% of the IIE's book of business is liability insurance, while 30% consists of a variety of property insurance programs, including multiperil programs.

On liability programs, the exchange can offer up to $5 million in limits if several syndicates participate on the same risk. Among the coverages commonly written by exchange syndicates are: hospital professional liability; security guard liability; liquor liability coverage for restaurants and taverns; difficult product liability risks like pharmaceutical and heavy manufacturing; and professional liability coverage for medical professionals and accountants.

In terms of property insurance, First Oak Brook individually offers $5 million in limits for some programs, while other syndicates can combine to offer up to $2 million in limits.

The exchange uses a "lead-follow" system of underwriting, like Lloyd's of London, in which a broker places a risk by taking it to a lead underwriter for a syndicate that writes that type of business. That underwriter sets policy terms, after which underwriters from other syndicates often participate in the coverage.

When the placement is complete, the exchange issues one policy on behalf of participating syndicates. Claims involving policies underwritten by more than one syndicate also are handled directly by the exchange.

Most of the major producers of exchange business are the syndicates themselves, although 130 brokers have been authorized to submit business to the exchange, Mr. Skelton said.

The number of IIE brokers is down from about 150 last year primarily because of soft the market, he said.

As the exchange matures, it is changing some of its operations and procedures, Mr. Skelton said.

For example, the number of exchange staff members has dropped to 40 from 42, primarily because of attrition and "organizational changes." Those changes include some individual syndicates performing some "back room functions" like claims handling and policy issuance that the exchange had exclusively handled, Mr. Skelton said.

Since April 1991, syndicates issue nearly all parts of all policies, although exchange officials add to each policy the schedule A and declarations page so it still maintains essential regulatory control, he said.

In addition, if only one syndicate underwrote the risk, it pays the claim directly and reports these payouts to the IIE on a monthly basis, he said.

The IIE is learning to respond to syndicates' real—rather than perceived—needs and to cope with the inevitable tension that exists among the syndicates themselves, Mr. Skelton said.

For example, exchange officials planned to install an interactive computer system between the IIE staff and the syndicates. However, many of the syndicates already had sophisticated data processing capabilities themselves and were reluctant to connect with the IIE system officials because they were concerned that other syndicates might access proprietary data, he said.

Realizing this, the IIE focused its capabilities on internal functions, like tracking premium collections and various other syndicate activities, he said.

The exchange still scrutinizes syndicates' reinsurers. Syndicates are allowed—without prior approval—to use as reinsurers other exchange syndicates, Lloyd's syndicates and Illinois-licensed companies with at least $20 million in surplus. Other reinsurers require prior approval.

The exchange reported a provision of $193,588 for unauthorized reinsurance in its annual statement. In addition, it reported a charge of $6,603 for overdue authorized reinsurance.

The exchange's goal remains the same from year to year: increasing capacity through the participation of new syndicates.

But it wants any new syndicate to operate with the same conservative philosophy that has helped it survive and grow.

First-quarter results reflect that determination.

Its $35.7 million in gross premium volume for the first three months of 1991 is down 11.7% from the same period a year ago. However, the IIE's combined ratio improved to 94% in the first quarter from 103% a year earlier.

"While soft market conditions continue to diminish both pricing levels and policy volume, this quarter's results reflect the determination of our syndicates and their underwriters not to chase unprofitable or poorly priced business," Mr. Skelton said.

As for the rest of the year, "market conditions do not indicate any immediate change," he said. But, he noted that London-based underwriters are "making noises" about restricting terms and conditions.

—By Meg Fletcher

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Continued from page 26
they're not subject to market cycles," said Ray Freudberg.

In order to write more business in 1990, United National continued to build its production sources.

Last year, the insurer brought aboard 15 new producers. Currently, about 40 wholesalers and managing general agents produce about 90% of United National's surplus lines premiums, Seth Freudberg said.

One of United National's leading producers last year was International Special Risk Services Inc. of Rolling Meadows, Ill., a unit of Arthur J. Gallagher & Co.

ISRS was a "big reason for our umbrella explosion in 1990," according to Seth Freudberg. "They have been providing us with a lot of business in the $5 million in limits range. Sometimes we're even writing more through them."

Another successful newcomer was Continental Marmorstein Agencies of Paramus, N.J., which has binding authority to write $200,000 in property coverage and $500,000 in liability limits for small businesses. The MGA can also write an additional $500,000 in liability coverage with permission from United National.

"They're symbolic of a number of new relationships we're striking up," said Seth Freudberg. "We want managing agents with integrity and long-standing ties to some of our respected competitors."

Hull & Co. Inc. of Fort Lauderdale, Fla., another of United National's new wholesalers, specializes in "brown water" ocean and marine coverage, which is coverage for commercial river vessels. He said United National usually writes limits of up to $800,000 on this business, retaining about $150,000.

Centrex Underwriters Inc. of Memphis, Tenn., produces much of United National's liquor liability coverage.

"We had a better-than-expected year out of Centrex. Our liquor liability program really took off last year," Seth Freudberg said.

United National writes $500,000 in primary liquor liability limits for package stores, taverns, restaurants and hotels in 17 states: Alabama, Arizona, Colorado, Kentucky, Indiana, Michigan, Mississippi, Missouri, New Mexico, New York, North Carolina, Ohio, Oregon, South Carolina, Tennessee, Virginia and Washington. It retains $75,000 of this coverage.

The insurer writes up to $1 million in liquor liability coverage in Georgia and Florida, where it also retains $75,000.

And it offers a smaller fully retained limit of $50,000 to small liquor liability risks in Pennsylvania.

"Liquor liability is a very good line of business as long as you're careful. You have to pick the right jurisdictions to run your programs," explained Ray Freudberg.

United National had a stable year in 1990 with its "buffer layer" commercial and personal automobile liability program. For commercial auto risks, United National will fill out the layer between a minimum $500,000 primary policy and $1 million in excess coverage.

This program slumped in 1989 when primary insurers began offering higher limits because of the soft market and it hasn't fully recovered, according to Seth Freudberg.

United National offers up to $1 million in occurrence-based general and professional liability for nursing homes. It writes the same limits on a claims-made basis for homes for the mentally retarded, halfway houses and mental health clinics.

Several new products the insurer has introduced in 1991 include excess property insurance for large corporations that want to purchase higher limits for specific properties.

Seth Freudberg said United National writes between $2 million and $5 million in excess property coverage for these risks. The business is produced by North Shore Management of Northbrook, Ill.

Towson, Md.-based Financial Institution Services Corp. is the producer for a program that offers banks and other financial institutions up to $5 million in coverage for repossessed properties and collateral protection.

United National terminated a program it started up last year for daycare centers in Massachusetts. Seth Freudberg would not elaborate on why the program, which offered up to $1 million in liability coverage to home daycare centers, was canceled.

"Now we're selectively writing home daycare centers in other states. The coverage is provided on a risk-by-risk basis with limits, rates, retentions and exclusions determined by the risk's characteristics," said Seth Freudberg.

United National's largest chunk of direct non-admitted business last year was umbrella and excess liability coverage, primarily for hospitals. This line of business accounted for $68 million in gross premiums, or about 65% of United National's non-admitted book of business.

Various forms of primary liability coverage totaled $26 million in premiums, or about 25% of the company's overall writings.

Other business making up the direct non-admitted premiums are:

- Special multiperil packages, 3.4%, or $3.5 million.
- Liquor liability, about 2%, or 2 million.
- Miscellaneous coverages, including property and fire insurance, 5%, or $5.2 million.
- Personal lines, less than 1%.

United National will not write coverage for roller or ice skating rinks, explosives manufacturers or heavy contractors.

The company's statutory combined ratio was 95% last year, an improvement from 97.9% in 1989.

United National's expense ratio fell to 25.1% from 33.8% in 1989, while its loss ratio increased to 69.9% from 64.1%.

"The increased loss ratio was primarily due to the $2 million strengthening of loss reserves, while the decrease in the expense ratio occurred because we wrote mostly excess casualty insurance that was heavily reinsured, and our ceding commissions were reimbursed," explained Kevin L. Tate, senior vp.

United National retained about 26% of gross premiums in 1990, compared with 31% net retention in 1989.

United National reported no overdue reinsurance payments, and charges for unauthorized reinsurance totaled only $81,562.

The insurer's treaty reinsurers in 1990 remained Employers Reinsurance Corp. of Overland Park, Kan., and Constitution Reinsurance Corp. of New York.

On a facultative basis, United National uses: Employers Re, Munich American Reinsurance of New York; American Re-Insurance Co. of Princeton, N.J.; General Reinsurance Corp. of Stamford, Conn.; and Skandia America Reinsurance Corp. of New York.

The insurer raised its policyholders surplus by 8.4% to $119.8 million from $110.5 million in 1989. United National increased surplus despite paying a dividend of $6.9 million to its parent, Philadelphia-based American Manufacturers Corp.

United National is an approved, non-admitted insurer in all states except Pennsylvania and Oklahoma, where it is licensed.

However, United National subsidiary Diamond State Insurance Co. is an approved, non-admitted insurer in Pennsylvania and its Hallmark Insurance Co. subsidiary is an approved, non-admitted underwriter in Pennsylvania and Oklahoma.

United National had 109 employees in 1990, up one from 1989.

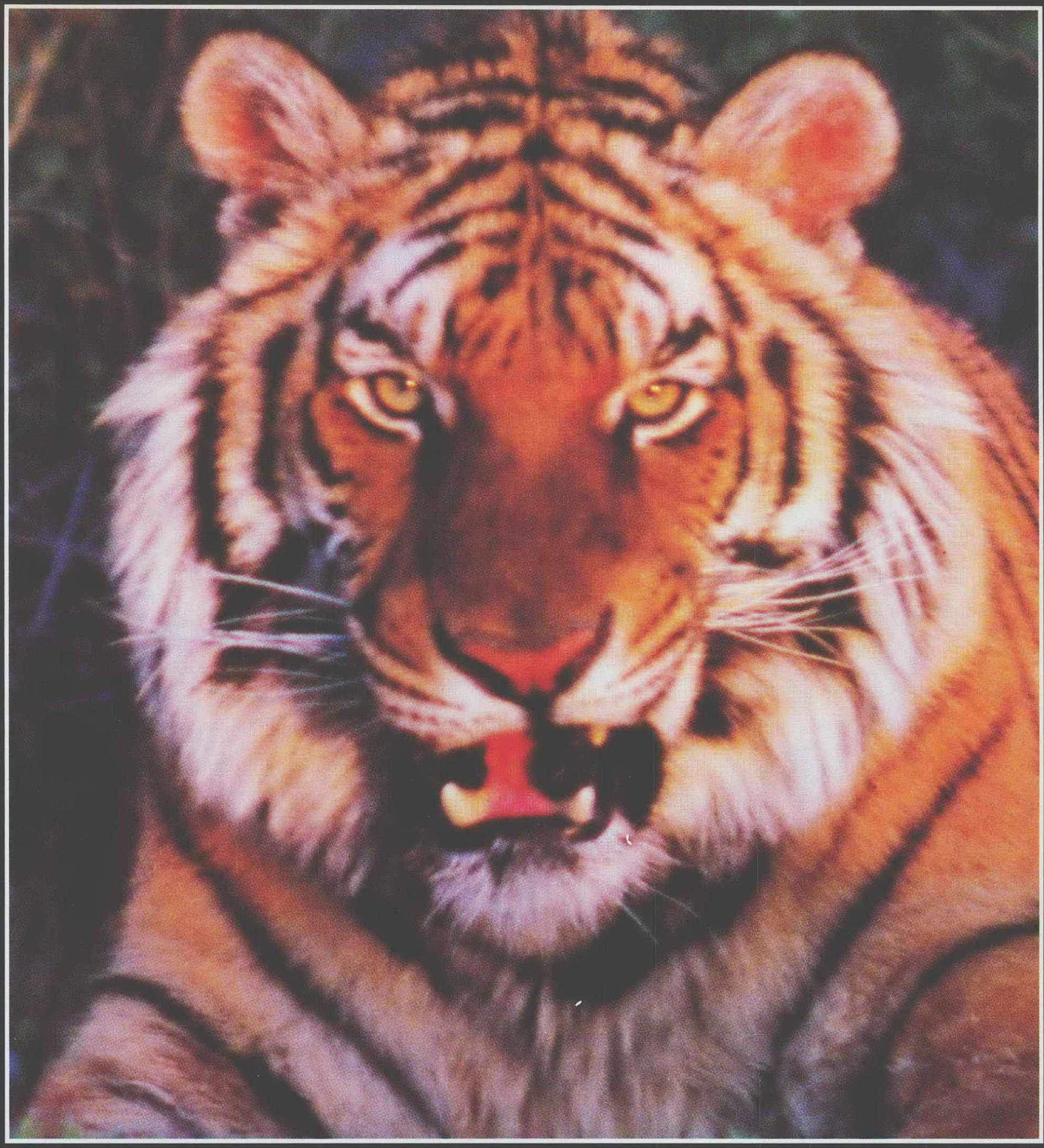
Besides Raymond and Seth Freudberg and Mr. Tate, top United National executives include Patricia M. Rodman, vp-underwriting and Daniel J. Kelleher, treasurer.

—By Michael Schachner



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St. Paul Surplus Lines Insurance Co.

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	1990	1989
Gross premiums	$122,913,527	$138,709,196
Non-admitted	$94,911,332	$112,827,537
Commercial risks	100%	100%
Net premiums	$28,002,195	$25,881,659
Paid-in capital	$4,100,000	$4,100,000
Capital & surplus	$30,907,526	$24,321,362
Employees	212	223
Combined ratio	103.1%	105.6%
Rating agency	103.1%	105.7%
Net income	$6,701,726	$5,522,567
Best's rating	A+(p)	A (p)

While St. Paul Surplus Lines Insurance Co.'s book of excess/umbrella liability business is shrinking, its core book of surplus lines business is stable, said Janet R. Nelson, its president and chief operating officer.

"The excess part of the E&S business has in many regards returned to the standard market, leaving us more with the surplus lines" business, she explained. "We still are underwriters of both parts of our marketplace, but our book has reconfigured—focusing more on true surplus lines business."

Gross premiums written by St. Paul Surplus Lines on a direct, non-admitted basis declined 15.9% to $94.9 million in 1990 from $112.8 million in 1989. Despite that drop—the second-worst among the 10 largest surplus lines insurers—St. Paul Surplus Lines moved up a notch to No. 6 in the *Business Insurance* ranking of the Top 10 U.S. surplus lines insurers. In 1989, non-admitted volume was down 16% from 1988 levels.

Total gross premium volume written by the St. Paul Cos. Inc. unit dropped 11.4% in 1990 to $122.9 million from $138.7 million in 1989. That was also one of the worst drops among the Top 10, but it was slightly better than in 1989 when gross premiums fell 13% from $159.4 million in 1988.

"Basically, the business that was the most affected by competitive levels in the last couple of years has been the umbrella business," Ms. Nelson pointed out. And with less umbrella business to lose, overall declines in premium volume are flattening, she said.

Meanwhile, net written premium volume, which includes intercompany pooling among St. Paul units, increased 8.2% to $28 million in 1990 from $25.9 million in 1989.

St. Paul Surplus Lines' net income rose 21.8% in 1990 to $6.7 million from $5.5 million in 1989 as its statutory combined ratio improved to 103.1% from 105.6%. A.M. Best Co. calculated the insurer's combined ratios as 103.1% and 105.7%.

Capital and surplus jumped 27.2% to $30.9 million in 1990 from $24.3 million in 1989.

St. Paul Surplus Lines' business is written by three divisions of underwriting manager St. Paul Specialty Underwriting Inc.: the Surplus Lines Division, which wrote about 65% of the insurer's total premium volume in 1990; the Athena Division, which wrote about 25%; and the Professional Liability Underwriting Division, which wrote about 10%.

St. Paul Specialty Underwriting has two other divisions—the National Accounts Division and the Ocean Marine Division—which write business on behalf of St. Paul Fire & Marine Insurance Co. The Ocean Marine Division became a part of St. Paul Specialty Underwriting in March and only handles retail business.

Because the divisions have separate underwriting staffs, *BI* does not rank St. Paul Specialty Underwriting among the largest wholesalers (*BI*, Aug. 8, 1988).

The Surplus Lines Division writes a wide variety of property and casualty coverages for St. Paul Surplus Lines through a national network of 35 wholesale brokers. The Athena Division writes program business produced exclusively through Swett & Crawford Group, a St. Paul Cos. unit in Los Angeles (see story, page 48).

Directors and officers liability coverage, formerly written by Athena, is now underwritten by the Professional Liability Underwriting Division and produced exclusively through Swett & Crawford. Ms. Nelson said the coverage was moved "to align it with overall professional liability."

"Corporately, we are looking for ways to write D&O more—both on a surplus lines basis as well as an admitted basis," she said.

Other non-medical professional liability coverages are underwritten by the Professional Liability Underwriting Division for

Continued on page 32



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Continued from page 30
St. Paul Fire & Marine.

The Surplus Lines Division wrote $61.7 million in direct, non-admitted premiums in 1990: 80% casualty business and 20% property coverage, said Robert J. Cecconi, senior vp and head of the division.

About 75% of the division's casualty premiums last year was primary business, up from 50% in 1989 and 28% in 1988.

Primary property and casualty risks continue to be the division's focus, Mr. Cecconi said, especially since admitted property/casualty insurers, with their ever expanding appetites, have devoured much of the division's excess casualty business.

"Our total writings were down about 20%" in 1990, Mr. Cecconi said. But, the flow of excess casualty business to the admitted market may be ebbing, he said.

"We think we've pretty much bottomed out and stopped bleeding in terms of our umbrella volume going anywhere else," said Mr. Cecconi.

Heavy manufacturing risks make up about 50% to 60% of the Surplus Lines Division's casualty business, with consumer products accounting for 20% to 30% and medical product liability risks accounting for the other 10%, Mr. Cecconi said.

The division has not shied away from underwriting any particular type of risk over the last year, Mr. Cecconi said. "If we find something repugnant or difficult, we limit the amount of capacity in the coverage we provide, but we generally don't avoid" the coverage altogether, he said.

About 80% of the Athena Division's $23.7 million in direct, non-admitted premiums in 1990 was casualty business, said Richard Gustafson, vp of the division. Mr. Gustafson replaced Brian Jarman, who retired as senior vp of the division in June.

In 1989, Athena reported $35.4 million in direct-non admitted premiums, 65% of which was casualty business. However, the 1989 figure includes D&O and E&O business that was written by the Athena Division last year.

Of the division's casualty business, about 50% is primary and 50% umbrella coverage, Mr. Gustafson said. Liquor liability accounts for about two-thirds of the division's primary coverage, with the remainder made up of energy liability and railroad protective liability insurance.

While liquor liability and umbrella accounts remain its staples, Mr. Gustafson said Athena has lost some of its share of the liquor liability market to admitted insurers. Most of Athena's liquor liability business is now written on a monoline basis because "very few admitted markets offer it on a monoline basis," he said.

While the division's premium volume has declined, "the size of the decrease is getting smaller each year and actually at six months we're pretty close to being flat," Mr. Gustafson said. That is "due very significantly to the new products we've brought on line," he explained.

"We look for new products, classes and coverages each year—that's our forte actually," he said, explaining that the division's strategy is to introduce new products that will help offset business lost in other lines.

The division introduced a new energy liability program last July, which is underwritten by Swett & Crawford in Houston. It insures operators, non-operators and other servicing contractors associated with oil and gas exploration and development, Mr. Gustafson explained.

"The focus is on small and medium-sized accounts. We aren't looking at large minimum premiums—probably $5,000 on the primary side with deductibles varying by the size of the risk," he said. Athena offers $5 million in capacity, which can be split between primary and excess or be written as excess coverage.

Mr. Gustafson said Athena is "very excited" about the new product, especially since the "marketplace in this product line is changing." For example, capacity for energy-related coverages is shrinking dramatically in the London market (*BI*, July 22).

In January, Athena introduced a new primary specialty coverage for the construction business. The new product protects building owners from losses that may occur during reconstruction or remodeling. Limits of up to $5 million are available.

A new primary general liability product for elevator maintenance contractors was introduced about five months ago in California. Athena is studying potential buyers' concerns before expanding its availability to other states. Limits of up to $5 million—on a primary or excess basis—are available.

All three new products are written on an occurrence basis, though limited pollution coverage is available on a claims-made basis as part of the energy program, Mr. Gustafson said.

A radon testing E&O policy introduced last year has been shelved. Timing was one reason for the product's demise, Mr. Gustafson said. "We were a bit ahead of our time. The demand for the product never materialized."

In addition, "we structured our guidelines around a fairly aggressive set of regulations and to the extent that states did not adopt regulations which met our underwriting guidelines, it really kept us from being able to sell the product," Ms. Nelson said.

Growth in the Professional Liability Division is coming primarily from the D&O area, said Steve Brady, vp of the division.

The division wrote $9.5 million in direct, non-admitted premiums last year. And "through six months (in 1991), the D&O piece here is up 20% to 25%—but that includes the retail piece. On the wholesale side, production is up only slightly," Mr. Brady said.

The division now is developing Employee Retirement Income Security Act fiduciary liability coverage to accompany standard D&O coverage. The product should be available by January, Mr. Brady noted.

The division generally caters to companies with assets between $50 million and $2 billion, he said.

Generally, St. Paul Surplus Lines can offer up to $10 million in property capacity and offers basic casualty capacity of $5 million. It will write up to $15 million in coverage for D&O and professional liability risks, and up to $10 million in umbrella limits.

The company does not write environmental impairment liability coverage, aircraft exposures or special risk accident and health exposures. It also does not write medical malpractice, financial guarantee or professional liability coverages other than its D&O/E&O programs. However, St. Paul Fire & Marine is the nation's largest medical malpractice insurer.

St. Paul Surplus Lines' top producers include Swett & Crawford; PCM Excess Ltd.; Alexander Howden North America Inc.; Willis Faber Holdings Inc.; and Travis-Pedersen & Associates Inc.

In 1990, St. Paul Surplus Lines ceded $67.4 million in premiums to affiliates and $27.5 million in premiums to unrelated reinsurers. In turn, its parent ceded $28 million in premiums to St. Paul Surplus Lines.

According to its annual statement, St. Paul Surplus Lines reported a penalty of only about $475,000 for unauthorized reinsurance and about $8,600 for overdue authorized reinsurance.

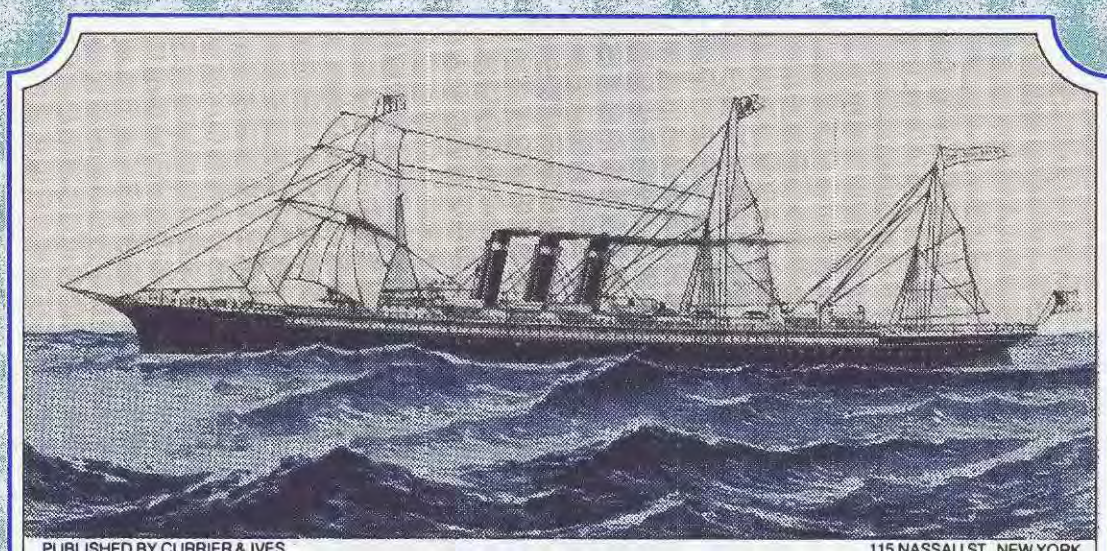
At year-end 1990, its payroll was down to 212 from 223 in 1989.

St. Paul Surplus Lines is an approved, non-admitted insurer in all states except Delaware.

It carries an A+ rating from A.M. Best Co.

—By Christine Woolsey

1887: a year for successful beginnings



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Evanston Insurance Co.

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	1990	1989
Gross premiums	$123,213,136	$91,083,136
Non-admitted	$91,923,545	$77,695,785
Commercial risks	74.6%	85.3%
Net premiums	$98,193,020	$68,581,044
Paid-in capital	$8,251,229	$24,753,687
Capital & surplus	$72,784,396	$92,619,203
Employees	265	290
Combined ratio	96.7%	106.9%
Net income	$10,267,833	$13,163,644
Best's rating	B+	B+

Evanston Insurance Co.'s non-admitted premium volume surged 18.3% last year, propelled by growth in its core book of professional liability business.

The Evanston, Ill.-based insurer catapulted to the No. 7 spot on the *Business Insurance* list of the largest U.S. surplus lines insurers, its first ever Top 10 ranking.

Besides the rising volume, Evanston Insurance saw changes in both ownership and management during late 1990 and early 1991.

Markel Corp., of Richmond, Va., which had held a 42.5% share in F-M Acquisition Corp.—Evanston's parent—acquired all of F-M's common stock last December. F-M was merged into a wholly owned Markel subsidiary, Shand/Evanston Group Inc.



Mr. Springman

In addition, on March 1, Paul W. Springman, Evanston's executive vp, succeeded President Robert H. Libby, who announced his intention to retire in early 1991. Mr. Libby subsequently was named vice chairman of the insurer's board of directors.

Shand Morahan & Co. manages Evanston and provides all underwriting, claims handling, accounting, management information system and administrative services. Shand, which was among the 10-largest U.S. wholesalers for much of the 1980s, reported premium volume of $97.7 million in 1990, up 10.6% from $88.3 million in 1989.

Total gross written premiums for Evanston Insurance Co. rose 35.3% to $123.2 million in 1990 from $91.1 million in 1989. Gross premiums written on a non-admitted basis rose 18.3% to $91.9 million from $77.7 million, the largest increase among the Top 10 surplus lines insurers.

Net written premium volume increased 43.2% to $98.2 million in 1990 from $68.6 million in 1989.

Evanston's statutory combined ratio for 1990 stood at 96.7%, an improvement of more than 10 percentage points from 106.9% in 1989. That is identical to the combined ratios calculated by A.M. Best Co.

However, net income fell 22% to $10.3 million in 1990 from $13.2 million the previous year. Mr. Springman attributed some of the decline to higher income tax liabilities: Evanston's income tax bill doubled to $10.8 million from 1989 to 1990.

"When you make money, you have to pay taxes," Mr. Springman said.

The company's surplus also declined by more than 21% to approximately $72.8 million from $92.6 million in 1989. The decrease was due to unrealized capital losses, said Joseph J. Prochaska Jr., Evanston's chairman and chief executive officer.

"The stock market at year-end was pretty miserable," Mr. Prochaska said.

Evanston took a $23 million charge in 1990 for unrealized capital losses, compared with a $728,108 charge the previous year.

Much of that loss has been recovered this year, Mr. Prochaska said.

One reason Evanston's non-admitted volume rose was increased interest in a special facility called "the K Facility," according to Mr. Prochaska.

The facility, named for Richard P. Kropp, senior vp and product manager of the facility, "fills gaps in everybody else's placements," he explained.

Among the types of unique risks written through the facility are special events, contingent general liability and excess errors and omissions. Limits of $1 million per claim/$1 million aggregate are available for some risks, with a minimum premium of $25,000 for a $500,000 limit.

Mr. Springman also cited "nominal growth" in directors and officers liability and errors and omissions liability coverage for insurance company officials.

That growth occurred "primarily because we expanded our writings to look at hard-to-place insurance companies," according to Mr. Springman.

Mr. Prochaska defined those insurers as as companies "maybe not eligible for a Best's rating."

Overall, "we think we've got a

Continued on next page

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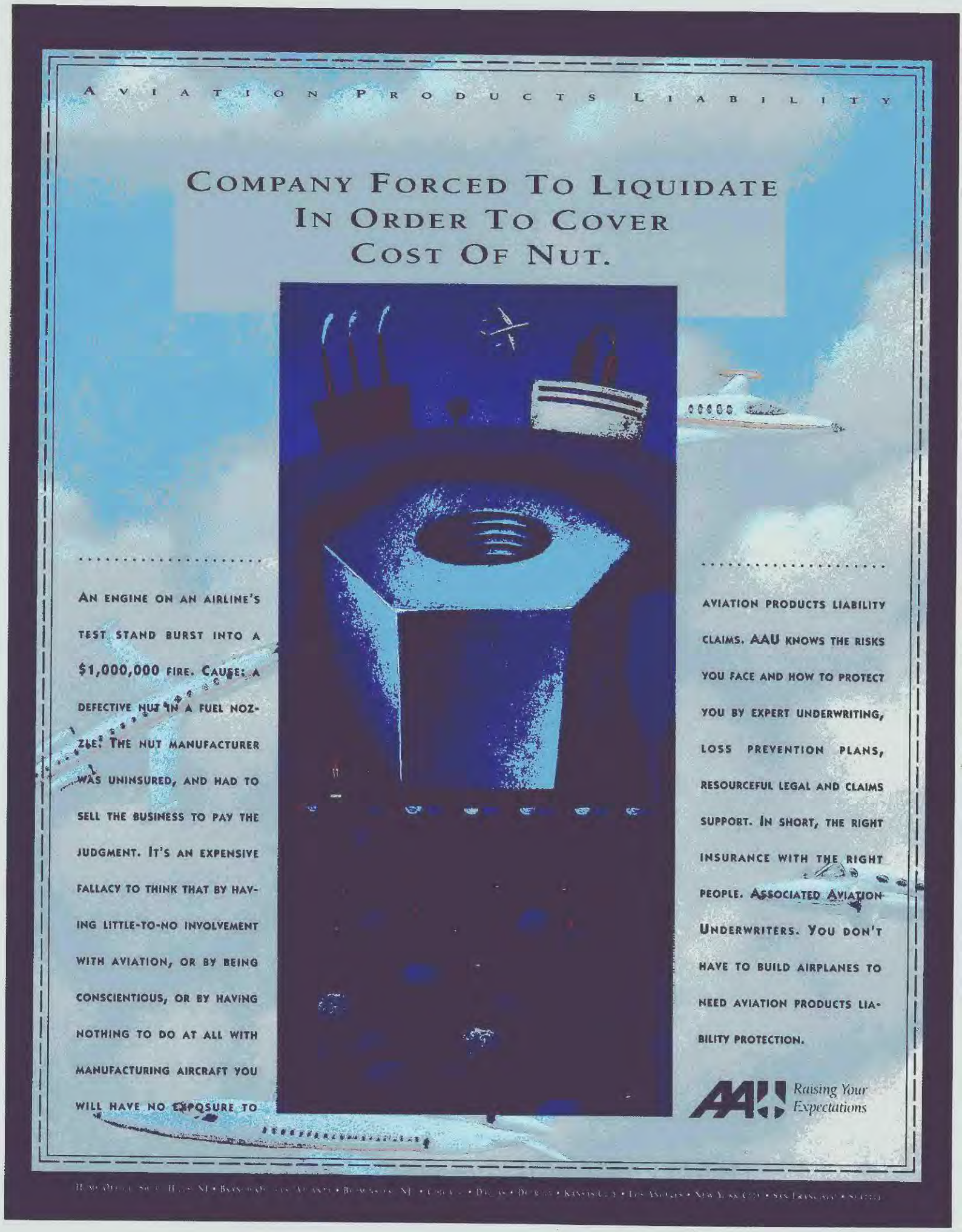
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Financial Services for the Insurance Industry



Continued from previous page
really good spread of business. We concentrate primarily in the professional liability lines and the specialty lines of business," said Mr. Springman.

He said five major lines each generated between 10% to 20% of Evanston's business:

- Architects and engineers professional liability coverage, with limits of up to $5 million per claim/$5 million aggregate available.
- Insurance company directors and officers liability and errors and omissions coverage, with limits of $5 million per claim/$5 million aggregate.
- Medical malpractice liability insurance, which is written under two different programs.

"Specified" medical professional liability coverage is for both certain medical facilities like blood banks and visiting nurses associations as well as health care professionals like psychologists and X-ray technicians. It is available with limits of $2 million per claim/$6 million aggregate for most classes.

The insurer also writes professional liability coverage for physicians, surgeons and dentists. Individuals can obtain limits of $1 million per claim/$3 million aggregate, while risks written on a corporate, association or partnership basis can obtain limits of as much as $2 million per claim/$6 million aggregate.

- "Specified professions" errors and omissions liability coverage for policyholders like public relations firms, insurance consultants, claims adjusters, tax preparers, and zoo and museum exhibit designers.

Evanston generally offers limits of $3 million per claim/$3 million aggregate for these professional liability risks, though it selectively offers higher limits.

Staff cuts over the last few years included part-time workers and were due to 'normal attrition.'
— Joseph J. Prochaska Jr.



- Product liability insurance, with limits of $2 million per claim/$2 million aggregate available for most accounts.

Evanston also writes corporate D&O, with limits of $1 million per claim/$1 million aggregate, for small commercial companies with assets of $25 million or less or $50 million or less in revenues.

"We try to pick the better risks within a class," said Mr. Springman of the small-company D&O business.

He said that Evanston's producers fall into three broad categories.

Although he declined to name companies, Mr. Springman said that about 25% to 30% of Evanston's premium volume was generated directly by retail brokerages, including the alphabet houses.

Perhaps as much as 50% of Evanston's business is produced by general wholesalers.

The third category is what Mr. Springman called "broker specialists": both retailers and wholesalers that handle only one or two lines of business, like producers specializing in architects and engineers professional liability insurance.

While Evanston is working to produce new business, it also is focusing its attention on business that was written in previous years.

Evanston initiated a series of commutations with 52 reinsurers in 1990 and continued the process with others during the first half of 1991, Mr. Prochaska pointed out.

The commutations allow Evanston to reduce its exposure to possible future reinsurance collection problems as well as to reduce administrative costs, he explained.

Mr. Prochaska noted that before the mid-1980s, Evanston purchased more reinsurance than it does now.

Because it wrote primarily long-tail business, a significant amount of recoverables still remained when it decided to commute some reinsurance programs.

Evanston's 1990 annual statement filed with the Illinois Insurance Department shows no penalty for overdue reinsurance or for unauthorized reinsurance. However, Mr. Springman says that Evanston would not have incurred penalties even if it had not embarked on the commutation program.

Evanston's principal reinsurers now include USF&G Corp.'s F&G Re Inc. unit; Kemper Reinsurance Co.; North Star Reinsurance Corp.; John Deere Insurance Co.; and Underwriters Reinsurance Co.

Evanston currently retains a maximum of $1.5 million per risk, Mr. Springman said.

Meanwhile, he credited the way Evanston is structured for its performance during the ongoing soft market.

"We have product managers charged with bottom-line profit responsibility for each major segment of our business," Mr. Springman said.

"We really manage our business as if it were 10 or 11 separate insurance companies, each set up as autonomous units with dedicated underwriters and individual marketing plans. That concept has worked very well for us," said Mr. Springman.

"I think that we're committed to a rather controlled approach to what some people consider high-risk or esoteric business that we believe we can write profitably and professionally," he said.

At year-end 1990, Evanston had 265 employees, down from 290 a year earlier.

Mr. Prochaska said that the 1989 figure included part-time workers who are no longer with the insurance company.

"Over the last couple years, we've reduced staff a little through normal attrition," he added.

In addition to Messrs. Prochaska, Libby and Springman, Evanston's principal officers include Richard A. Adler, executive vp, and Steven K. Lauer, executive vp and chief financial officer.

Evanston is an admitted insurer in Illinois and non-admitted in all others states, plus the District of Columbia and Puerto Rico. The company was founded in 1977.

Evanston also operates two two subsidiaries: the Insurance Co. of Evanston and National Specialty Insurance Co. The Insurance Co. of Evanston, which is domiciled in Illinois, operates primarily as an admitted insurer.

National Specialty, which is just beginning to write business, is domiciled in Colorado and will specialize in medical malpractice insurance.

Evanston carries a B+ rating from A.M. Best Co.

—By Mark A. Hofmann

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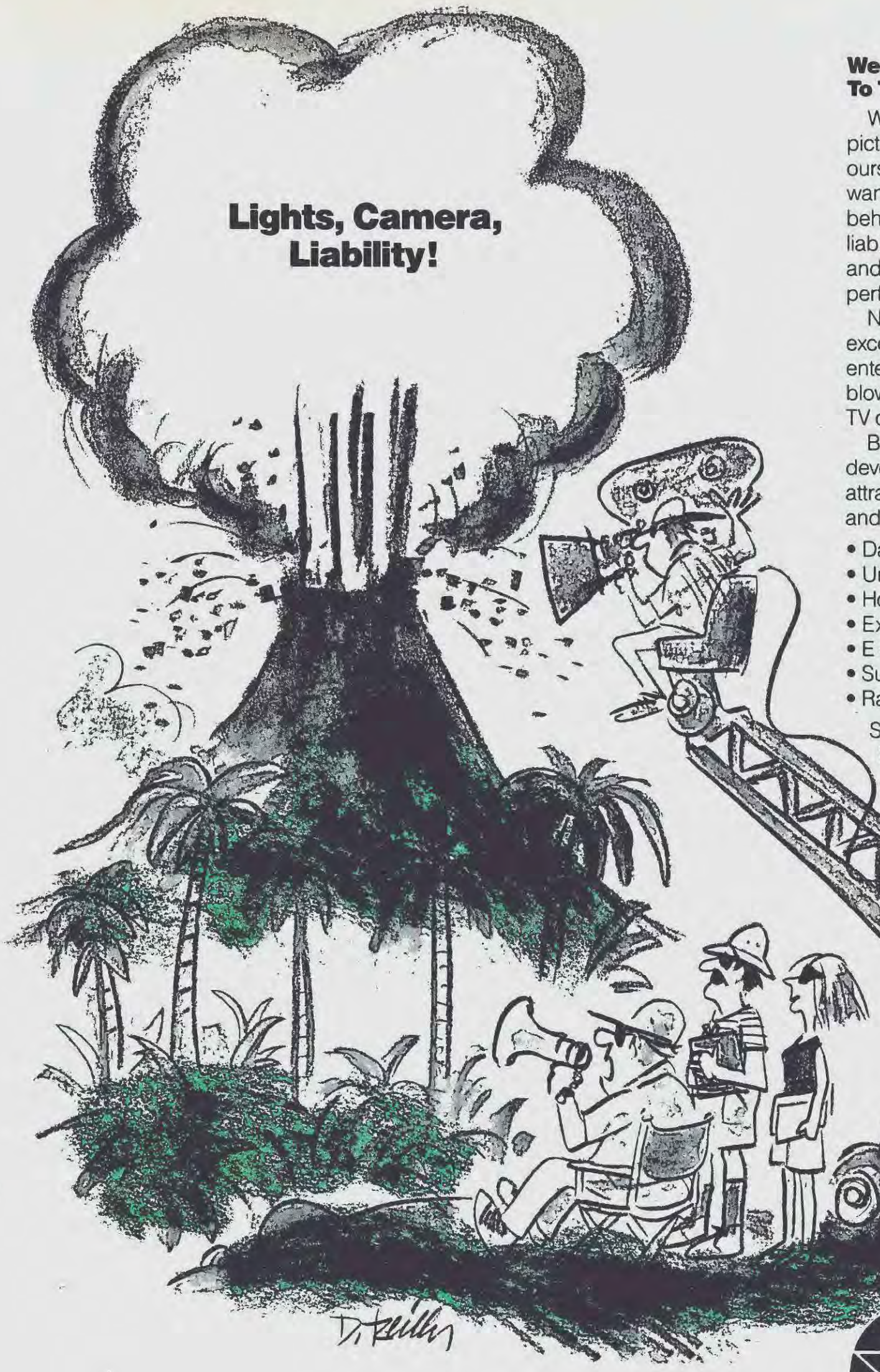


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Admiral Insurance Co.

P.O. Box 5725, 1255 Caldwell Road, Cherry Hill, N.J.; 609-429-9200; fax: 609-428-3390

	1990	1989
Gross premiums	**$105,810,608**	$122,920,475
Non-admitted	**$88,415,488**	$93,224,537
Commercial risks	**83.6%**	80.7%
Net premiums	**$51,742,443**	$63,670,229
Paid-in capital	**$3,000,000**	$3,000,000
Capital & surplus	**$79,635,356**	$84,299,282
Employees	**121**	128
Combined ratio	**110.7%**	105.2%
Rating agency	**102.8%**	99.7%
Net income	**$13,766,650**	$14,528,308
Best's rating	**A+**	A+ VII

Admiral Insurance Co. is biding its time until the market turns.

"We're basically trying to stick to our knitting and doing the things we're very comfortable with and have done for many years," explains Admiral Chairman Michael Snead.

"We're just not doing anything stupid," he said. "We're doing the things we know best, and trying to hold our rates and doing everything we should be doing. That kind of makes for a long, dull year, but when the market changes, we'll be positioned to really take advantage of it."

Admiral's results reflect the soft market.

Gross premiums written by the Cherry Hill, N.J.-based unit of W.R. Berkley Corp. fell 13.9% to $105.8 million from $122.9 million. Gross premiums written on a direct, non-admitted basis fell 10.9% to $88.4 million from $99.2 million.

Despite those decreases—some of the largest among the 10 largest surplus lines insurers—Admiral remained the nation's eighth-largest surplus lines insurer.

Net written premiums decreased 24.7% to $51.7 million in 1990 from $68.7 million the previous year. The reason for the discrepancy between net premiums written and gross premiums is that Admiral retained less business on one particular program in which it participates with two other insurers.

Under this "forced fire" program, coverage is triggered when a bank takes over a property after a mortgage default and a named peril, like a fire, damages the property before the bank is able to sell it.

Admiral's net income last year declined 5.3% to $13.8 million from $14.5 million.

Admiral reported a 5.5% decline in policyholder surplus as of year-end 1990 to $79.6 million from $84.3 million as of Dec. 31, 1989. However, surplus rose to $85.8 million as of June 30.

In the first half of 1991, Admiral reported $45.6 million of direct, non-admitted premiums, a 13.2% decline from $52.5 million in the comparable period a year ago. Total gross premium volume declined 13.6% to $48.4 million from $56 million in the first half of 1990. And, net premiums declined 16% to $23.1 million from $27.5 million.

The declines were expected, said Mr. Snead. "We're just about on our target, maybe a little bit shy," he said, noting that Admiral anticipates $90 million in gross written premiums this year, which would be a 15% decline from 1990.

Although no projection has been made for 1992, "my gut feeling is it will be the same or a little less, probably a little less," he said.

"We've been renewing about 65% of our business, which is a pretty good number. However, it is really the true surplus lines business, the most difficult and hazardous of the class, and we have been able to maintain (existing) rates because this business has very few homes to go to," said Mr. Snead. "People aren't jumping up and down to write these classes of business because they're so hazardous."

While Admiral will offer competitive rates, it will not resort to cutthroat prices to gain business, said Mr. Snead. "We will not lose a piece of business for a few points, but the business that we do lose is priced at well below 50% of what we would charge. You can't make money at those rates."

Most of Admiral's competition is coming from the admitted market, said Mr. Snead. "Surprisingly, most of the E&S marketplace is acting responsibly."

While admitted markets may be charging the maximum filed rates, the premium in many cases may not necessarily reflect the hazard of the particular business, he said. "Most standard companies do not have the expertise or experienced underwriters to know that difference in the majority of cases," Mr. Snead said. "The prices that they're charging are not always the price that accurately reflects the risk involved."

When asked if there is any business that the admitted market will not write, Mr. Snead responded, "It almost doesn't seem that way." He adds, though, that the admitted market still avoids products that cause or could cause pollution damage.

"Unfortunately, not too many things that have been happening are very positive for the surplus lines market," Mr. Snead said. "The marketplace in general is getting very soft, and many of the standard line companies that are getting out of private passenger automobile are now getting into commercial, which means there are more and more companies fighting over the same or less business. So, needless to say, this forces rates down, and we are seeing a lot less business. I think that's true of all surplus lines companies."

At the same time, Mr. Snead said regulators are making life a "little more difficult for the companies in the surplus lines arena because we are unregulated and free of rate and form" requirements.

Mr. Snead said one example of this is efforts in states like California, New York, Illinois and Pennsylvania to require insurance buyers to present business to the residual market before approaching the surplus lines market.

Admiral, which specializes in product liability and professional liability insurance, writes the same type of business in the two states where it is admitted—New Jersey and Delaware—as it does in other states, explained Mr. Snead.

The breakdown of Admiral's business by lines has stayed stable from year to year. For the first six months of 1991, casualty lines—including general liability, product liability and excess auto liability—accounted for 75% of gross premi-

Continued on next page

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Continued from previous page

ums; professional liability accounted for 17%; commercial multiperil, 6%; and property business —including fire and burglary, glass and boiler and machinery coverages—2%.

Admiral writes coverage for a variety of policyholders, including manufacturers of pharmaceuticals, saw blades and drill bits, paving machines, glue, lawn mowers, textiles, tires and food ingredients. It will also insure industrial cleaning services, blasting contractors and other specialty firms.

The businesses it insures have been hit with large liability claims, said Mr. Snead. "You don't have much frequency, but when you have a claim, it's a beauty."

In addition, C&F Underwriting Managers of Los Angeles, which Admiral acquired in 1988, writes general contractors and specialty coverages. Its business includes owners, landlords and tenants risks and other types of liability coverages that tend to be less hazardous than Admiral's normal book of business.

That business is written by Firemen's Insurance Co. of Washington D.C., another Berkley subsidiary, then fully reinsured by Admiral.

Mr. Snead said Admiral will not write environmentally hazardous risks "mainly because we can't get the proper rate—because no one knows the proper rate." It also does not write malpractice coverage for doctors or lawyers.

While Admiral will occasionally supply $2 million in limits, most of its business has a $1 million limit, said Mr. Snead. Except for the "forced fire" program, Admiral retains 60% of the first $250,000 in limits, down from 65% a year ago. "Some of our reinsurers wanted a little more," he explained.

The reinsurers that participate in the $250,000 layer are: North Star Reinsurance Corp., a unit of General Reinsurance Corp., Constitution State Insurance Co., Transamerica Reinsurance Co., USF&G Corp.'s F&G Re Inc. unit, Constitution Reinsurance Co., Hanseatic Reinsurance Co., Christiana General Insurance Corp. and New England Reinsurance Corp.

Prudential Reinsurance Corp. reinsures Admiral's $750,000 excess of $250,000 layer.

In addition, Admiral has set up an automatic facultative reinsurance facility through North American Reinsurance Corp. that provides an additional $1 million in capacity excess of $1 million, Mr. Snead said.

The extra $1 million layer makes it cheaper for policyholders that want to purchase an umbrella program over Admiral's primary program, Mr. Snead explained.

Admiral reported a $4.3 million liability in its 1990 annual statement for unauthorized reinsurance and a $782,653 charge for overdue authorized reinsurance.

Admiral reported a 103.9% combined ratio in 1990, a deterioration from 99.7% in 1989. For the first half of 1991, however, its combined ratio improved to 100%, compared with 103.5% for the first six months of 1990.

Kathleen Crawford, vp and treasurer, explained that Admiral was involved last year in an expensive arbitration procedure and had incurred expenses that no longer are affecting its combined ratio.

Originally, an arbitrator ruled against Admiral in a dispute with reinsurers. The dispute involved financial guarantee bonds the insurer had issued for the benefit of several real estate limited partnerships sponsored by JNC Cos., a Tuscon, Ariz.-based development firm that has declared bankruptcy (*BI*, Aug. 13, 1990).

The reinsurers' victory was short-lived, though. A federal judge in Newark, N.J., has largely vacated the award, and Admiral now expects to gain about $35 million, which will be reflected in its 1991 results, said Mr. Snead.

Admiral's biggest producers include Francis Special Risk Inc.; Procter Homer Warren Inc.; Stewart Smith Group Inc.; London American Risk Specialists Inc.; and Tri-City Insurance Brokers Inc.

Effective in January, Mr. Snead became chairman of Admiral, while Robert B. Spanfelner, executive vp and chief operating officer, assumed Mr. Snead's previous position of president and chief operating officer.

Besides Messrs. Snead, Mr. Spanfelner and Ms. Crawford, other principal officers include John J. Murphy Jr., senior vp and secretary, and Regional Vps John J. Kinsella, Armin W. Blumberg and Albert V. Sonsini.

Admiral has an A+ rating from A.M. Best Co.

—By Judy Greenwald

First State Insurance Co.

60 Batterymarch St., Boston, Mass. 02110; 617-357-8400; fax: 617-357-9820

	1990	1989
Gross premiums	$272,202,151	$304,362,679
Non-admitted	$87,150,257	$119,779,394
Commercial risks	100%	100%
Net premiums	$147,054,176	$146,995,393
Paid-in capital	$5,000,000	$5,000,000
Capital & surplus	$133,656,375	$118,335,636
Employees	376	361
Combined ratio	108.3%	105.6%
Rating agency	109.6%	107.6%
Net income	$16,004,135	$11,243,977
Best's rating	A+(p)	A+(c)(p)
S&P rating	AAA	AAA

The soft property/casualty market continues to hammer First State Insurance Co.'s premium volume as the insurer hangs on for a turn in the market.

First State, a unit of Hartford Fire Insurance Co., saw its non-admitted direct premiums fall 27.2% to $87.2 million last year from $119.8 million in 1989.

The decline dropped First State to the No. 9 spot in the *Business Insurance* rankings of the largest U.S. surplus lines insurers from the No. 6 spot it occupied based on 1989 volume.

The insurer had fallen to the No. 6 position last year from the No. 4 spot based on 1983 non-admitted volume of $137.3 million.

Unrelenting market competition is largely to blame, according to Chief Executive Officer Lawrence S. Doyle and President and Chief Operating Officer Ralph J. Palmieri.

"You could classify 1990 as a static year, with no significant change in the market," Mr. Doyle observed.

"Our volume was very consistent with what went on the in the surplus lines industry in 1990," Mr. Palmieri said. "It was pretty much a flat scenario. Pricing was certainly not going up" and in many cases was flat or falling, he said.

Price cutting continued for many excess casualty lines and to a lesser extent for property coverages, with much of the competition continuing to come from specialty underwriting units of admitted insurers rather than other surplus lines markets, he said.

First State offered reductions of no more than 10% on excess casualty placements and average reductions of 1% to 3% on property placements, he said.

"We consider ourselves pretty diligent to have come in at that level," Mr. Palmieri reflected.

The last year also has seen a lot of "churning" of accounts, as brokers shop the market for the lowest price, he added, noting that "in many cases we see more submissions in a soft market."

Nevertheless, 65% to 70% of First

Continued on next page

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- Specified Professions E & O
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- Nonprofit Directors & Officers Insurance
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Continued from previous page
State's business last year was renewal accounts—roughly the same retention rate as in the past several years—while the remaining 30% to 35% was new business, Mr. Palmieri reported.

Pointing to First State's high marks from rating agencies and its strong capital base, Mr. Doyle maintained that First State is in a good position to attract business during a tight market "flight to quality."

First State's rating by A.M. Best Co. improved to A+ for 1990 from contingent A+ for 1989, while it maintained its AAA rating from Standard & Poor's Corp.

"We are ideally positioned when the market does turn," Mr. Doyle said.

First State is not holding its breath, though: Mr. Palmieri reported seeing no signs of a tightening market on the horizon.

"Most people in this industry have almost given up trying to make a call on the market turn with any sort of exactness," he said with a trace of exasperation.

First State's biggest push for new business is in primary casualty lines, where pricing levels continue to be more attractive for insurers than for excess business.

The insurer's primary liability underwriting focuses on manufacturers and contractors, owners, landlords and tenants, and product liability programs, with product coverages making up the smallest portion of the book, according to Mr. Palmieri. "It's not a products-oriented program."

Most of the primary coverage is written on an occurrence form with limits of $1 million or less, he said.

Policyholders tend to be small and medium-sized local and regional companies, he added, noting that the average annual premium of First State's primary casualty policyholders is $50,000.

First State—which began writing primary liability coverages in 1988—now has the facility available in 28 states, up from 21 a year ago. The insurer also is in the process of setting up a primary liability underwriting operation in Los Angeles, Mr. Palmieri said.

Expansion of First State's primary business has changed the overall mix of its casualty book somewhat: In addition to excess casualty—which continues to account for about 78% of its liability premiums—primary casualty now accounts for 12% and professional liability insurance written on a claims-made form accounts for 10%.

Last year at this time, primary accounted for only 10% of First State's casualty premiums and professional liability for 12%, Mr. Palmieri reported.

The professional liability book began to shrink in 1989 when a legal malpractice program for the Massachusetts Bar Assn. moved to First State's admitted market affiliate, New England Insurance Co.

New England Insurance, however, lost the bar association's endorsement in January to a Crum & Forster Inc. unit, according to Mr. Palmieri. However, New England Insurance continues to provide coverage—without the endorsement—to bar association members and expects to keep a "good share" of the business, he pointed out.

The maximum limits available on casualty and property coverages have changed only slightly from a year ago, Mr. Palmieri added.

First State continues to provide a maximum net line of $2 million on primary liability business.

Its gross line of $10 million on excess liability risks is unchanged from a year ago, while its net line on the excess business has grown to $4 million from $3.5 million a year ago.

First State also writes a small amount of errors and omissions coverage—largely for investment counselors and other financial-related risks—with an available gross line of $3 million, Mr. Palmieri said.

The insurer continues to refuse certain classes of casualty business altogether, including directors and officers liability, environmental impairment liability, financial guaranty and medical malpractice risks.

On property risks, First State continues to write a maximum gross line of $7.5 million and a net line of $1.5 million, unchanged from a year ago.

Most of its gross premium volume continues to come from casualty lines: Liability lines accounted for $201.4 million, or 74%, of its 1990 gross volume of $272.2 million.

Property lines, meanwhile, ac-

Continued on next page

Continued from previous page
counted for $34 million, or 12.5%, of gross premiums, while property and liability combined lines and other lines accounted for the remaining $36.8 million, or 13.5%.

Overall gross premium volume fell 10.6% last year from $304.4 million in 1989.

Gross premiums last year included direct written premiums of $125.1 million and $147.1 million in reinsurance premiums assumed from a pool managed by Hartford Fire that includes Hartford Fire and 14 of its affiliates in addition to First State.

Under the pooling arrangement, which has been in force since 1986, First State cedes all of its direct business to Hartford Fire, in turn assuming as reinsurance a share of the pool's business. Losses and expenses are also pooled, and a proportional share is allocated to First State.

After ceding its direct business to the pool, First State finished the year with net premiums of $147.1 million—its share of the pool's business—a marginal increase from $147 million in 1989.

First State's direct business dropped 20.5% last year to $125.1 million from $157.4 million in 1989. Direct volume last year included $87.2 million in premiums written on a non-admitted basis in 48 states, the District of Columbia, Canada and other jurisdictions, along with $37.7 million in premiums written in California and $315,048 written in Delaware, the only two states where First State is licensed.

Because of its participation in the Hartford Fire pool, the results of First State's own operations are difficult to discern from its financial statement.

First State assumes several classes of business as reinsurance from the pool that it does not write on a direct basis, including workers compensation, commercial multiperil and homeowners multiperil.

First State's earned premiums—again, representing the assumed pool business—declined slightly to $147.3 million last year from $149.4 million in 1989.

After deducting losses, loss expenses and other underwriting expenses, the insurer finished last year with a net underwriting loss of $12.1 million, a deterioration from the $7.7 million loss in 1989.

First State reported a loss ratio of 80.2% and an expense ratio of 28.1% on the pool business last year. This resulted in a combined ratio of 108.3% for 1990, a deterioration from 105.6% in 1989.

Mr. Doyle said First State's experience in its own direct business was slightly better, producing a combined ratio of around 107% last year. Investment income on the pool premiums rose 18.6% last year to $36.2 million from $30.5 million in 1989.

After other gains and losses, including dividends and taxes, First State finished the year with net income of $16 million, up 42.3% from $11.2 million in 1989.

Policyholder surplus amounted to $133.7 million at year-end 1990, a 12.9% increase from $118.3 million at year-end 1989.

First State did not take any penalties for overdue or unauthorized reinsurance in its annual statement last year, since its only reinsurer under the pooling arrangement is Hartford Fire.

Under the arrangement, though, Hartford Fire assumed First State's rights—and the rights of other pool members—under dozens of authorized and unauthorized reinsurance contracts in force before the pool's formation. First State and other pool members are charged proportional shares of losses Hartford Fire incurs if claims under the assigned reinsurance contracts prove uncollectible.

The pool wrote off a total of $7.9 million in reinsurance recoverables last year, including $3 million recoverable from Hassneh Insurance Co. of Israel Ltd., $3 million from Taian Insurance Co. Ltd. and $1 million from Taiwan Fire & Marine Insurance Co. Ltd. First State took a 2.9% share of these losses.

First State is one of three Hartford Fire units managed by Cameron & Colby Co. Inc., a Boston-based Hartford underwriting management unit that is in the process of being shut down (see story, page 60.)

The other two are New England Insurance, First State's admitted market counterpart, and New England Reinsurance Corp.

In addition to Mr. Doyle and Mr. Palmieri, First State officers include Lynford M. Richardson, executive vp and controller; and Peter P. Coghlan and Paul A. Fitzgerald, senior vps.

—By Douglas McLeod

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California Union Insurance Co.

3700 Wilshire Blvd., Suite 900, Los Angeles Calif. 90010;
213-480-4700; fax: 213-480-4618

	1990	1989
Gross premiums	$88,185,569	$92,464,963
Non-admitted	$78,300,888	$80,317,050
Commercial risks	88.8%	86.9%
Net premiums	$24,915,785	$18,712,841
Paid-in capital	$4,500,000	$4,500,000
Capital & surplus	$31,843,562	$29,195,497
Employees	NA	NA
Combined ratio	108.8%	102.5%
Net income	$5,912,910	$5,791,796
Best's rating	*	A

* Not yet assigned

California Union Insurance Co. climbed back into the ranks of the 10 largest surplus lines insurers, even though it maintains a philosophy of rate stability.

And, Cal Union's longstanding strategy of concentrating on good business in order to provide a stable market for its policyholders has paid off in higher profits.

Meanwhile, the flight of business away from Cal Union to the admitted market has slowed, officials say.

Indeed, Cal Union executives say they are no longer concerned with the swings of the soft market and instead are focusing on stable relationships with producers and reinsurers and developing niche products, particularly specialized coverages for financial institutions.

Although 1990 gross premium volume of $88.2 million was a 4.6% decline from $92.5 million in 1989, its net income rose $121,000 to $5.9 million from $5.7 million. More impressive, Cal Union's 1990 net income is 31% higher than the $4.5 million it earned in 1986, at the height of the hard market, on more gross premiums of $301.5 million.

"I think we're down to our core book of business and our core customers that we've retained over a number of years. It's our strongest lines of business that we're writing now—the manufacturing, construction and transportation lines—and these accounts have been with us for up to 15 years," said Michael Fujii, vp of Cal Union and president of CIGNA Excess & Surplus Insurance Services Inc., which underwrites Cal Union's business.

"And as the book of business that we've written in past years matures, it's realizing more and more profits," Mr. Fujii said.

The continuing soft market "puts a lot of pressure on us to continue to underwrite the business well, but it's not a concern relative to our ability to write the business we're writing," said Kenneth Woods, president of both the CIGNA Excess & Surplus Division and Cal Union.

"Our goals have been to maintain our core book of business, and we don't see our core book diminishing by any significant amount. There's a concerted effort to go out and meet with the risk managers, retail brokers and wholesalers to maintain those accounts," Mr. Fujii said. "I think our retention is in the high 80%, and over half of our book of business has been retained for three to 10 years. In addition to that, we're looking to develop new products and new lines of business."

Gross premiums written on a direct, non-admitted basis fell 2.5% to $78.3 million in 1990 from $80.3 million in 1989.

Still, that allowed Cal Union to rejoin the list of the largest U.S. surplus lines insurers ranked by *Business Insurance*, finishing in 10th place.

Cal Union, which for years had been a fixture in the Top 10, dropped out of the rankings when its non-admitted premium volume dropped almost 25% in 1989.

Meanwhile, net written premiums increased 33% to $24.9 million from $18.7 million in 1990.

The company's combined ratio rose to 108.8% in 1990 from 102.5% in 1989, mostly due to reserve strengthening, Mr. Fujii said. "We maintain a pretty conservative reserve posture."

Policyholder surplus increased to $31.8 million from $29.2 million.

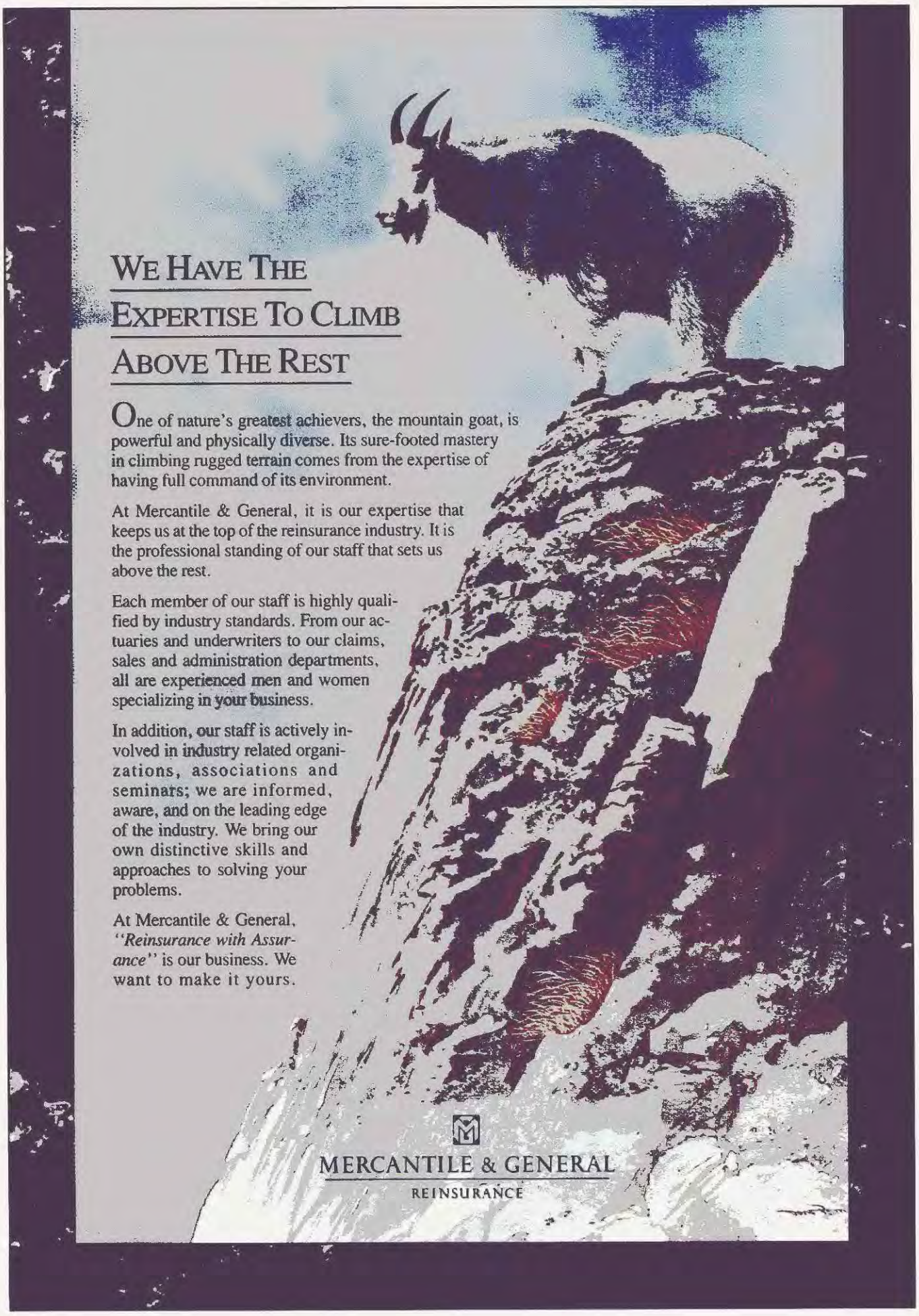
Cal Union's mix of business was about the same in 1990 as in 1989: 85% casualty and 15% property.

Cal Union has held onto its core accounts—manufacturing, transportation and construction companies—which account for 65% of the insurer's premium volume.

In 1990, Cal Union did not withdraw from any lines of insurance that it had previously written.

But since April 1990 it has been marketing a new service to financial institutions that was in the planning stages since 1989. The new product provides comprehensive mortgage protection coverage through Financial Institution Risk Services & Technologies, or FIRST, a CIGNA unit.

Continued on next page



Continued from previous page

FIRST offers a computerized service that tracks a financial institution's need for coverage on property used for loan collateral and also helps the institution monitor its mortgage risks, Mr. Fujii said. If there is no coverage on the property used as loan collateral or the coverage has lapsed, "this product provides a mechanism to track that as well as place the coverage" with Cal Union.

"The advantages to the banks is they have had to do this on a manual basis. This system reduces the cost of performing that activity as well as gives them a greatly enhanced profile of their corporate business from a risk management perspective," he said.

Limits provided through the program are "relatively small," the executives explained. Limits generally range from $100,000 to $200,000, though up to $1 million in limits can be written.

In 1990, the new product generated about $2.7 million in premiums. "In 1991, we're expecting to write almost $12 million," Mr. Fujii said.

"We're looking at developing another product for financial institutions. It's still in the development stages so we can't discuss it. But we have great hopes for it—that it will be almost as successful as the loan product," Mr. Fujii said.

Cal Union's growth "is going to come out of our FIRST operations," Mr. Fujii asserted. "We're very optimistic about that growing segment of our book of business."

The executives stressed that Cal Union does not write directors and officers liability and other professional liability coverages normally associated with financial institutions. Nor will Cal Union write other professional liability coverages like errors and omissions and medical malpractice on a stand-alone basis.

But the insurer has provided medical malpractice coverage on an incidental basis, Mr. Woods said. For example, "we have a contractor who's doing a job out in the wilderness and they have a doctor and nurse on staff, and we have to provide that protection," he explained.

Another new product that Cal Union has been developing for just more than a year is liability coverage for underground storage tanks owned by smaller companies. "But the need for that insurance is dependent upon the Environmental Protection Agency and laws imposing financial requirements on insureds, and to date those laws have been deferred for the size clients that we target," Mr. Fujii said (*BI*, Oct. 8, 1990).

Cal Union will write underground storage tank coverage with limits of up to $1 million per occurrence/$2 million aggregate.

Although Cal Union is constantly looking for new products and "spent a lot of money on some new products," particularly environmental impairment products, "at the end of the day the demand wasn't there," said Mr. Woods, referring to products that have never left the drawing board.

"You no sooner get it off the ground than the admitted market decides to throw it in for nothing," Mr. Woods complained.

For example, "a very good product" that was showing promise in 1989 offered property coverage for electronic equipment (*BI*, Aug. 14, 1989). But in the soft market, admitted insurers have "thrown in" that coverage "at incidental cost" for their insureds, Mr. Woods said.

Cal Union's net capacity is $13.5 million for excess casualty insurance, up from $10 million in 1990, and $15 million for property insurance, up from $11 million last year. "But our gross capacity can be very different, subject to the use of facultative reinsurance," Mr. Fujii said.

For example, "on property, on builders risk, we issue policies for over $100 million and on liability we have done as much as $50 million. It's very important we do that in the construction business so the client can have one policy for the full value he has to insure," Mr. Woods said.

"We have one set of builders risk policies now that takes the limits up to around $250 million," he added.

"One of our greatest strengths is that we maintain a very solid list of producers. Our top 25 producers give us over 70% of our business, and many of these producers have been with us an average of 14 years," Mr. Fujii said.

Cal Union's top 10 producers in 1990 were: Montgomery & Collins Inc. of Los Angeles, another CIGNA unit; Railroad Insurance Brokers Inc. of Los Angeles, also a CIGNA unit; Insurance Brokers Service Inc. of Chicago; Eastern Risk Managers Ltd. of New York; Shortline Railroad Insurance Brokers of Los Angeles; Avreco Inc. of Chicago; Alexander Howden North America Inc. of Atlanta; Langan & Co. Inc. of Grand Rapids, Mich.; Bowring Associates Inc. of Chicago; and Kerwick & Curran Inc. of Hauppauge, New York.

Cal Union is developing new producers for its California business besides Montgomery & Collins, which formerly was Cal Union's exclusive producer in California. But M&C is "by far still the largest in California," Mr. Fujii said. "Some of our producers are national producers and they have offices in California, and it didn't make a lot of sense to not offer the same facilities to the branches of those operations."

At the same time, "M&C needed additional markets," Mr. Woods said. Because of the soft market, "they were forced to take a lot of their business to markets that had a more competitive underwriting approach than we did."

The insurer's lead treaty reinsurers remained unchanged from last year. They are the reinsurance division of Allstate Insurance Co. in Northbrook, Ill.; American Re-Insurance Co. in Woodland Hills, Calif.; Munich Reinsurance Co. in New York; NAC Re Corp. of New York; North American Reinsurance Corp. in New York; and the reinsurance division of St. Paul Fire & Marine Insurance Co. in St. Paul, Minn.

Cal Union reported a $20 million provision for unauthorized reinsurance on its annual statement. It also reported a penalty of $2.6 million for overdue authorized reinsurance. The largest amount overdue, $1.4 million, was owed by Reinsurance Co. of America in Chicago.

Other officials of Cal Union are: Nicolas Yuschenkoff, senior vp; Isao Kenneth Kitagawa, vp; and Larry Wolterstorff, vp.

A.M. Best Co. has not yet assigned a rating for Cal Union this year. In 1990, Cal Union received an A rating from Best.

—By Louise Kertesz

A.M. BEST JULY 1991

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Spotlight report

Directory of excess/surplus insurers

Acceptance Insurance Co.

105 S. 17th St., Omaha, Neb. 68102; 402-344-8800; fax: 402-341-0792

	1990	1989
Gross premiums	**$62,848,049**	$47,910,412
Non-admitted	**$50,367,583**	$35,830,107
Commercial risks	**96%**	97%
Net premiums	**$47,996,065**	$35,810,808
Paid-in capital	**$2,809,760**	$2,809,760
Capital & surplus	**$25,736,961**	$18,947,247
Employees	**85**	53
Combined ratio	**93.4%**	99.9%
Rating agency	**93.3%**	99.9%
Net income	**$3,804,245**	$2,756,701
Best's rating	**NA**	A–
S&P rating	**B**	NA

Year founded: 1979.
Parent company: Acceptance Insurance Holdings Inc.
Specialties: Liquor legal liability, small contractors.
Subsidiaries: Acceptance Indemnity Insurance Co. and Phoenix Indemnity Insurance Co., Omaha, Neb.
Approved non-admitted in: 32 states.
Admitted in: Arizona, Colorado, Iowa, Michigan, Nebraska and North Dakota.
Principal officers: Kenneth C. Coon, president; Georgia Mace, treasurer; Greg Ewald, vp-underwriting; John R. Svoboda, vp-regulatory affairs; Charles A. McCarron, director-agencies/marketing.
Contact: Charles A. McCarron.

Admiral Insurance Co.

P.O. Box 5725, 1255 Caldwell Road, Cherry Hill, N.H. 08034; 609-429-9200; fax: 609-428-3390

See profile on page 36.

Adriatic Insurance Co.

3501 N. Causeway Blvd., Suite 1000, Metairie, La. 70002; 504-838-8100; fax: 504-832-0605

	1990	1989
Gross premiums	**$22,567,287**	$21,654,263
Non-admitted	**$21,342,672**	$20,294,373
Commercial risks	**89.2%**	84.4%
Net premiums	**$18,503,129**	$17,746,924
Paid-in capital	**$1,500,000**	$1,500,000
Capital & surplus	**$10,950,755**	$8,401,401
Employees	**20**	20
Combined ratio	**88.5%**	81.4%
Rating agency	**88.3%**	81.5%
Net income	**$2,573,899**	$2,856,186
Best's rating	**A–**	B+

Year founded: 1979.
Parent company: Anglesey Corp.
Specialties: Commercial physical damage.
Approved non-admitted in: 36 states and the District of Columbia.
Admitted in: Delaware, Mississippi, Nevada and New Mexico.
Principal officers: Anthony Ciervo Jr., Joseph E. Taylor, Anthony V. Ciervo.
Contact: Joseph E. Taylor, president.

Aetna Casualty & Surety Co.

151 Farmington Ave., Hartford, Conn. 06156; 203-273-3547; fax: 203-273-3525

	1990	1989
Gross premiums	**$7.96 billion**	$8.24 billion
Excess liability	**0.7%**	0.8%
Admitted	**100%**	100%
Net premiums	**$4.44 billion**	$4.62 billion
Paid-in capital	**$25,000,000**	$25,000,000
Capital & surplus	**$2.51 billion**	$2.69 billion
Employees	**47,000**	45,500
Excess liability	**14**	14
Combined ratio	**111.9%**	113.7%
Rating agency	**113.4%**	115.1%
Net income	**$171,867,100**	$404,878,228
Best's rating	**A**	A
S&P rating	**AA+**	AAA

Year founded: 1883.
Parent company: Aetna Life & Casualty Co.
Approved non-admitted in: All states.
Admitted in: All states.
Principal officers: William Boornazian, senior vp; Steve Mulready, vp-field operations; Greg Bertles, vp-underwriting; John Glancy, managing director-marketing strategies; John Hake, director-excess underwriting.
Contact: John Hake.

Agricultural Excess & Surplus Insurance Co.

49 E. Fourth St., Cincinnati, Ohio 45202; 513-579-6300; fax: 513-579-6314

	1990	1989
Gross premiums	**$50,558,930**	$25,349,412
Non-admitted	**$49,496,101**	NA
Commercial risks	**100%**	100%
Net premiums	**$1,062,829**	$936,310
Paid-in capital	**$4,100,000**	$4,100,000
Capital & surplus	**NA**	NA
Employees	**37**	36
Combined ratio	**NA**	NA
Net income	**NA**	NA
Best's rating	**A+**	A+

Year founded: 1979.
Parent company: Great American Insurance Co.
Specialties: Pollution liability for underground storage tanks, product liability for new products.
Approved non-admitted in: All states except Delaware and New Hampshire.
Admitted in: Delaware.
Principal officers: Carl Lindner III, president Donald Larson John Twomey and Robert Adams, senior vps; Richard Koscielak, general manager/senior vp.
Contact: Richard Koscielak, 513-579-6303.

Alliance General Insurance Co.

200 W. Adams St., Suite 2100, Chicago, Ill. 60606; 312-269-0099; fax: 312-269-9038

	1990	1989
Gross premiums	**$10,217,735**	$5,815,274
Non-admitted	**$7,050,427**	NA
Commercial risks	**96%**	96%
Net premiums	**$3,691,458**	$1,975,668
Paid-in capital	**$1,500,000**	$1,500,000
Capital & surplus	**$6,851,107**	$6,752,617
Employees	**35**	35
Combined ratio 1	**92%**	95%
Combined ratio 2	**92%**	95%
Net income	**$1,264,714**	$336,737
Best's rating	**B2. IV**	NA-3, FPI6

* Does not include figures for Alliance Syndicate Inc.

Year founded: 1984.
Parent company: Alliance Insurance Group Inc.
Specialties: Product liability account, comprehensive general liability, excess auto liability.
Approved non-admitted in: 34 states and the District of Columbia.
Admitted in: Illinois.
Principal officers: Donald V. McCann, chairman/president; Eric W. Rahn, executive vp/chief operating officer; Denise M. LeBeau, secretary; Jeffrey M. Josephs, vp/controller.
Contact: Eric W. Rahn.

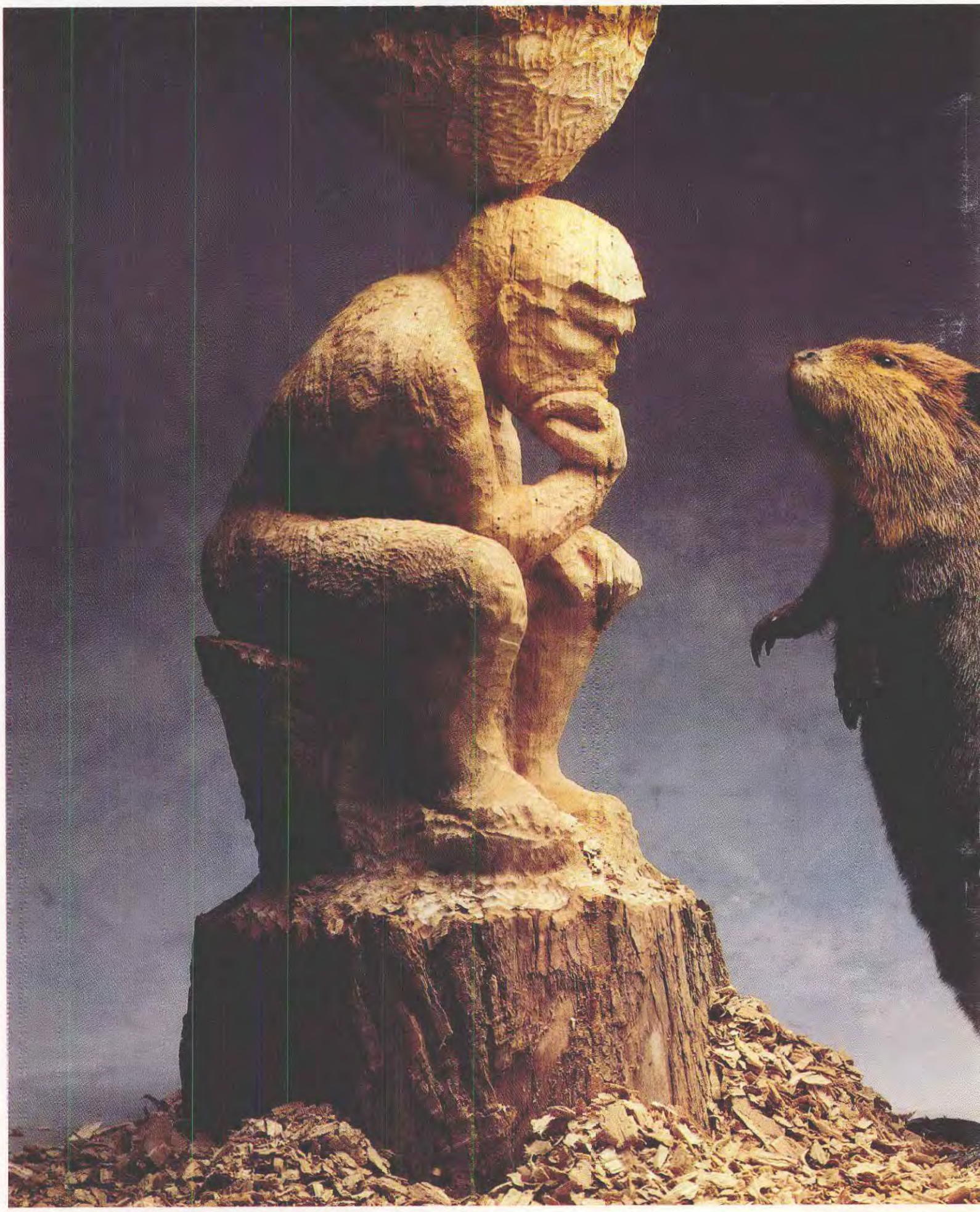
Alpine Insurance Co.

311 S. Wacker Drive Suite 500, Chicago, Ill. 60606; 312-922-8800; fax: 312-922-2202

	1990	1989
Gross premiums	**$4,178,814**	$6,219,792
Non-admitted	**$3,023,072**	$3,992,249
Commercial risks	**74%**	64%
Net premiums	**$6,447,080**	$3,152,610
Paid-in capital	**$1,800,000**	$1,800,000
Capital & surplus	**$7,892,488**	$7,107,927
Employees	**NA**	NA
Combined ratio	**99.8%**	97.5%
Rating agency	**99.8%**	98.4%
Net income	**$771,406**	$690,339
Best's rating	**NA**	NA3-7 (FPI)

Year founded: 1986.
Parent company: Exstar Financial Corp.
Specialties: Architects and engineers professional liability.
Approved non-admitted in: 29 states and District of Columbia.
Admitted in: Illinois.
Principal officers: John T. Clark, president; Peter J. O'Shaughnessy, executive vp; Richard G. Kersten, secretary; Craig L. Rice, treasurer; Richard P. Shemitis, senior vp.
Contact: John T. Clark.

Continued on next page



Explanation of terms used in directory

The annual directory of excess and surplus lines insurers lists companies that responded to a *Business Insurance* questionnaire.

There is no charge to be included in the directory. However, to be listed, more than 50% of surplus lines insurers' gross premiums must be written on a direct, non-admitted basis and relate to commercial risks; excess insurers must generate at least 50% or $50 million of their gross premium volume from excess liability insurance.

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

Gross premiums are the combination of direct business and reinsurance assumed by a company.

For surplus lines insurers, the next entry reflects gross premiums written on a direct non-admitted basis—the definition of surplus lines. Excess insurers' listings note the percent of gross premiums related to excess liability lines and the percent of excess liability premiums written on an admitted basis.

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

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

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

A company's combined ratio as calculated by insurer rating agencies was also requested; when different from the annual statement it is listed below the statutory combined ratio.

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

The Best's rating listed under each year is the rating given by A.M. Best Co. following the close of each year. Rating modifiers are detailed below. Best's Financial Performance Index, which is given to some companies not assigned a rating, is listed if provided.

The total number of employees (and for excess insurers, the number involved in excess liability underwriting) are also given.

Each listing includes the company's **year founded** and its **parent company** (if any). **Specialties,** commercial risks the company specializes in insuring; and names of **subsidiaries** are also noted.

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

Names and titles of **principal officers**, as well as the name of a **contact** person at the company for those wishing more information, complete the listings.

Rating modifiers used by the A.M. Best Co. are defined as follows:

(c) is a contingent rating; (e) is the rating of the parent company; (g) is a group rating; (q) is a qualified rating; (p) is a pooled rating; (r) is a reinsured rating; (s) is a consolidated rating.

Continued from previous page

American Empire Surplus Lines Insurance Co.

515 Main St., Cincinnati, Ohio 45202; 513-369-3000; fax: 513-369-3034

	1990	1989
Gross premiums	$77,860,252	$108,127,118
Non-admitted	$67,663,457	$89,842,524
Commercial risks	93%	93%
Net premiums	$47,146,996	$67,149,640
Paid-in capital	$4,100,000	$4,100,000
Capital & surplus	$114,234,297	$128,880,212
Employees	85	91
Combined ratio	71.3%	90.8%
Rating agency	70.8%	90.4%
Net income	$28,418,204	$23,022,216
Best's rating	A	A

Year founded: 1977.
Parent company: American Financial Corp.
Subsidiaries: American Empire Insurance Co., Cincinnati.
Approved non-admitted in: All states except Delaware.
Admitted in: Delaware.
Principal officers: Joseph M. Walsh, chairman; Walter E. Snyder, president; Robert A. Nelson and Chester A. Nalepa, senior vps.
Contact: Walter E. Snyder.

American Excess Insurance Assn.

77 Hartland St., Suite 400, East Hartford, Conn. 06108; 203-528-2105; fax: 203-282-9393

	1990	1989
Gross premiums	$40,000,000	$60,000,000
Excess liability	100%	100%
Admitted	100%	100%
Net premiums	NA*	NA*
Paid-in capital	NA	NA
Capital & surplus	NA*	NA*
Employees	18	18
Excess lability	9	9
Combined ratio	NA*	NA*
Net income	NA*	NA*
Best's rating	NA	NA

* Results are those of member companies.
Year founded: 1986.
Admitted in: All states except North Dakota, Texas and Wyoming.
Principal officers: H.D. Hanson, president; C.N. Greene, vp; N. Colgan, secretary.

American International Surplus Lines Insurance Co.

c/o AI Surplus Lines Agency Inc., Harborside Financial Center, 401 Plaza 3, Fourth Floor, Jersey City, N.J. 07311; 201-309-1100; fax: 201-432-3670

	1990	1989
Gross premiums	$76,938,481	$7,936,110
Non-admitted	$38,288,931	$445,353
Commercial risks	100%	100%
Net premiums	$13,016,837	$0
Paid-in capital	$1,500,000	$1,500,000
Capital & surplus	$112,229,717	$106,620,429
Combined ratio	82%	NA
Net income	$6,182,486	$572,783
Best's rating	A+15	A+15

Year founded: 1973.
Parent company: American International Group Inc.
Specialties: Commercial general excess and umbrella liability, medical malpractice, professional liability, directors and officers liability, fiduciary liability, primary and excess commercial property, commercial auto, workers compensation.
Approved non-admitted in: 42 states and the District of Columbia.
Admitted in: Alaska.
Principal officers: Thomas R. Tizzio, president; Patrick J. Foley, senior vp/general counsel; Francis T. Rosene, senior vp; James Kilkenny, vp/counsel; Armand G. Pepin, comptroller.
Contact: Armand G. Pepin.

California Union Insurance Co.

3700 Wilshire Blvd., Suite 900, Los Angeles, Calif. 90010; 213-480-4700; fax: 213-480-4618

See profile on page 40.

Casualty Indemnity Exchange

3425 W. Truman Blvd., Jefferson City, Mo. 65109; 314-893-3425; fax: 314-893-7275

	1990	1989
Gross premiums	$34,613,698	$35,124,085
Non-admitted	$17,720,235	$19,942,390
Commercial risks	100%	100%

Continued on next page



WHEN YOU CONCENTRATE ON DOING ONE THING, YOU GET TO BE VERY, VERY GOOD.

The best way to meet the special needs of the personal insurance market is with resources dedicated solely to them. That's why we created our new, separate Personal Insurance Division.

We're operating this new division with a single-minded focus and commitment to excellence. And we're making the investment in people and technology to make it work. Which means we'll do whatever it takes to be completely responsive to our agents and customers.

We're placing our personal lines professionals out on the front lines in the markets we serve. And we're giving them greater freedom to write their own business.

Plus, we're streamlining our entire operation with centralized processing, to be followed shortly by new automated systems that will allow us to provide new standards of service.

So remember, if you'd like to work with professionals who are totally dedicated to personal insurance, you now have a new source to think about.

MarylandCasualty
Personal Insurance
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Continued from previous page

Net premiums	**$29,587,161**	$31,083,796
Paid-in capital	**$13,318,483**	$12,082,181
Capital & surplus	**$13,818,483**	$12,582,181
Employees	**NA**	NA
Combined ratio	**103.6%**	98.5%
Net income	**$1,290,418**	$1,124,134
Best's rating	**NA**	A–

Year founded: 1977.
Approved non-admitted in: Florida, Hawaii, Idaho, Massachusetts, Montana, Oklahoma.
Admitted in: Alabama, Illinois, Indiana, Missouri, Nevada, North Dakota, Nebraska, Rhode Island, Texas, Utah, Washington.
Principal officers: Anthony A. Firley, president; V. Joan Firley, secretary; Robert Gooderl, treasurer; Warren Dampf, senior vp; Darnell Pettengill, vp.
Contact: J. Randy Snodgrass.

Colony Insurance Co.

1063 Technology Park Drive, Glen Allen, Va. 23060; 804-261-7000; fax: 804-266-4458

	1990	1989
Gross premiums	**$20,370,367**	$12,277,634
Non-admitted	**$19,866,730**	$11,617,017
Commercial risks	**97.5%**	94.6%
Net premiums	**$10,969,424**	$9,914,828
Paid-in capital	**$2,000,000**	$2,000,000
Capital & surplus	**$5,163,552**	$5,511,518
Employees	**NA**	NA
Combined ratio	**107.8%**	108.8%
Net income	**$56,665**	$450,756
Best's rating	**NA3-4 (FPI)**	NA3-1 (FPI)

Year founded: 1962.
Parent company: Figgie International Inc.
Specialties: Non-standard general liability, product liability.
Approved non-admitted in: 29 states and District of Columbia.
Admitted in: Washington and Virginia.
Principal officers: Richard M. Simpson, acting president; Joseph J. Skadra, vp/treasurer; Geoffrey D. Cahill and John Potes, vps; Dennis R. Miller, vp/controller.
Contact: Geoffrey D. Cahill, vp.

Columbia Casualty Co.

300 S. Riverside Plaza, Suite 2100N, Chicago, Ill. 60606; 312-822-6826; fax: 312-822-7550

	1990	1989
Gross premiums	**$185,503,666**	$165,533,991
Non-admitted	**$24,306,747**	$28,335,168
Commercial risks	**100%**	100%
Net premiums	**$160,587,332**	$136,458,316
Paid-in capital	**$4,100,000**	$4,100,000
Capital & surplus	**$117,639,240**	$78,623,353
Employees	**25**	25
Combined ratio	**112.8%**	114.1%
Rating agency	**114.9%**	116.5%
Net income	**$15,331,746**	$8,418,952
Best's rating	**A+(p)**	A+(p)
S&P rating	**AAA**	AAA

Year founded: 1974.
Parent company: Continental Casualty Co.
Approved non-admitted in: All states except Illinois and Louisiana.
Admitted in: Illinois.
Principal officers: Edward J. Noha, chairman; Noel W. Prather, president; Dennis H. Chookaszian, Thomas R. Igleski and Donald W. Lowry, vps.
Contact: Noel W. Prather.

Empire Indemnity Insurance Co.

1624 Douglas St., Omaha, Neb. 68102; 402-341-0135; fax: 402-271-2614

	1990	1989
Gross premiums	**$23,866,484**	$29,620,923
Non-admitted	**$21,513,641**	$26,209,274
Commercial risks	**90.1%**	88.5%
Net premiums	**$0**	$0
Paid-in capital	**$1,500,000**	$1,500,000
Capital & surplus	**$15,289,241**	$8,223,000
Employees	**187**	165
Combined ratio	**NA**	NA
Net income	**$990,601**	$369,000
Best's rating	**A (r)**	A– (r)

Year founded: 1957.
Parent company: Empire Fire & Marine Insurance Co.
Specialties: Hazardous transports, monoline commercial auto, excess private passenger, petroleum products.
Approved non-admitted in: 42 states.
Admitted in: Oklahoma.
Principal officers: R.F. Williams, C.B. Ralph, J.W. Paulsen, K.H. Purcell, S.R. Sell.
Contact: J.W. Paulsen.

Essex Insurance Co.

4551 Cox Road, Glen Allen, Va. 23060-3382; 804-273-1400; fax: 804-273-1435

	1990	1989
Gross premiums	**$45,735,186**	$36,930,646
Non-admitted	**$45,621,710**	$36,753,471
Commercial risks	**100%**	100%
Net premiums	**$28,179,668**	$19,388,107
Paid-in capital	**$1,500,000**	$1,500,000
Capital & surplus	**$18,091,271**	$18,570,108
Employees	**100**	90
Combined ratio	**77.5%**	74.9%
Rating agency	**77.6%**	74.9%
Net income	**$5,032,520**	$5,551,984
Best's rating	**A–**	A–

Year founded: 1980.
Parent company: Markel Corp.
Specialties: General liability, commercial property, inland marine, transportation, motor truck cargo, physical damage.
Approved non-admitted in: District of Columbia and all states except New Jersey, New Hampshire and Connecticut.
Admitted in: Delaware.
Principal officers: Anthony F. Markel, president; Jacque S. Ash, vp-casualty; Raymond A. Johnson, vp-property; Britton L. Glisson, executive vp; Steve A. Markel, treasurer.
Contact: John G. Clarke, director-marketing.

Evanston Insurance Co.

Shand Morahan Plaza, Evanston, Ill. 60201; 708-866-2800; fax: 708-866-0778

See profile on page 33.

Fireman's Fund Insurance Cos.

777 San Marin Drive, Novato, Calif. 94998; 415-899-2000; fax: 415-899-2036 or 415-899-2940

	1990	1989
Gross premiums	**$3.38 billion**	$3.43 billion
Excess liability	**5.8%**	6.5%
Admitted	**100%**	100%
Net premiums	**$2.73 billion**	$2.65 billion
Paid-in capital	**$3,000,000**	$3,015,000
Capital & surplus	**$1.42 billion**	$1.43 billion
Total employees	**10,300**	10,500
Excess liability	**277**	254
Combined ratio	**119%**	122.4%
Rating agency	**117.2%**	123.9%
Net income	**($14,102,577)**	$8,332,208
Best's rating	**A XIII**	A XIII
S&P rating	**AAA**	AAA

Year founded: 1864.
Parent company: Allianz of America Inc.
Specialties: First layer umbrellas, excess umbrellas, errors and omissions for broadcasters and publishers, hole-in-one insurance.
Admitted in: All states.
Approved non-admitted in: All states except California, Maine, Massachusetts, New Hampshire, New Jersey, Pennsylvania, Vermont.
Principal officers: Herbert Hansmeyer, chairman; Joseph Brown Jr., president; Raymond Barrette, chief financial officer; Timothy Koo, specialty division; Morgan Davis, president-commercial division; Joe Stinnette, president-personal division.
Contact: John Kozero, corporate communications, 415-899-2166.

First Specialty Insurance Corp.

5200 Metcalf Ave., Overland Park, Kan. 66201; 913-676-5800; fax: 913-676-5880

	1990	1989
Gross premiums	**$9,064,298**	NA
Non-admitted	**$6,461,765**	NA
Commercial risks	**100%**	NA
Net premiums	**$1,527,334**	NA
Paid-in capital	**$5,000,000**	$5,000,000
Capital & surplus	**$16,163,918**	$15,093,553
Employees	**6**	3
Combined ratio	**79.4%**	NA
Net income	**$1,070,365**	$93,553
Best's rating	**A+**	A+

Year founded: 1989.
Parent company: Employers Reinsurance Corp.
Specialties: Umbrella and excess casualty.
Approved non-admitted in: 38 states and the District of Columbia.
Admitted in: Missouri.
Principal officers: Michael Fitt, chairman/chief executive officer; Denis deBaroncelli, president; John Connelly, secretary/general counsel; Gary Teaney, treasurer; Sharon Butler, comptroller.
Contact: Denis deBaroncelli.

First State Insurance Co.

60 Batterymarch St., Boston, Mass. 02110; 617-357-8400; fax: 617-357-9820

See profile on page 37.

Front Royal Insurance Co.

45615 Willow Pond Plaza, Sterling, Va. 22170; 703-318-0100; fax: 703-318-0323

	1990	1989
Gross premiums	**$200,915**	NA
Non-admitted	**$138,346**	NA
Commercial risks	**68.9%**	NA
Net premiums	**$47,143**	NA
Paid-in capital	**$1,500,000**	$1,500,000
Capital & surplus	**$5,547,609**	$5,888,782
Employees	**10**	10
Combined ratio	**1793.4%**	NA
Net income	**($341,173)**	($111,218)
Best's rating	**NA**	NA

Year founded: 1989.
Parent company: Front Royal Group Inc.
Specialties: Environmental impairment liability.
Approved non-admitted in: 22 states and District of Columbia.
Admitted in: Virginia and Arizona.
Principal officers: John J. Metelski, president/chairman; Karen A. Bavis, secretary/treasurer.
Contact: Karen A. Bavis.

General Star Indemnity Co.

695 E. Main St., P.O. Box 10354, Stamford, Conn. 06904-2354; 203-328-5700; fax: 203-328-6064

See profile on page 19.

General Star National Insurance Co.

695 E. Main St., P.O. Box 10354, Stamford, Conn. 06904-2354; 203-328-5700; fax: 203-328-6064

	1990	1989
Gross premiums	**$58,337,164**	$58,347,524
Excess liability	**90%**	100%
Admitted	**100%**	100%
Net premiums	**$21,086,067**	$19,522,836
Paid-in capital	**$4,000,000**	$4,000,000
Capital & surplus	**$49,119,542**	$39,570,443
Total employees	**NA**	NA
Combined ratio	**97.1%**	98%
Rating agency	**97.1%**	97.2%
Net income	**$6,576,928**	$4,660,874
Best's rating	**A+ (e)**	A+ (e)

Year founded: 1985.
Parent company: General Re Corp.
Specialties: Day care, entertainment, substandard/high hazard property/excess auto/buffer layers.
Admitted in: All states except Hawaii.
Principal officers: Kevin P. Brooks, president.
Contact: Mary Ann Brown, assistant vp.

Gulf States Insurance Co.

4801 N.W. Loop 410, 10th Floor, P.O. Box 40600, San Antonio, Texas 78229; 512-522-1325; fax: 512-520-7222

	1990	1989
Gross premiums	**$8,380,470**	$7,900,491
Non-admitted	**$6,398,713**	$6,137,741
Commercial risks	**95%**	95%
Net premiums	**$3,463,170**	$2,186,841
Paid-in capital	**$500,000**	$500,000
Capital & surplus	**$1,827,554**	$1,604,461
Employees	**8**	8
Combined ratio	**92.4%**	103.6%
Rating agency	**95%**	109.5%
Net income	**$302,182**	$245,369
Best's rating	**NA-6 (FPI)**	NA-4 (FPI)

Year founded: 1986.
Parent company: Texas General Agency Inc.
Specialties: Small to medium contractors and subcontractors, low-value dwellings, specialty stand-alone products liability, commercial auto physical damage.
Approved non-admitted in: Texas, Alabama, Arizona, Florida, Hawaii, Indiana, Iowa, Louisiana, Missouri, Nebraska, New Mexico, North Dakota, South Dakota, Tennessee, Idaho.
Admitted in: Oklahoma, Mississippi.
Principal officers: Don E. Meyer, president; Sam M. Cangelosi, vp; Don Cangelosi, secretary/treasurer.
Contact: Sam M. Cangelosi.

Health Providers Insurance Co.

737 N. Michigan Ave., Suite 600, Chicago, Ill. 60611-2615; 312-642-4962; fax: 312-642-0348

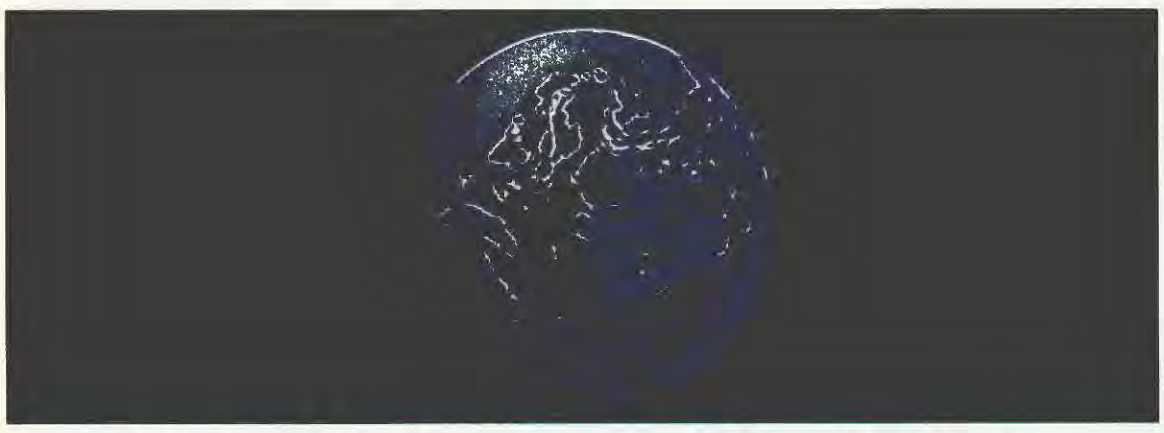
	1990	1989
Gross premiums	**$16,556,531**	$24,927,025
Non-admitted	**$8,538,156**	$15,861,171
Commercial risks	**100%**	100%
Net premiums	**$2,289,885**	$23,372,255
Paid-in capital	**$2,700,000**	$2,700,000
Capital & surplus	**$27,796,213**	$29,658,990
Employees	**22**	23
Combined ratio	**243.8%**	104.1%
Net income	**$2,477,355**	$4,933,480
Best's rating	**A–**	A– (s)

Year founded: 1977.
Parent company: American Hospital Assn. Services Inc.
Specialties: Risks of American Hospital Assn. members, including hospital professional liability and reinsurance of hospital-formed insuring organizations.
Subsidiaries: Health Providers Insurance Co. of Vermont, Montpelier, Vt.
Approved non-admitted in: 30 states and District of Columbia.
Admitted in: Illinois.
Principal officers: Dennis Olsen, president; Jerry Olney, executive vp; R. John Evans, vp-finance; James Henderson, secretary; David Drake, treasurer.
Contact: Fran Jaeger, marketing manager.

Illinois Insurance Exchange

311 S. Wacker, Chicago, Ill. 60606; 312-408-8000; fax: 312-408-8001

See profile on page 22.
Continued on next page



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Continued from previous page

Indemnity Underwriters Insurance Co.

2111 Denver Harnar Drive, Miami, Okla. 74354; 918-542-1671; fax: 918-542-4415

	1990	1989
Gross premiums	$18,410,973	$12,011,208
Non-admitted	$17,765,378	$11,663,685
Commercial risks	100%	100%
Net premiums	$7,125,743	$2,166,432
Paid-in capital	$1,500,000	$1,500,000
Capital & surplus	$5,506,083	$6,154,930
Employees	6	0
Combined ratio	91.6%	(82.2%)
Rating agency	91.6%	(43.9%)
Net income	($120,506)	$2,429,343
Best's rating	NA-6 (FPI)	NA-3 (FPI)

Year founded: 1976.
Specialties: Asbestos removal, M&C contractors.
Subsidiaries: International Underwriters Insurance Co., Smyrna, Del.
Approved non-admitted in: 24 states.
Admitted in: Oklahoma.
Principal officers: Robert H. Garwood, president; Robert H. Garwood II, vp; James J. Florio, claims vp; Melinda L. Florio, secretary/treasurer.
Contact: Robert H. Garwood II.

International Surplus Lines Insurance Co.

200 S. Wacker Drive, Chicago, Ill. 60606; 312-993-6300; fax: 312-876-9638

	1990	1989
Gross premiums	$69,767,419	$184,867,150
Non-admitted	$65,996,177	$174,065,000
Commercial risks	100%	100%
Net premiums	$41,430,867	NA
Paid-in capital	$5,000,000	$5,000,000
Capital & surplus	$32,755,899	$31,905,762
Employees	NA	NA
Combined ratio	83.6%	NA
Net income	$3,822,996	$2,121,011
Best's rating	A- (e)	A- (e)
S&P rating	A+	AA

Year founded: 1971.
Parent company: Crum & Forster Inc.
Specialties: Professional errors and omissions liability, directors and officers liability, public entity property, casualty and specialty coverages.
Approved non-admitted in: All states except Alaska and Illinois.
Admitted in: Illinois.
Principal officers: R.J. Vairo, chairman/chief executive officer; D.N. Thompson, president; D.C. Gibbs, executive vp/chief financial officer; R.A. Quigley and G.J. Ferguson, senior vps.
Contact: Robert Stalker, 312-993-6518.

Interstate Fire & Casualty Co.

55 E. Monroe St., Chicago, Ill. 60603; 312-346-6400; fax: 312-346-5748

	1990	1989
Gross premiums	$110,334,365	$96,289,201
Non-admitted	$44,777,624	$40,950,898
Commercial risks	95.8%	94.7%
Net premiums	$62,706,058	$49,837,239
Paid-in capital	$4,200,000	$4,200,000
Capital & surplus	$95,709,374	$78,101,924
Employees	NA	NA
Combined ratio	114.4%	122.8%
Rating agency	113.7%	123%
Net income	$9,272,482	$5,095,162
Best's rating	A-	A-

Year founded: 1950.
Parent company: Allianz of America Inc.
Specialties: Excess auto and excess general liability, professional liability, nursing home liability, nonstandard auto, inland marine and all-risk property.
Subsidiaries: Chicago Insurance Co. and Interstate Indemnity Co., Chicago.
Approved non-admitted in: All states except Illinois and Michigan.
Admitted in: Illinois and Michigan.
Principal officers: Patrick Stephen O'Flynn, president; Kenneth Thomas Batchelder, secretary; Michael Patrick Sullivan, treasurer.
Contact: Paul Osmolski, assistant treasurer, 312-456-5088.

Investors Insurance Co. of America

100 Metro Park South, Laurence Harbor, N.J. 08878; 908-566-1800; fax: 908-556-0181

	1990	1989
Gross premiums	$14,288,914	$12,976,663
Non-admitted	$7,572,635	$3,514,985
Commercial risks	68.2%	43%
Net premiums	$8,325,522	$2,981,767
Paid-in capital	$2,500,000	$2,500,000
Capital & surplus	$36,682,230	$22,726,433
Employees	53	55
Combined ratio	107.2%	182.3%
Rating agency	97.5%	175.2%
Net income	$2,789,222	$246,412
Best's rating	B+	NA-5 (FPI)

Year founded: 1962.
Parent company: Investors Insurance Holding Corp.
Specialties: General liability, heavy products liability, commercial property including earthquake and flood.
Subsidiaries: Investors Special Risk Insurance Co., Laurence Harbor, N.J.
Approved non-admitted in: 37 states and District of Columbia.
Admitted in: New York and New Jersey.
Principal officers: Frederick H. Brown, chairman; D. Michael Polizzi, president; Frank T. Buziak, executive vp/chief financial officer/secretary/treasurer; Harvey I. Swartz, senior vp.
Contact: Frank T. Buziak.

Jefferson Insurance Co. of New York

30 Vesey St., New York, N.Y. 10007; 201-433-7677; fax: 201-433-3265

	1990	1989
Gross premiums	$68,435,530	$69,384,389
Non-admitted	$4,221,809	$4,280,345
Commercial risks	61%	63%
Net premiums	$50,485,253	$42,893,311
Paid-in capital	$10,453,700	$10,453,700
Capital & surplus	$60,712,877	$51,304,987
Employees	122	126
Combined ratio	107.9%	107.8%
Rating agency	107.5%	102.9%
Net income	$5,707,551	$4,401,209
Best's rating	A- (p)	A- (p)

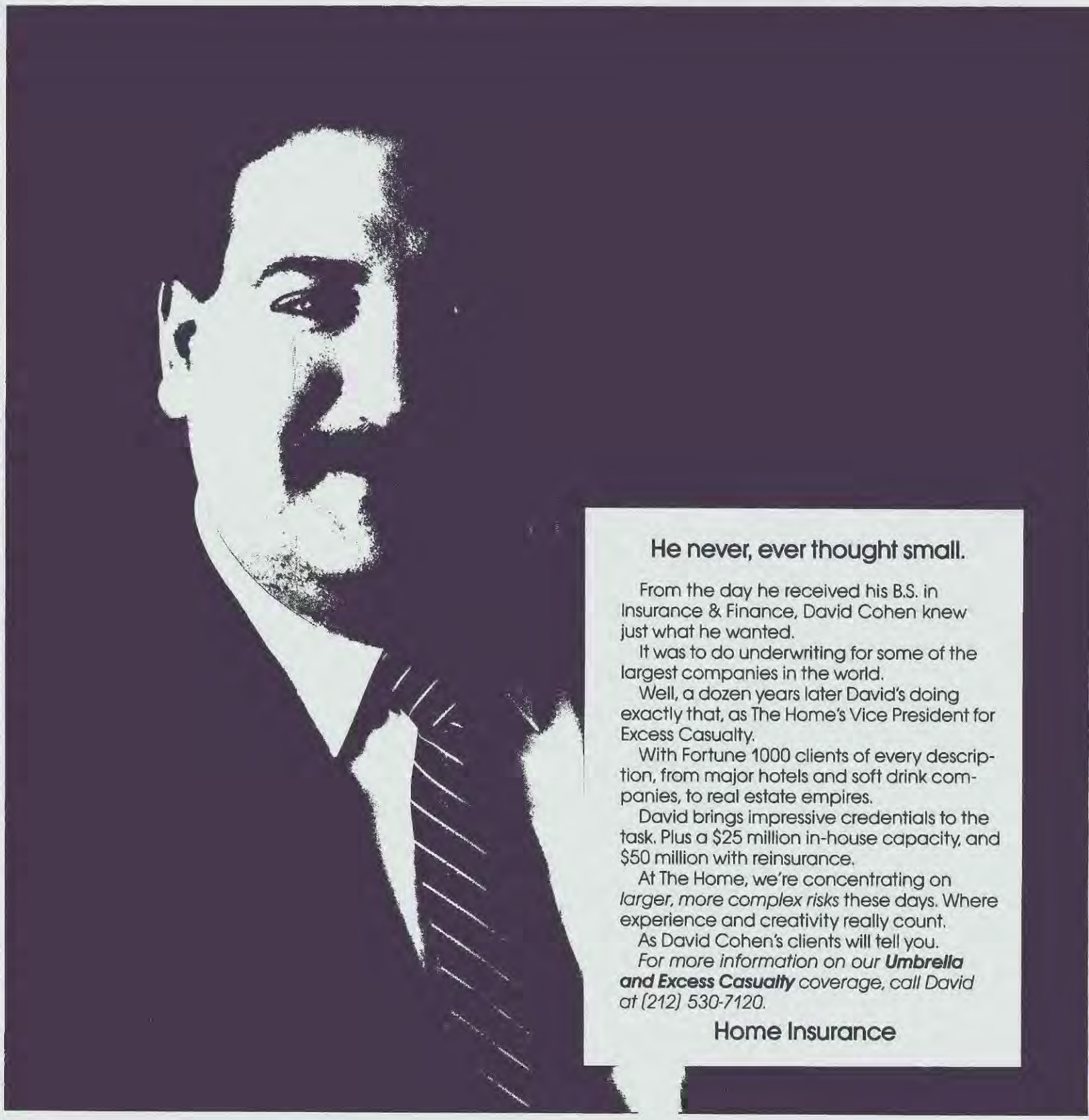
Year founded: 1950.
Parent company: Allianz A.G. Holding/Riunione Adriatica di Sicurta S.p.A.
Specialties: Property, general liability, nursing homes, daycare centers, law enforcement, public officials, not-for-profit directors and officers liability, professional services liability, motor truck, cargo, auto physical damage.
Subsidiaries: Monticello Insurance Co., JEFFCO Management Co.
Approved non-admitted in: Georgia, Hawaii, Louisiana and Mississippi.
Admitted in: 46 states and District of Columbia.
Principal officers: Claus Cardinal, president/chief executive officer; John D. Curry, senior executive vp; James Hughes and Alexander Sarrigeorgiou, senior vps; Vincent Celano, vp/treasurer.
Contact: Joseph Russo.

Lexington Insurance Co.

200 State St., Boston, Mass. 02109; 617-330-1100; fax: 617-439-9793

See profile on page 12.
Continued on next page

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Continued from previous page

Mount Hawley Insurance Co.

9025 N. Lindbergh Drive, Peoria, Ill. 61615; 309-692-1000; fax: 309-692-1068

	1990	1989
Gross premiums	$41,302,665	$34,547,870
Non-admitted	$41,302,665	$34,507,670
Commercial risks	100%	100%
Net premiums	$24,431,847	$14,440,666
Paid-in capital	$4,100,000	$4,100,000
Capital & surplus	$31,398,694	$28,327,579
Employees	292*	265*
Combined ratio	92.1%	104.7%
Rating agency	92.2%	104.7%
Net income	$737,947	$67,147
Best's rating	NA	A–

* Employees are those of RLI Corp.

Year founded: 1979.

Parent company: RLI Corp.

Specialties: Oil and gas holding and lease operators primary liability, surplus lines property risks, product manufacturers primary liability excess of self-insured retentions.

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

Admitted in: Delaware.

Principal officers: Gerald Stephens, Gary Bonham, Joseph Colosimo, Jonathan Michael and James Zogby.

Contact: Jerome E. Mershon.

Mount Vernon Fire Insurance Co.

1030 Continental Drive, P.O. Box 1551, King of Prussia, Pa. 19406-0951; 215-688-2535; fax: 215-688-4391

	1990	1989
Gross premiums	$41,169,376	$46,991,502
Non-admitted	$27,881,826	$31,601,357
Commercial risks	68%	67%
Net premiums	$31,411,484	$35,755,597
Paid-in capital	$4,100,000	$4,100,000
Capital & surplus	$98,847,775	$93,095,933
Employees	72	80
Combined ratio	78.8%	61.4%
Net income	$21,774,053	$27,417,618
Best's rating	A+	A+

Year founded: 1958.

Parent company: United States Liability Insurance Co.

Specialties: Professional liability for nursing homes, substance abuse rehabilitation centers, primary liquor liability, commercial umbrella, buffer layer auto.

Subsidiaries: U.S. Underwriters Insurance Co., King of Prussia, Pa.

Approved non-admitted in: 36 states and District of Columbia.

Admitted in: Delaware, Indiana, Kentucky, Massachusetts, New York and Pennsylvania.

Principal officers: Archie William Berry, chairman; Robert Benjamin Berry, president; Bernard Thomas Quinn, secretary; Louis Francis Rivituso, treasurer; Henry Joseph Mitchell, Theodore Michael Ziffer and Donald Alan Boyd.

Contact: Louis F. Rivituso.

National Fire & Marine Insurance Co.

3024 Harney St., Omaha, Neb. 68131; 402-536-3000; fax: 402-536-3030

	1990	1989
Gross premiums	$31,299,794	$47,623,742
Non-admitted	$9,919,672	$33,234,580
Commercial risks	31.7%	69.8%
Net premiums	$19,841,735	$18,024,134
Paid-in capital	$2,500,000	$2,500,000
Capital & surplus	$724,602,748	$732,791,070
Combined ratio	115.7%	110.5%
Rating agency	116.8%	110%
Net income	$20,757,202	$23,315,164
Best's rating	NA	A+ (s)

Year founded: 1949.

Parent company: Berkshire Hathaway Inc.

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

Approved non-admitted in: All states except Hawaii, Massachusetts, Nebraska, New Jersey and New York.

Admitted in: Nebraska and New Jersey.

Principal officers: Donald F. Wurster, president; Robert D. O'Connell, vp/treasurer; Betty J. Peterson, secretary; William D. Lyons, senior vp; Michael A. Fortune, vp.

Nautilus Insurance Co.

7550 E. Redfield Road, Scottsdale, Ariz. 85260; 602-951-0905; fax: 602-951-9730

	1990	1989
Gross premiums	$63,077,297	$63,163,809
Non-admitted	$62,542,180	$62,686,392
Commercial risks	99%	99%
Net premiums	$25,853,623	$26,738,545
Paid-in capital	$3,150,000	$3,150,000
Capital & surplus	$16,794,186	$17,448,629
Employees	75	71
Combined ratio	100.3%	98%
Rating agency	100.2%	97.8%
Net income	$4,080,597	$5,304,624
Best's rating	A+(e)	A+(ce)

Year founded: 1985.

Parent company: W.R. Berkley Corp.

Specialties: Alarm installers, restaurants, taverns, exercise and health facilities, contractors, special events.

Subsidiaries: Great Divide Insurance Co.

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

Admitted in: Arizona.

Principal officers: Eugene J. Keating Jr., president/chief executive officer; Kenneth J. Brundage, senior vp; Kenneth Lewin, vp-marketing; Douglas Rutherford, vp-underwriting; John Runberg, treasurer.

Contact: Eugene J. Keating Jr.

New England Insurance Co.

60 Batterymarch St., Boston, Mass. 02110; 617-357-8400; fax: 617-357-9820

	1990	1989
Gross premiums	$148,932,615	$150,655,313
Excess liability	20%	20%
Admitted	97%	100%
Net premiums	$76,062,500	$76,032,096
Paid-in capital	$7,200,000	$7,200,000
Capital & surplus	$81,257,338	$72,666,677
Total employees	376	361
Excess liability	42	42
Combined ratio	108.3%	105.6%
Rating agency	109.6%	107.6%
Net income	$9,033,164	$6,328,034
Best's rating	A+ (p)	A+(c)(p)
S&P rating	AAA	AAA

Year founded: 1954.

Parent company: Hartford Insurance Group.

Specialties: Primary and excess casualty, primary and excess property, professional liability, program business.

Admitted in: District of Columbia and all states except California.

Approved non-admitted in: California.

Principal officers: Lawrence S. Doyle, chief executive officer; Ralph J. Palmieri, president/chief operating officer; Lynford M. Richardson, executive vp/controller; Peter P. Coghlan and Paul A. Fitzgerald, senior vps.

Contact: Lynford M. Richardson.

Northfield Insurance Co.

1295 Northland Drive, St. Paul, Minn. 55120-1139; 612-688-4100; fax: 612-688-4280

	1990	1989
Gross premiums	$46,375,109	$49,217,766
Non-admitted	$46,010,777	$44,839,075
Commercial risks	98.5%	99.3%
Net premiums	$30,501,295	$31,816,947
Paid-in capital	$2,500,000	$2,500,000
Capital & surplus	$40,131,871	$36,472,618
Employees	NA*	NA*
Combined ratio	85.8%	94.4%
Rating agency	85.6%	93.8%
Net income	$7,187,601	$4,592,687
Best's rating	A+	A+
S&P rating	BBq	NA

* Northfield shares the employees of its parent company.

Year founded: 1972.

Parent company: Northland Insurance Co.

Specialties: Umbrella and primary self-insured retention coverages for manufacturers, contractors, property owners and public entities. Primary coverage for small contractors, property owners, day-care operators, special event organizers and lighter medical professional providers.

Approved non-admitted in: District of Columbia and all states except Delaware, Massachusetts, Missouri, New Hampshire and New Mexico.

Admitted in: Missouri.

Principal officers: Gene G. Gopon, president; Jerome B. Simon, secretary; William C. Peterson, treasurer; Daniel J. Zaborsky, vp-finance; Randall D. Jones, vp-marketing.

Contact: Richard J. Weingartner, controller.

Pacific Insurance Co.

4201 Wilshire Blvd., Los Angeles, Calif. 90010; 609-395-2000; fax: 609-395-4818

Continued on next page

Continued from previous page

	1990	1989
Gross premiums	$242,283,754	$111,700,676
Non-admitted	$46,342,904	$49,333,455
Commercial risks	100%	100%
Net premiums	$188,332,024	$47,774,520
Paid-in capital	$4,500,000	$4,500,000
Capital & surplus	$106,407,579	$27,862,327
Employees	NA	NA
Combined ratio	101.7%	115%
Rating agency	102.2%	114.5%
Net income	($5,966,400)	$907,127
Best's rating	A (p)	A (p)
S&P rating	NA	AA+

Year founded: 1978.
Parent company: Continental Corp.
Specialties: Railroads.
Approved non-admitted in: District of Columbia and all states except New York and California.
Admitted in: New York and California.
Principal officers: John Pierre Mascotte, chairman; William Edward Thiele, president; Charles A. Parker, Steven J. Smith and Bryan S. Reid III, executive vps.
Contact: Pauline Lita Tuano, 1 Continental Drive, Cranbury, N.J. 08570-0001.

Planet Indemnity Co.

410 17th St., Suite 1675, Denver, Colo. 80202; 303-534-5300; fax: 303-534-5348

	1990	1989
Gross premiums	$2,041,362	$1,093,533
Non-admitted	$1,997,182	$1,093,533
Commercial risks	97.8%	100%
Net premiums	$1,354,660	$1,090,673
Paid-in capital	$1,500,000	$1,500,000
Capital & surplus	$3,664,780	$3,613,214
Employees	3	3
Combined ratio	94.5%	85.6%
Rating agency	94.6%	85.6%
Net income	$258,721	$285,088
Best's rating	NA-3 (FPI)	NA-3 (FPI)

Year founded: 1987.
Parent company: Underwriters Indemnity Co.
Specialties: Independent oil and gas producers.
Subsidiaries: Underwriters Indemnity General Agency of Colorado Inc., Denver.
Approved non-admitted in: Texas, New Mexico.
Admitted in: Colorado.
Principal officers: Edwin H. Frank III, president; Roy C. Die, vp/secretary/treasurer; John L. Garner, assistant treasurer.
Contact: John L. Garner, 8 Greenway Plaza, Suite 400, Houston, Texas 77046.

St. Paul Surplus Lines Insurance Co.

385 Washington St., St. Paul, Minn. 55102; 612-228-8933; fax: 612-292-8315

See profile on page 30.

Scottsdale Insurance Co.

8877 N. Gainey Center Drive, Scottsdale, Ariz. 85258; 602-948-0505; fax: 602-483-6752

See profile on page 16.

Tudor Insurance Co.

91 Court St., Keene, N.H. 03431; 201-825-3300; fax: 201-825-1052

	1990	1989
Gross premiums	$21,563,440	$23,283,366
Non-admitted	$16,479,709	$18,339,790
Commercial risks	100%	100%
Net premiums	$7,983,413	$8,262,359
Paid-in capital	$4,100,250	$4,100,250
Capital & surplus	$12,991,657	$10,481,538
Employees	NA*	NA*
Combined ratio	117%	112.7%
Rating agency	102.5%	101.8%
Net income	$2,571,098	$2,090,475
Best's rating	A+ (p)	A (p)

* Tudor uses employees of parent company.
Year founded: 1979.
Parent company: Western World Insurance Co.
Specialties: Directors and officers, public officials liability, school board liability, miscellaneous errors and omissions.
Approved non-admitted in: District of Columbia and all states except New Hampshire.
Admitted in: New Hampshire.
Principal officers: Derek Hughes, president; Andrew S. Frazier, executive vp; John C. Caruccio and Robert J. Livingston, senior vps; Stephen E. Gerstman, vp.
Contact: Stephen Gerstman.

United Capitol Insurance Co.

1400 Lake Hearn Drive, Suite 130, Atlanta, Ga. 30319; 404-843-5599; fax: 404-843-5598

	1990	1989
Gross premiums	$29,037,073	$43,936,098
Non-admitted	$28,495,107	$42,049,865
Commercial risks	98.1%	95.7%
Net premiums	$21,016,551	$31,680,412
Paid-in capital	$4,100,000	$4,100,000
Capital & surplus	$63,793,068	$59,361,737
Employees	41	44
Combined ratio	87.2%	93.1%
Net income	$11,205,848	$9,196,223
Best's rating	A–	NA

Year founded: 1986.
Parent company: United Capitol Holding Co.
Specialties: Product liability, contracting and servicing operations, general liability for asbestos abatement contactors, commercial property.
Approved non-admitted in: District of Columbia and all states except Arizona, Wisconsin and New Hampshire.
Admitted in: Arizona, Wisconsin.
Principal officers: Bruce A. Esselborn, chairman/president/chief executive officer; Mary Jane Robertson, senior vp/chief financial officer/controller; Steven S. Zeitman, senior vp-specialty lines; Gary S. Resman, vp-primary casualty; Peggy H. Brown, vp-property.

United National Insurance Co.

1737 Chestnut St., Philadelphia, Pa. 19103; 215-568-6200; fax: 215-751-1163

See profile on page 26.

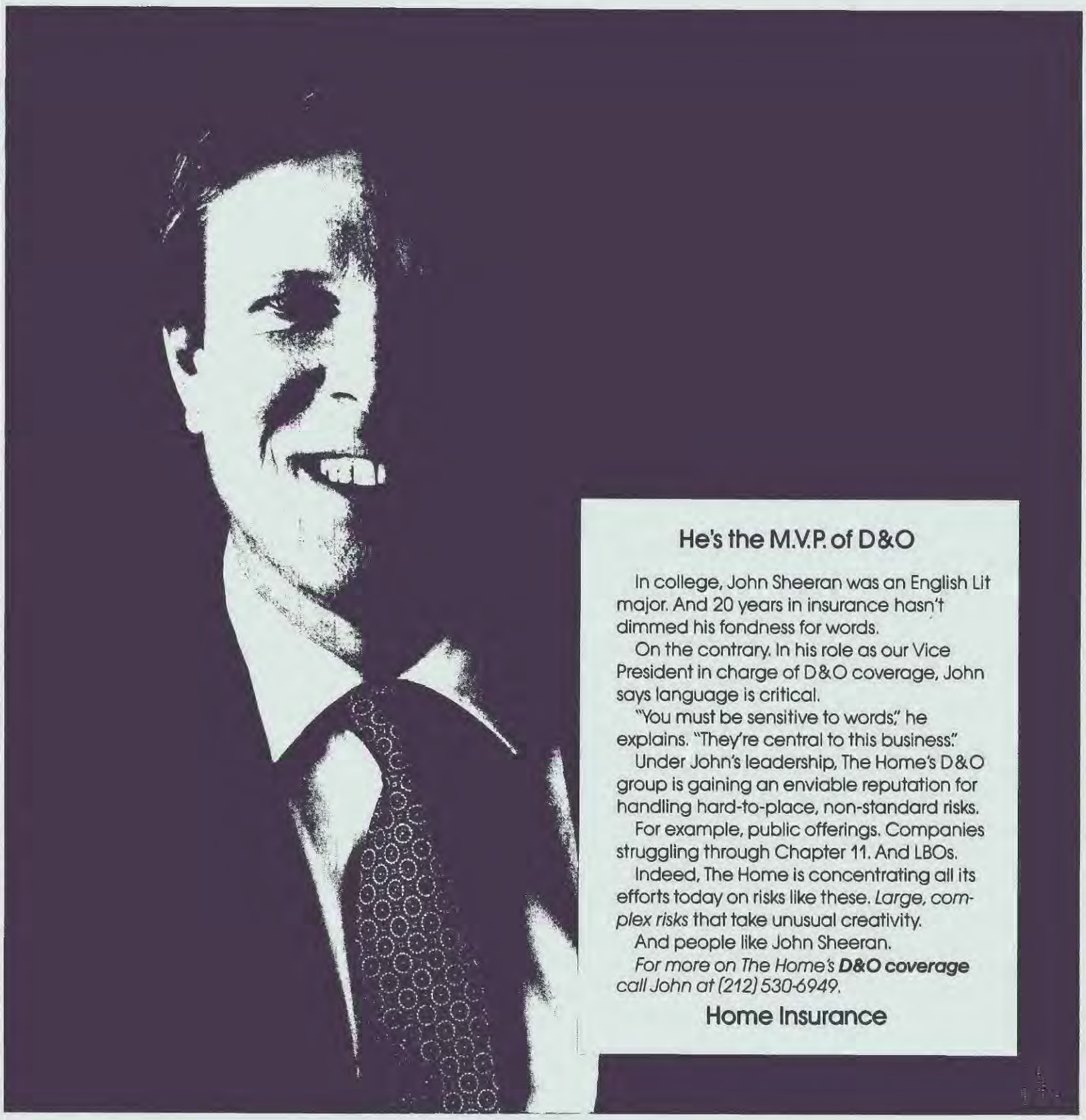
Western World Insurance Co.

91 Court St., Keene, N.H. 03431; 201-825-3300; fax: 201-825-1052

	1990	1989
Gross premiums	$71,416,257	$72,219,884
Non-admitted	$58,780,357	$61,440,541
Commercial risks	100%	100%
Net premiums	$46,090,684	$44,330,476
Paid-in capital	$4,100,000	$4,100,000
Capital & surplus	$64,525,219	$54,635,896
Employees	138	132
Combined ratio	101.4%	101.4%
Rating agency	102.5%	101.8%
Net income	$10,324,394	$9,433,879
Best's rating	A+ (p)	A (p)

Year founded: 1964.
Parent company: Westco Holding Corp.
Specialties: General liability, miscellaneous and professional malpractice.
Subsidiaries: Tudor Insurance Co. and Stratford Insurance Co., Ramsey, N.J.
Approved non-admitted in: District of Columbia and all states except New Hampshire and New York.
Admitted in: New Hampshire and New York.
Principal officers: Derek Hughes, president; Andrew S. Frazier, executive vp; John C. Caruccio and Robert J. Livingston, senior vp; Thomas F. Mulligan, vp.
Contact: Thomas F. Mulligan. ■

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Swett & Crawford again largest wholesale broker

Swett & Crawford Group

3699 Wilshire Blvd., Los Angeles, Calif. 90010; 213-251-1200; fax: 213-383-0241

	1990	1989
Premium volume	$533,861,000	$557,815,000
Gross revenues	$51,262,000	$53,777,000
Employees	661	677
Commercial lines	100%	100%
Admitted business	35%	35%
Non-admitted	65%	65%

The slow surplus lines insurance market is enabling Los Angeles-based Swett & Crawford Group to focus on consolidating and improving its internal operations.

While premium volume dropped 4.3% to $533.9 million in 1990 from $557.8 million in 1989, the largest U.S. wholesaler pared its staff and consolidated several regional offices to reduce its overhead.

Swett & Crawford also took advantage of the down time created by the soft market by emphasizing a new marketing program that enables retail brokers, even those in very remote locations, to access markets nationwide through the wholesaler's offices.

And the purchase of a new computer that centralizes data processing operations has enabled Swett & Crawford to eliminate two of its three premium-servicing centers.

Warren Stanley, the company's president and chief executive officer, says it is significant that Swett & Crawford, a subsidiary of The St. Paul Cos. Inc., has done as well as it has since all of this internal change has been occurring at the same time that the market has been so competitive.

"While our revenues were flat or marginally down, our bottom line was improved," he said.

"Swett's strategic strengths enabled better performance despite an extremely difficult environment. The 1990 year was one of overall improvement in our results," he said.

Gross revenues, including commissions and fees, dropped 4.7% to $51.3 million in 1990 from $53.8 million the year before.

However, the company's operating expenses were down about 6%, according to John R. Hartman, executive vp and chief operating officer.



'Retailers have begun to narrow the number of wholesalers they are willing to deal with.'
— Warren Stanley

Despite the flat revenues and staff cutbacks, "we have had remarkable continuity of key personnel," Mr. Stanley pointed out. "We've had the same core management for at least three years."

Swett & Crawford, though, reduced its workforce to 661 at year-end 1990 from 677 employees a year earlier.

And the staff reductions are continuing: About 40 more jobs were lost in the first half of this year and the total employee count is expected to be as low as 550 when the wholesaler closes its fiscal year on Oct. 31.

Few, if any, of the cuts were made among employees that come in contact with clients, Mr. Stanley stressed.

Most of the staff cuts over the past 18 months have been "backroom reductions" designed to create a leaner headquarters office.

Other cuts were made among the transitional staff that was hired to consolidate the firm's numerous acquisitions made during the 1980s, Mr. Stanley said (*BI*, Aug. 13, 1990).

"Swett came together through acquisitions, which created a lot of overlap," he explained. And support staff hired to integrate the company also raised the total payroll.

But now, those extra bodies are no longer needed.

The staff reductions represent "a natural evolution of a confederation of separate legal entities into a singular, cohesive organization," Mr. Stanley said.

"Five years ago, 80 corporations were part of Swett & Crawford. We're in the process of trimming that to 10," Mr. Hartman said.

While the company ideally would like to operate as a single, corporate entity, some states require separate incorporations, like Swett & Crawford of Illinois, he explained.

Despite the overall downsizing, Swett & Crawford strengthened its staff in several regions over the past 18 months, according to Mr. Stanley.

Four energy specialists were added in Houston, two financial services specialists were hired in Seattle, two D&O specialists and one casualty specialist came on board in Los Angeles and a financial services specialist was added in the Woodland Hills, Calif., office.

Swett & Crawford also streamlined regional operations by consolidating several offices.

Its Needham, Mass., office was closed in 1990 and its employees moved to the broker's Boston office. And two offices in the Hartford, Conn.—area were combined into one that is operating in South Windsor, Conn.

Those closings reduced Swett & Crawford's total offices to 33 at year-end 1990 from 35 a year earlier.

The consolidations continued this year. Swett & Crawford merged its Des Moines, Iowa, office with its larger operations in Minneapolis, and its Orlando, Fla., office, with its St. Petersburg, Fla., office.

Swett & Crawford now operates from a total of 31 offices in 25 states.

Mr. Stanley expects the downsizing and reorganization to be completed by the end of 1991, enabling the broker to focus more clearly on customers, markets and its long-term strategic business plans.

"We're starting to feel comfortable with our size," Mr. Stanley said.

In addition, Swett & Crawford's smaller size will enable it to compete more effectively in the scaled-down surplus lines market created by prolonged competition in the admitted market, according to Mr. Stanley.

"Retailers have begun to narrow the number of wholesalers they are willing to deal with," he pointed out.

Retail brokers are considering a surplus lines broker's fiscal integrity, long-term continuity and market relationships, as well as how its ownership compares with its own interests, before forging an alliance, Mr. Stanley explained.

"To our knowledge, we have always passed those tests, and it will continue to work to our advantage," he said.

Indeed, "Swett & Crawford has a reputation for selecting quality markets," Mr. Hartman said.

Throughout its soft-market downsizing, Swett & Crawford has provided financial incentives for its producers to take advantage of its network marketing program.

"The national makeup of the organization is a strong strategic strength of Swett & Crawford for both the customer and the company," Mr. Stanley said.

"Through network marketing, we're able to bring a broad array of facilities and skills to the local, independent retail broker," which can provide more competitive quotes to the insurance buyer, he explained.

For example, a retail broker in Boise, Idaho, can access surplus lines insurance companies in New York through a Swett office in the Boise region.

"We're one of the few organizations that has this capability," Mr. Stanley said.

Approximately $25 million of Swett's 1991 premiums will be generated through the networking

Continued on next page



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Continued from previous page
program, Mr. Hartman said.

Swett & Crawford also placed additional emphasis last year on Swett Insurance Managers, its general agency business.

"We did it by identifying the distinction between Swett Insurance Managers and the larger account brokering operation," Mr. Hartman explained.

As a general agency, Swett Insurance Managers can bind coverage or broker accounts on an open market basis.

However, unlike a managing general agency, the division does not arrange reinsurance or provide claims handling services, explained Nancy Oblinger, a division senior vp.

Swett Insurance Managers now has 100 binding authorities with approximately 30 surplus lines insurers, Ms. Oblinger said.

Among the lines of coverage Swett Insurance Managers is expanding are trucking and commercial auto, according to Ms. Oblinger.

While about 25%—more than $150 million—of Swett & Crawford's premium volume is generated through Swett Insurance Managers, "our core operations continue to be wholesale brokerage," according to Ms. Oblinger.

Swett & Crawford's top lines of business, ranked the premium volume they generate are:

- Professional liability, including directors and officers and errors and omissions coverages.
- Energy, like oil and gas coverages.
- Financial institutions.
- Architects errors and omissions.
- Utilities.
- Construction.

All of Swett & Crawford's business is commercial lines.

In 1990 it placed 65% of its business with non-admitted insurers and 35% with admitted insurers, the same as in 1989.

The broker's top markets are: American Empire Surplus Lines Insurance Co.; American International Group Inc. units; Associated International Insurance Co.; W.R. Berkeley Corp. units; Berkshire Hathaway Inc. units; Canal Insurance Co.; Chubb Corp. units; CIGNA Corp. units; CNA Financial Corp.; and Continental Corp. units.

Its other top markets are: Crum & Forster Inc.; First State Insurance Co.; General Star Indemnity Co.; The Home Insurance Co.; Lloyd's of London syndicates; Northland Insurance Co.; RLI Insurance Co.; Reliance Insurance Co.; Scottsdale Insurance Co.; St. Paul Surplus Lines Insurance Co.; and Westco Insurance Group.

Swett & Crawford last year also invested in new computer equipment to centralize its data processing operations.

The new computer equipment enabled the wholesaler to consolidate its three premium processing centers into one location this year. Previously, Swett & Crawford had premium processing centers in Minneapolis, Philadelphia and Stockton, Calif. Only the Stockton office remains open.

Every account record placed by a Swett & Crawford office anywhere in the country now can be accessed through a single computer in the Stockton office. Payment to insurers also is now made from that single office.

Such coordination "will enhance our front office capabilities," Mr. Stanley said.

The new computer—purchased from International Business Machines Corp.—and related transition expenses totaled $650,000, but it will save the company nearly $1 million in its first year in reduced office overhead and staff time needed to locate policies and process claims, according to Mr. Hartman.

"Our processing time increased immediately because of the speed of the new equipment," Ms. Oblinger added.

Swett & Crawford made one senior management appointment during 1990: Daniel Divis was named senior vp and regional manager of the Mid Atlantic region in charge of Pennsylvania, New Jersey, Virginia and Maryland. Mr. Divis previously served as branch manager of the office in Philadelphia, where he will continue to be based.

In addition, two middle-management changes occurred during the year.

Swett & Crawford made no notable acquisitions last year and plans none in 1991 or 1992. 'Now that we are a national organization. . .we don't have to buy another broker to get into a market,' says President Warren Stanley.

Bill McCarthy, underwriting manager in Swett & Crawford's Minneapolis office, was promoted to branch manager in St. Petersburg.

And, Simon Bancroft, brokerage manager in the Dallas office, was promoted to branch manager.

Aside from the purchase of a small book of business from a surplus lines broker in the Rocky Mountain region, Swett & Crawford made no acquisitions during 1990, and none is anticipated in 1991 or 1992.

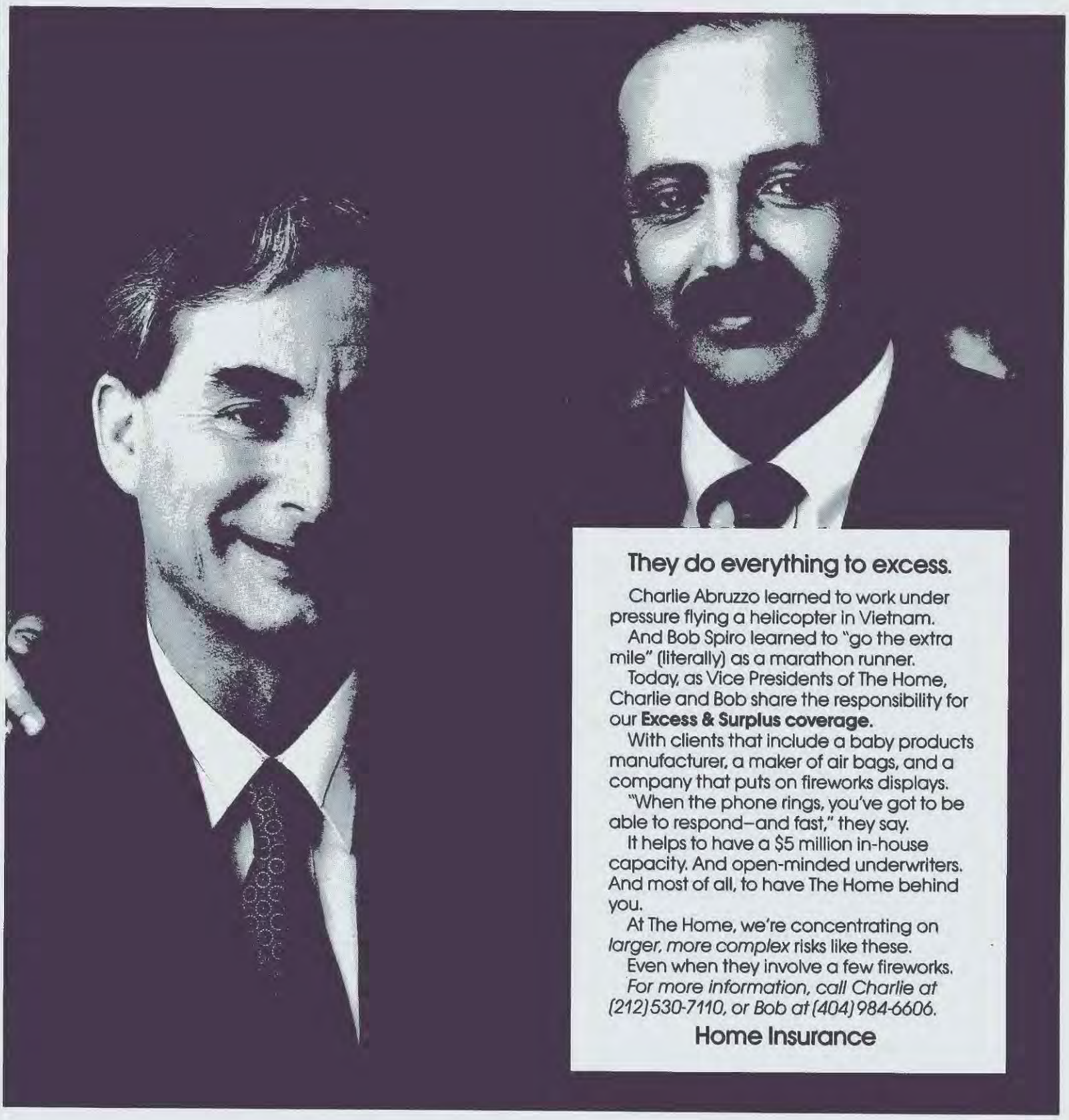
"Now that we are a national organization with presence throughout the United States, we don't have to buy another broker to get into a market," Mr. Stanley explained.

In addition to Mr. Stanley and Mr. Hartman, other principal Swett & Crawford officers are: Robert A. Scott, executive vp and chief financial officer; Daniel V. Colacurcio, executive vp and western division manager; Thomas J. Sullivan, executive vp; and Ronald D. Wartick, executive vp and central division manager.

Swett & Crawford is a member of both AAMGA and NAPSLO.

—By Joanne Wojcik

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Price Forbes North America

7557 Rambler Road, Suite 350, Dallas, Texas 75231; 214-891-5970 fax: 214-891-5929

	1990	1989
Premium volume	$403,300,600	$356,000,000
Gross revenues	$36,300,000	$32,000,000
Employees	333	342
Commercial lines	100%	100%
Admitted business	25%	25%
Non-admitted	75%	75%

Price Forbes North America continues to grow at a searing pace.

Despite the soft market, Price Forbes' 1990 premium volume jumped 13.4% to $403.6 million from $356 million in 1989.

Last year's performance places Price Forbes fourth among 10 largest U.S. insurance wholesalers and second among surplus lines brokers in the *Business Insurance* ranking, up one place from last year.

And, Price Forbes' results have continued to improve through the first half of 1991. The wholesaler's premium volume jumped 15.9% in this year's first half to $219 million from $189 million during the same period last year.

Price Forbes is the holding company created when its ultimate parent, Sedgwick Group P.L.C. of London, restructured its global operations. Price Forbes reports to Sedgwick Broking Services P.L.C. in London, which oversees Sedgwick's specialty brokerage operations.

Price Forbes' major operating units are Dallas-based wholesaler Crump E&S Group Inc. and wholesale broker and managing general agent Southern Marine & Aviation Underwriters Inc. in New Orleans.

SMAU also acts as an underwriting manager for subsidiary Americas Insurance Co. of New Orleans.

Sedgwick International Marketing Services Inc. also contributes to Price Forbes' results. The New York-based wholesaler, an operating division of SMAU, handles "reverse-flow" business that comes into the United States from Sedgwick Group in London.

Sedgwick International mostly places business for energy-related risks.

The jump in Price Forbes' premium volume in 1990 was largely the result of the strong showing of programs offered by Crump E&S, in part because of a beefed-up brokerage staff.

Crump E&S specializes in directors and officers, errors and omissions, underground petroleum storage tank, contractors, liquor, lawyers professional, pollution, product and umbrella or excess liability coverages.

Crump E&S also places commercial automobile and some non-cargo marine risks.

Financial services products for California and Texas-based risks also are available from Crump E&S, as are coverages for gas utilities, municipalities and energy risks in those states.

Crump Euings Inc. in Toronto operates as a Crump E&S branch and concentrates on Canadian business.

The success of coverages first marketed last year by Crump E&S to financial institutions keyed the boost in Price Forbes' premium volume, according to Orville D. Jones, president and chief executive officer of Crump E&S.

"The programs are taking off real well, and the brokerage staff that we started increasing and strengthening last year has had a great deal of effect this year," Mr. Jones said.

In the past year, Crump E&S has added 14 brokers to its staff and now has a total of about 75 brokers.

However, these gains are not coming without a "real struggle," observed Marcus Payne, executive vp and chief operating officer of Crump E&S.

"The soft market is continuing to take a real toll on renewal premiums. We are renewing risks at premiums that are considerably less or losing them back to the standard market, and it seems to have intensified over the past three months."

But while Crump E&S is seeing a continued softening of rates, prices have begun to rise for the energy risks SMAU handles.

"Energy risks have started to show a trend upward," SMAU President Stephen P. Dinsdale reported.

In addition, "aviation risks are beginning to move very slightly. Those are encouraging signs from a revenue standpoint," he said.

Those price hikes are occurring because "for a number of years rates have been very competitive," Mr. Dinsdale explained.

In addition, the "unusually bad" 1988 results in the Lloyd's of London marine market are causing a spike in prices, he said.

But, overall, the soft market continues and will for a while, Mr. Jones predicted.

"We didn't think it would get any worse in 1991, but it's gotten a lot worse," Mr. Jones said of the property/casualty market.

Any hardening is not likely to appear until the last quarter of 1992, if then, he predicted.

Property/casualty rates are particularly soft in California and on Florida's east coast, and competition is particularly stiff in those areas, Mr. Jones said.

But, Crump E&S and Southern Marine have "not pulled in our horns and said we are just going to wait until the market turns. We have become more aggressive. As you can tell by the new programs we've put in and the new brokers we've added, we're continuing to be extremely aggressive," he said.

"If we can make things work in the soft market, we can certainly enjoy the benefits of the hard market when it comes. But long term, we have to be properly structured to be able to make it in the soft market," Mr. Dinsdale observed.

One product that will help the wholesaler do that is the financial institution programs offered by Crump E&S, which have generated more than $20 million in gross premiums over the past year.

Most of the coverages for financial institutions are marketed nationwide by Crump E&S Financial Services Inc. in Nashville, a profit center opened in July 1990.

Financial institutions are able to

Continued on next page

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B498 Small to medium-sized life carrier wanted; only financially sound companies considered.
B609 OL blocks wanted; any size.

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S098 Life company available; $160M in assets with active distribution system.
S505 Profitable Mid-west life insurer; $400M+ in assets; all investment grade.
S607 SPDA block available; $150 current account value.
S791 Managed health-care/rehabilitation service company interested in sale or joint venture; $40M annual revenue.

PROPERTY/CASUALTY

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B080 Major national carrier seeks to acquire clean, broadly-licensed, multi-line P/C shell.
B191 Substantial reinsurer offering to acquire casualty loss portfolios; security arrangements negotiable.
B304 New U.S subsidiary of UK parent seeks to acquire clean, broadly-licensed or "authorized" P/C shell for reinsurance operations.
B499 Large CA-based MGA seeks CA-only multi-line P/C shell or ongoing company with private passenger auto powers.
B501 Established Mid-Atlantic agency investors seek additional prospects for acquisition; personal and/or commercial.
B553 Major West Coast title insurer seeks to acquire title insurance companies for geographical diversification.
B620 Regional premium finance company offering capacity for MGA-owned premium finance companies.
B643 Major national underwriting group seeks narrowly-licensed P/C shells in key states including FL, IL, OH, PA and RI.
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B645 Major national carrier seeks to acquire sizeable blocks of in-force commercial lines business in Mid-west.

S007 UK owner seek buyer for U.S. shell; 19 multi-line licenses and 15 "approvals" for reinsurance.
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S205 NY-only P/C shell.
S394 National multi-line carrier seeks buyer for specific blocks of in-force personal and commercial business.
S515 Major national carrier seeks buyer for in-force book of private passenger auto business in several Eastern states.
S684 37-state P/C shell; Eastern domicile; financial guaranty powers only.
S832 National multi-line carrier seeks buyer for specified blocks of in-force personal and commercial lines business in 2 South-Central states.
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Vol. 4, No. 10

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Continued from previous page

purchase either on a package or monoline basis $5 million of limits with a $5 million aggregate covering several risks, including mortgage impairment errors and omissions; broad-form extortion; all-risk safe deposit; bankers transit, including cash letters; registered and first-class mail; computer crime; all-risk property; and data processing multiperil coverages.

Financial institutions can obtain $3 million of limits per claim with a $3 million aggregate for D&O, trust errors and omissions, and corporate fiduciary liability.

Excess liability coverage, kidnap and ransom and lenders' single interest coverage also are available to financial institutions.

In the current soft market, as much as $100 million in excess liability coverage could be arranged, according to Mr. Jones.

A "real estate-owned" program, which provides lending institutions with coverage for repossessed properties, is administered from the Dallas office of Crump E&S.

The program, which offers negotiable limits, provides financial institutions liability and property insurance that includes coverage for flood and earthquake damage. Loss of income also is covered under the program.

The financial institution programs are written by syndicates at Lloyd's of London and non-admitted domestic insurers rated A+ by A.M. Best Co.

The success of a liquor liability program introduced last year in Florida prompted Crump E&S to expand the offering into Texas earlier this year.

"It's been very successful," Mr. Jones said.

The program offers $1 million of per-occurrence and aggregate limits to liquor wholesalers, taverns, package liquor stores, restaurants and clubs.

Other Crump E&S offerings, though, have not been so readily accepted.

Last June Crump E&S unveiled a pollution liability insurance program for underground and aboveground storage tank risks, but the program "has been much slower building than we hoped it would be," Mr. Payne said. "That's primarily because there's been a real question as to whether or not the EPA was going to enforce the October deadlines."

Although some U.S. Environmental Protection Agency rules regarding coverage requirements for tanks have gone into effect, others slated for October may be pushed back, Mr. Payne said (*BI*, Oct. 8, 1990).

"We still believe there is a future for us in that business," Mr. Payne said of the tank program.

The program has generated premiums of about $1.3 million since its inception. While aimed primarily at policyholders in the West, the coverage can be written nationwide.

The program provides limits of $1 million per claim with a $2 million aggregate per insured location. It covers third-party bodily injury and third-party property damage, as well as government-mandated cleanup costs.

Damages that occur during tank loading and unloading are covered, and pre-existing conditions identified during the policy term also are covered.

In addition, defense costs of $100,000, $200,000 or $500,000 per incident are paid in addition to the policy limits.

The minimum deductible for the coverage is $5,000 per claim, and the minimum premium is $3,500.

Crump E&S would not identify the insurer.

In addition, a Crump E&S general liability program for contractors in Texas and adjacent states, which was launched in July 1990, has been slightly hobbled by the soft market.

However, the program "is doing as well as we expected," Mr. Jones said. "We probably thought the market would turn and we would have a little bit more business in there. But the standard carriers are extremely hungry for that type of business."

The program remains "about on track," Mr. Jones said.

Contractors can purchase occurrence-based coverage at limits of $1 million with a $2 million aggregate. The coverage is written by an A+-rated, non-admitted insurer.

The newest program available from Crump E&S provides $1 million of general liability limits with a $2 million aggregate to businesses with environmental risks.

The coverage, which excludes pollution coverage, is available to companies like waste haulers or

Continued on next page

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Continued from previous page
"any environmental contractor," Mr. Jones explained.

"There has not been a big market for them," Mr. Jones said.

The coverage, which became available within the last six months, is written by a company with an A rating from Best.

The program is available nationwide, except in California.

Another new program is available to contractors involved in lead paint abatement programs for the U.S. Department of Housing and Urban Development. The general liability coverage is written through an exclusive arrangement with a retail broker that was awarded a contract by HUD to provide the coverage.

The $1 million in per-occurrence coverage "is offered to the contractors who come in and take the lead paint off the owned properties of the government," Mr. Payne explained.

The program, which was introduced last December, is "slow in building" but steadily growing, Mr. Payne said.

SMAU, meanwhile, began placing professional liability wrap-up programs on airport construction projects in 1990.

The insurance, written to limits of $20 million, covers the professional liability exposures of architects, engineers and construction managers under one policy, Mr. Dinsdale explained.

SMAU expects the program to take off as airport construction continues, he noted.

"There's quite a lot of airport construction taking place over the next decade. So we see good opportunities," Mr. Dinsdale said.

And, so far, "the response has been very good," he said.

SMAU continues for the 12th year to market a nationwide aviation program sponsored by the Airport Operators Council International in Washington. The program provides broad-form airport liability coverage with limits of up to $300 million per occurrence. A $300 million aggregate applies to product risks and completed operations.

Apart from rate increases, Mr. Dinsdale reported no major changes in SMAU's energy book of business. "There are always new challenges in the energy business in terms of offshore construction and onshore drilling. There's new technology involved but not new products needed to meet the insurance needs."

SMAU also specializes in marine cargo risks.

Mr. Dinsdale said Sedgwick International Marketing continues to do well handling reverse-flow business. The energy business sent to U.S. markets from Sedgwick Group in London continues at a steady flow, he noted. "There is a reasonable amount of that kind of business."

The Price Forbes units also have opened some offices and closed others.

Crump E&S recently formed a marketing unit, Crump E&S Broking Services, to handle risks that generate annual premiums of $500,000 or more. The new division operates out of Crump E&S offices in Atlanta, Chicago and Burbank, Calif.

Corporate vps who head up the offices tap the expertise of specialist brokers in other Crump E&S offices throughout the country.

But, although Crump E&S indicated last year that it would keep its G&M Marine Inc. office in New Orleans, it later decided to sell the unit. The office provided coverage for commercial fishing vessels, like shrimp boats.

G&M was sold late last year to its management, because the business it placed "wasn't the lines we wanted to focus our attention on," Mr. Jones explained.

And, "we didn't feel Crump should have a company competing with Southern Marine," Mr. Jones said.

SMAU handles marine risks but on a "much bigger scale," he said.

Crump E&S opened branch offices in Irvine, Calif. and Boston last year.

Price Forbes' overall employee count dropped to 333 last year from 342, primarily because of the sale of the G&M Marine office.

All of Price Forbes' 1990 business was commercial lines, with 25% of total premiums placed with non-admitted insurers and the remainder with admitted companies, unchanged from 1989.

Sedgwick Group brokers produce between 10% and 15% of Price Forbes' business.

Most of its business is placed with syndicates at Lloyd's, other London companies and U.S. insurers, including units of Crum & Forster Inc., Continental Corp., Hartford Group Inc., Scottsdale Insurance Co., Royal Group Inc. and others.

Sixty-two percent of Price Forbes' business is handled on a brokerage basis, 22% is generated as a managing general agent and 16% is generated as an underwriting manager.

In addition to Mr. Jones and Mr. Payne, principal officers at Crump E&S are Patrick R. O'Brien, senior vp-finance and administration, and James B. Aiken, senior vp.

Principal officers at SMAU besides Mr. Dinsdale are: James A. Danton, executive vp-energy; Hunter B. McFadden, executive vp-Americas Insurance Co.; and Roy R. LeBlanc, executive vp-administration.

Mr. Dinsdale also is president and chief operating officer of Americas Insurance Co.

Crump E&S is a member of AAMGA and NAPSLO.

—By Michael Bradford

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Tri-City Insurance Brokers Inc.

110 William St., New York, N.Y. 10038; 212-732-1360; fax: 212-619-5202

	1990	1989
Premium volume	$288,888,888	$248,000,000
Gross revenues	$17,800,000*	$15,000,000*
Employees	90	84
Commercial lines	100%	100%
Admitted business	90%	75%
Non-admitted	10%	25%

* *BI* estimate.

Tri-City Insurance Brokers Inc. continues to flourish despite the soft market.

Premium volume at the privately held wholesale brokerage, which was formed in 1985, increased 16.5% last year to $288.9 million from $248.8 million in 1989. That was the largest percentage increase among the 10 largest wholesalers.

Last year "was an excellent year for Tri-City, without question our best year," remarked President Kieran P. Burke. "The $288 million of premium volume that we were responsible for in 1990 met our expectations right across the board.

"We have been able to successfully and profitably grow in the teeth of a soft market," he said.

Much of Tri-City's growth is new business, Mr. Burke said. "Our renewal rate remains extremely high. However, due to the continuing softening of premium rates, the vast majority of our overall premium growth can be attributed to new business activities.

"I would say our new business in 1990 is probably close to $80 million, and that's probably a conservative number," he said.

Tri-City is now the third-largest U.S. surplus lines broker, up a notch from a year ago. And, Tri-City is the sixth-largest wholesaler of any type, after ranking as the eighth-largest a year ago.

Although Tri-City does not report its gross revenues, *Business Insurance* estimates that the broker's revenues rose 18.7% to $17.8 million in 1990 from an estimated $15 million in 1989.

Tri-City estimates that premium volume rose 6.8% in the first six months of 1991 to $158 million from $148 million in the first half of 1990. For the year, Tri-City projects $300 million to $310 million in premiums, or a 3.8% to 7.3% increase over $288.9 million in 1990.

Mr. Burke said the estimate is based on factors including the six-month results.

"We are operating on the assumption that the market will not become any harder in '91 or '92 than it currently is," said Mr. Burke. "I'm sure we'd all love to be surprised, but we're not planning on it."

Mr. Burke noted that over the past year, Tri-City has continued to identify "the specialty areas that we're best at and offer us the best return." These include bankers' errors and omissions, product liability and a number of property coverages, including earthquake insurance.

Tri-City focuses on three broad product areas: casualty, property and financial services. Casualty accounted for 70% of its total business, down from 77% in 1989; property accounted for 20%, up from 15% in 1989; and financial services accounted for 10%, compared with 8% a year ago.

"The percentages for property and financial services during 1991 continue to increase," said Mr. Burke. This is in line with Tri-City's plan for property and financial services to claim a greater share of premium volume, he said, noting, "we want to have a more balanced portfolio."

The 70% of gross premium volume generated by casualty business last year amounted to about $202.2 million, or a 5.5% increase from $191.6 million in 1989, when it accounted for 77% of premiums.

Casualty business placed by Tri-City includes umbrella, excess liability, product liability, primary comprehensive general liability, excess automobile liability and excess workers compensation, said Mr. Burke.

Primary CGL and product liability in particular are growing rapidly, he said. Pointing specifically to primary CGL, Mr. Burke said Tri-City has had a "tremendous amount of success in that area. It's becoming a bigger and bigger part" of its business.

Property business placed by Tri-City totaled $57.8 million in premiums, or a 55% increase from than the $37.3 million in property premiums reported in 1989.

Tom Spinner, the executive vp who supervises property business, said key areas include blanket all-risk placements; earthquake insurance, with Tri-City able to offer up to $200 million in California earthquake limits; and builder's risk coverage, with Tri-City able to place an entire program with any one particular underwriter.

'We are operating on the assumption that the market will not become any harder in '91 or '92 than it currently is. I'm sure we'd all love to be surprised, but we're not planning on it,' says Kieran P. Burke, president of Tri-City.

The 10% accounted for by financial services amounted to $28.9 million in 1990, or a 45.2% increase over the $19.9 million reported in 1989.

Key areas include directors and officers liability and errors and omissions liability, said Mike Tilton, an executive vp.

In the D&O area, he said, Tri-City has done particularly well with more difficult placements, including leveraged buyouts and distressed and bankrupt companies.

E&O strengths, Mr. Tilton said, include coverage for lawyers, engineering type-risks, including architects, health care companies, including nursing homes, laboratories and hospitals, investment firms and insurance companies. Tri-City places E&O coverage for a number of fairly large, diversified insurers, he noted.

In both E&O and D&O lines, business has been expanding from financial institutions, including savings and loans, Mr. Tilton said.

Tri-City does not place aviation business and does little blue-water marine business, said Mr. Burke.

In 1990, the amount of business Tri-City placed with admitted markets increased to 90% from 75%.

Whether coverage is written by admitted or surplus lines underwriters is not an issue for the brokerage, Mr. Burke stressed.

"Tri-City is a marketing organization. We're basically marketing specialists. We're continuing to see the business, whether admitted or non-admitted," he said.

No new products are in the works, said Mr. Burke.

"We're continually evaluating new areas for Tri-City," he added. "There's nothing concrete at this point in time. However, in the fu-

Continued on next page

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ture, it wouldn't surprise me to see us involved in other segments of the commercial insurance distribution chain, but we don't have any plans specifically for now."

Tri-City does no underwriting, spending 100% of its time marketing business as a broker and developing market relationships, he noted. "By doing that, we like to think of ourselves as an extension of our client's marketing efforts."

Tri-City now has access to more than 60 markets, said Mr. Burke, in part because of its diverse specialties: casualty, property and financial services. It has a minimum of $1 million of capacity with about 30 of those markets.

Its top markets include: Aetna Life & Casualty Co.; General Star Indemnity Co, a unit of General Re Corp.; the London Agency Inc. and Industrial Underwriters Insurance Co., both Crum & Forster Inc. units; Reliance National Insurance Co.; and Royal Specialty Underwriting Inc.

Non-alphabet retail brokers represent a growing percentage of Tri-City's clients. They accounted for between 40% and 45% of its business last year, with the alphabet brokerages accounting for the remainder. And the trend is continuing: "Our new business production continues to be focused on the independent regional producer," said Mr. Burke. "We believe for the long-term health of Tri-City, it makes sense to diversify our production base."

Business placed from alphabet houses tends to be more specialized, while business from non-alphabet houses, which is more stable, is from across the board, said Mr. Burke. More than 500 brokerage offices do business with Tri-City; none accounts for more than 13% of its business.

Tri-City—which despite its name has offices in four cities, Chicago, Los Angeles and San Francisco in addition to its New York headquarters—is not likely to make any acquisitions in the "foreseeable future," according to Mr. Burke.

"Our acquisitions are people acquisitions," he explained. "We are continuing to add to our professional strengths by attracting what we consider to be the top-quality people in their respective fields."

Pointing to Tri-City's increase to 90 employees in 1990 from 84 in 1989, Mr. Burke said, "They've gone up, but not significantly. I think they're still pretty much in line with our revenues.

"I would imagine that our staff will increase at about the same level over the next couple of years that it has over the past few years," he said. Employee additions will continue to be line with revenue growth, he said, noting that "we do not have specific major staff expansion plans."

Tri-City's staff is divided about 50-50 between professional and support staff, said Mr. Burke. "We're pretty careful about that. We try to keep a proper ratio."

In addition to the quality of its personnel, Mr. Burke also stressed Tri-City's independence as one of its distinguishing features.

"We are independent wholesalers that fully understand who the client is. That's a point that certainly helps distinguish us from. . .competitors," he said.

Besides Mr. Burke, Mr. Spinner and Mr. Tilton, other Tri-City principals are: John Hahn, Ed Ulshafer, Alex Kullman, Dan Real and George Pagoumian, all executive vps.

In addition, Robert Gibson, Chuck Ciccarelli, Scott Gunnison, Donald Marshall, George Hilditch, Mike Moran, Tom Ciardiello and David Cimino are senior vps, while Leo O'Reilly is chief financial officer.

Tri-City is a NAPSLO member.

—By Judy Greenwald

Willis Faber Holdings

3075 Orchard Vista Drive S.E., Grand Rapids, Mich. 49546; 616-942-8000; fax 616-942-0870

	1990	1989
Premium volume	$256,000,000	$257,000,000
Gross revenues	$20,294,000	$20,376,000
Employees	233	196
Commercial lines	100%	100%
Admitted business	36%	36%
Non-admitted	64%	64%

Even though Willis Faber Holdings Inc. lost a major client and the property/casualty insurance market stubbornly refused to turn, "on the whole, we were pleased with last year," said Thomas S. Bloom, president of the brokerage.

Mr. Bloom said that one of the biggest challenges of 1990 was making up the loss of a major client due to the merger of Willis Faber P.L.C. of London with Corroon & Black Corp. to form Willis Corroon P.L.C. (*BI*, Oct. 15, 1990).

Because of the merger, Johnson & Higgins, Willis Faber's longtime U.S. brokerage partner, withdrew its business from the surplus lines brokerage. Mr. Bloom would not say how much of Willis Faber Holdings' premium volume was generated by J&H, other than to say it was a "substantial" amount.

However, no customer other than J&H "has taken any action or indicated that they don't want to do business with us because of the merger," Mr. Bloom said.

"We have been careful to maintain an arm's length distance from Corroon for the obvious reason that we don't want any of other customers to perceive that we're giving them any sort of preferential treatment," Mr. Bloom said. He noted that Corroon & Black has its own small wholesale operation based in Nashville, Tenn.

Although Grand Rapids, Mich.-based Willis Faber Holdings' volume "is up somewhat with Corroon," business produced by the Tennessee sister company falls far short of making up the void left by J&H, Mr. Bloom said.

Instead, the loss was made up from a variety of sources. Three new offices probably made up half the difference and production was also increased from other sources, said Mr. Bloom.

In October, Willis Faber Holdings acquired Midwest Underwriters Inc., a small independent wholesaler in Cleveland. Also in October, it opened a six-person office in Tampa, Fla. A month later, a four-person office was set up in Hartford, Conn.

In addition, a subsidiary, Smith's Special Risks Associates Inc., moved its Pearl River, N.Y., office "across the state line" to Rutherford, N.J., Mr. Bloom said.

He said that Willis Faber Holdings "always remains open to the opportunity" to expand, particularly in the Seattle or Minneapolis areas.

Despite the merger and the new offices—and the loss of the J&H business—Willis Faber Holdings' results changes little from 1989.

Premium volume remained virtually unchanged, dropping less than 0.4% to $256 million from $257 million in 1989. During the same period, gross revenues fell about 4%, to $20.3 million from $20.4 million.

That slight decline dropped Willis Faber Holdings to fourth from third in the *Business Insurance* rankings of the largest U.S. wholesale brokers. It is the seventh-largest U.S. wholesaler overall, unchanged from last year.

But both premium volume and gross revenues rose slightly for the first six months of 1991. Willis Faber Holdings' first-half pre-

Continued on next page

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Continued from previous page
mium volume stood at $133.7 million, an increase of about 3.6% from $129.1 million last year.

Gross revenues rose 1.5% to $10.2 million during the first half of 1991 from $10.1 million during the comparable period of 1990.

"We're still profitable—in the black—although not as profitable as we'd like to be," said Mr. Bloom.

The new offices helped boost Willis Faber Holdings' employee count to 225 at the end of June 1991 from 210 a year earlier.

Mr. Bloom said that Willis Faber Holdings shares no employees with its parent company. "Our staff is totally independent. We don't get any services from Willis Corroon; none of their people are on our payroll or in our offices," he said.

Mr. Bloom pointed out that Willis Faber Holdings continues to report to Willis Faber P.L.C. in London. "Our chain of command is not through Nashville," he said, referring to Corroon & Black's operations.

About 90% of Willis Faber's business is brokerage, with the remaining 10% generated through managing general agency activities —a breakdown that has not changed substantially for several years. "For the most part, we are brokerage-oriented and not a product-oriented market," he said.

Large national brokerages generate about 25% to 30% of Willis Faber Holdings' premium volume, Mr. Bloom said. "It's down a little now because of the soft market and the loss of the J&H business."

The rest comes from a spread of sources stretching from large independent brokerages to small regional ones, he said.

Willis Faber Holdings placed 36% of its premium with admitted insurers and 64% with non-admitted insurers in 1990. The proportion held throughout the first six months of 1991. In fact, those percentages have remained constant since 1988.

Mr. Bloom said that Willis Faber Holdings' major markets during the past year include underwriters in the London market; General Star Indemnity Co., a unit of General Re Corp.; The London Agency Inc., a Crum & Forster Inc. subsidiary; Royal Specialty Underwriting Inc.; Cameron & Colby Co. Inc., a Hartford Group Inc. unit; Admiral Insurance Co.; Northfield Insurance Co., a unit of Northland Insurance Co.; units of The Home Insurance Co.; and Lexington Insurance Co., a unit of American International Group Inc.

Overall, Willis Faber Holdings places business with more than 100 surplus lines and specialty insurers.

Willis Faber Holdings units also operate as managing general agents for Lloyd's of London syndicates; Associated International Insurance Co. and Calvert Insurance Co., both Willis Faber units; Constitution State Insurance Co., a Travelers Corp. unit; American Empire Surplus Lines Insurance Co.; Columbia Casualty Co., a unit of CNA Financial Corp.; Northfield Insurance; Western World Insurance Co., a unit of Westco Insurance Group; Essex Insurance Co., a unit of Markel Corp.; First State Insurance Co., a unit of Hartford Group Inc.; First Financial Insurance Co., a unit of Burlington Insurance Group Inc.; Nautilus Insurance Co., a unit of W.R. Berkley Co.; and Audubon Indemnity Co., an AIG unit.

Willis Faber Holdings subsidiaries are Major Surplus in New York; Smith's Special Risks in Rutherford, N.J.; McAlear Associates in Grand Rapids; McAlear of Illinois in Chicago; Stewart Smith Southwest in Dallas; Stewart Smith West in Los Angeles; and McAlear Southeast in Atlanta.

Account turnover hit the 40% mark last year and is "certainly at least (that high) and probably a little higher" this year, said Mr. Bloom. However, he added that surplus lines brokers always have a relatively high turnover, no matter what market conditions might be.

"We continue to have to run faster to stay even," he said, noting that Willis Faber Holdings is losing more accounts to the standard market. "They're getting more competitive on what we consider to be our core of business—tough products, tough primary" coverages, Mr. Bloom said. No particular company appeared to be leading the charge, he noted.

However, the business that is now written in the surplus lines market is largely the same as was written during the hard market of the mid-1980s, he pointed out. "We're writing all the same classes —umbrella, general liability, primary products (liability), malpractice, environmental liability. The only difference is that we're writing fewer of them and/or the prices are lower," he said.

"The competition is intense for umbrellas, particularly primary umbrellas, and the competition is very intense for property," he said.

The only area in which capacity is now limited is environmental impairment-related risks, he said.

"The fact is the market is so soft that getting a quote on any given risk is virtually no problem at all," Mr. Bloom said. "Price is what determines the placement nowadays."

"It's not the way we like to broker business, but it's a fact of life as we live it today. The guy who gets the low dollar is going to get the business," he added.

Mr. Bloom said that he cannot predict how much lower prices will go, adding that he is not sure that there is an absolute bottom to the market cycle.

Property rates now are so low that some insurers are competing on coverage rather than cutting prices, though the effect of that type of competition is the same as slashing prices, Mr. Bloom said. For example, some insurers, which he declined to name, are willing to throw in earthquake coverage for risks in California for no additional premium.

The only areas in which prices are uniformly increasing are for "some of the errors and omissions and directors and officers exposures, particularly anything related to financial institutions," said Mr. Bloom. These prices, rising 5% to 10% on average, "are significant only from the standpoint that they're going north while everything else is going south," he said.

"My operating assumption is certainly no change in 1991" and probably no market turn in 1992 unless it were to happen very late in the year, he said. "Like every other producer, I hope I'm wrong."

In addition to Mr. Bloom, Willis Faber Holdings' chief officers are Donald Payne, chairman; John Rogers, senior vp and chief financial officer; Eugene Eisenmann, director and president of Stewart Smith Southwest; Mark Smith, director and president of Major Surplus; Edward Casey, director and president of Stewart Smith West; and Ralph Leistner, director and president of McAlear Associates.

In addition to its Grand Rapids headquarters and its three new branches, Willis Faber Holdings has offices in New York; Rutherford and Cedar Knolls, N.J.; Philadelphia; Pittsburgh; Atlanta; Chicago; Overland Park, Kan.; Dallas; Houston; Phoenix; Los Angeles; San Francisco; and Sacramento, Calif.

Willis Faber Holdings is a member of NAPSLO.

—By Mark A. Hofmann

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Alexander Howden North America Inc.

200 Northcreek, Suite 800, 3715 Northside Parkway N.W., Atlanta, Ga. 30327; 404-240-5200; fax: 404-240-5392

	1990	1989
Premium volume.	$255,612,706	$272,225,000
Gross revenues...	$17,046,000	$16,590,000
Employees.....	192	203
Commercial lines.	100%	100%
Admitted business	72%	75%
Non-admitted....	28%	25%

The emphasis on "execution" at Alexander Howden North America Inc. is paying off with increased new business.

While the soft property/casualty insurance market continued to stall premium growth in 1990, the wholesale brokerage subsidiary of Alexander & Alexander Services Inc. has worked hard to attract more new business this year.

Last year, Howden North America saw premium volume drop 6.1% to $255.6 million from $272.2 million in 1989.

However, premium volume in the first six months of 1991 is up 11% to $140 million from $126.1 million during the period a year ago.

The decrease in volume last year made Howden North America the fifth-largest wholesale broker ranked by *Business Insurance*, down from the No. 2 position a year ago. It is now the eighth-largest U.S. wholesaler, down two notches. The subsidiary of Alexander & Alexander Services Inc. of New York finished the year as the fifth-largest wholesaler ranked by *Business Insurance*.

Daniel E. Kestenbaum, chairman and chief executive officer of Howden North America, said that while soft market conditions continue to prevail, the wholesaler's aggressive producers are hauling in lots of new business to compensate for low rates. "It's execution," he said, explaining how new business has helped push volume up this year.

Howden North America's staff is well-trained in sales techniques, he said. "We have emphasized a development of our people. They are much more successful because they've been doing it longer and they're better at it."

Bruce E. Harrell, executive vp and chief operating officer of Howden North America, added that "during the latter part of '89 and in '90, we brought in a good number of new brokers" who have the experience and contacts to accomplish the wholesaler's goals.

Despite the new talent, the wholesaler's overall employee count slipped to 192 at year-end 1990 from 203 in 1989.

Howden North America continues to concentrate on its "networking" style of doing business—meaning that the wholesaler directs business to the Howden broker most qualified to handle it.

In addition, Howden North America's sales strategy involves concentrating on the "critical few" retail agents with which the wholesaler prefers to work. As part of that practice, a lot of time is spent working with retailers on a personal basis with the aim of providing top-notch service.

Mr. Kestenbaum said Howden North America continues to build its operations despite the soft property/casualty market.

Although premium volume declined at Howden North America in 1990, gross revenues were up 2.7% to $17 million from $16.6 million in 1989. Gross revenues rose slightly to $8.6 million during the first half of 1991, up from $8.5 million for the first six months of 1990. "We're focusing on more profitable business," Mr. Kestenbaum said, which means that Howden North America is seeking out lines of business for which insurers pay a higher commission.

Mr. Harrell pointed out that the revenue rise also stemmed from an increase in business placed in the London market, where commission rates have risen. "Our domestic markets have kept commission levels the same."

The amount of business placed with non-admitted insurers increased in 1990 to 28% of the total from 25% the year before. That reverses the shrinking of surplus lines at the wholesaler that occurred in 1989 after 35% of its business was placed with non-admitted insurers in 1988.

All of Howden North America's business is commercial lines.

Casualty business continues to suffer in the soft market, with renewal rates running about 10% less than at this time last year, according to Mr. Kestenbaum. Casualty renewals saw a similar falloff last year.

Much of the intermediary's increased premium volume this year can be attributed to its growing marine and energy program. Subsidiary Alexander Howden Marine & Energy has been sending plenty of new business to the London market to take advantage of the higher commission rates.

"It's a maturing operation," Mr. Kestenbaum pointed out. The marine and energy facility, established in 1987, is based in Howden North America's Dallas office and is integrated with Alexander Howden Ltd. in London, A&A's Lloyd's of London brokerage unit.

In 1990, marine and energy premiums totaled $26 million, up 68% from $15.5 million in 1989, primarily due to new business. The unit is expected to record around $37 million this year, according to Mr. Harrell.

The increase in premium writings last year was welcomed after the soft market dampened marine and energy writings in 1989. That year, premium volume was down from $21.9 million in 1988.

Premiums written by the marine and energy facility are attributed either to Howden North America or Alexander Howden Ltd., depending on circumstances like where the risk is underwritten and the tax implications.

Howden North America can still provide up to $300 million in marine and energy limits, depending on the type and complexity of the risk, unchanged from last year, despite capacity contraction in the London market, which writes most of the coverage brokered by Howden North America.

The marine and energy program provides coverage on offshore drilling rigs, offshore platforms, marine construction projects and other facilities.

Although other wholesalers have reported some firming in energy rates, Mr. Kestenbaum said Howden North America has seen little evidence of that.

Mr. Harrell said the marine and energy facility is expanding with two new offerings this year.

A joint venture with London insurers has been established to write liability coverages for marine and energy risks. Primary limits of $2 million are available along with an additional $5 million in umbrella limits.

An operators' extra-expense insurance program also has been established, with limits of up to $10 million. The coverage is written by syndicates at Lloyd's of London.

A program introduced last year for marina owners has been "very successful," said Mr. Harrell.

The coverage, which can be written on a three-year term, offers marina owners several types of coverage in one package. The program provides, among other things, all-risk property coverage, third-party liquor liability coverage, in-

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Continued from previous page
surance for boats in dry stack storage, business interruption coverage and seepage and pollution coverage.

"It's very expansive on terms and conditions," said Mr. Harrell.

The coverage is written by a London insurer for medium-sized to large facilities and provides primary limits of $1 million and up to an additional $4 million in umbrella limits.

Besides Howden Marine & Energy, the Dallas office now is responsible for Howden North America's utility accounts. The coverage was previously brokered by Howden Ltd., a brokerage unit in Toronto. But after a defection of Howden Ltd. personnel, Howden North America has restructured the utility division and based it in Dallas.

Gus Gallup, a former senior vp with Swett & Crawford in Los Angeles, was hired as a Howden North America regional director and head of the utility division.

Utilities can still find primary and excess liability limits of up to $45 million from Howden North America. The unit also can place property, builders risk and boiler and machinery insurance for utilities.

The Toronto office places coverage for Canadian firms and reports to Alexander Howden Ltd. in London.

Howden North America's 3-year-old health care division, which operates from its Chicago office, continues to fight for business during the soft market. Growth has been slow for the division, Mr. Harrell acknowledged. "That particular class of business is tough right now," he said, citing competition in the market.

The division can place limits of up to $25 million in excess claims-made or occurrence-based professional liability coverage for hospitals. The coverage is written above underlying primary coverage or self-insured retentions that vary according to the size of the hospital or its location.

While the soft market has stalled growth in the health care division, it has torpedoed Howden North America's financial services division. That unit, formed in 1988 to specialize in bankers blanket bond and related coverages, struggled in the soft market, and Howden North America decided to close it late last year.

The financial services division operated from the Chicago office and placed coverage primarily with a line slip underwritten by syndicates at Lloyd's.

The Chicago office continues to offer errors and omissions coverage for architects and engineers and a stop-loss program for employers that self-fund their group health care plans. Both programs are written by Lloyd's syndicates.

The medical stop-loss program continues to post healthy gains. Volume is up about 20% so far this year, Mr. Harrell said, and that comes on top of a similar increase last year.

While the soft market has continued to hold down rates for most lines of coverage, there has been a slight firming in rates for long-haul trucking liability risks written through a joint venture with Home Transportation Agency, a unit of The Home Insurance Co.

"We see some price-hardening," Mr. Kestenbaum observed, "and we anticipate it may increase."

Still, 1990 premiums were down a whopping 58% for the unit, reaching only $10.5 million after generating $25 million in premiums in 1989. Mr. Kestenbaum estimates that the unit will write around $20 million in volume this year

Limits of up to $5 million are available for long-haul trucking risks.

Howden North America also offers physical damage coverage for both trucking and commercial automobile risks. The coverage, introduced in 1989, is written on a line slip at Lloyd's.

The physical damage coverage provides limits of $100,000 per vehicle or $150,000 per combined vehicle, such as a tractor-trailer. An additional $500,000 in catastrophe limits is available.

However, very little business was written through that program last year, Mr. Harrell pointed out.

Howden North America places 87% of its business on a brokerage basis and 13% as a managing general agent. It has binding authority for The Home, Lloyd's syndicates and Scottsdale Insurance Co. of Scottsdale, Ariz.

The wholesaler's major markets are Lloyd's syndicates and units of Crum & Forster Inc. of Morristown, N.J.; American International Group Inc. of New York; The Home; Royal Insurance Group in Charlotte, N.C.; Scottsdale; Philadelphia-based CIGNA Corp.; Zurich American Insurance Group in Schaumburg, Ill.; Hartford Insurance Group of Hartford, Conn.; and Reliance Insurance Cos. in Philadelphia.

Howden North America last year opened a new office in Pasadena, Calif. Offices are located in Atlanta, Chicago, Cleveland, Dallas New York, San Francisco and Newport Beach, Calif.

In addition to Mr. Kestenbaum, Mr. Harrell and Mr. Gallup, principal officers at Howden North America are: John Hanna, president; Dave Wolf Jr., vice chairman; Robert E. Clay, Harvey Goldenberg and Dick Ruhe, regional directors; Charles Hollingsworth and Jim See, senior vps.

Howden North America is a member of AAMGA.

—By Michael Bradford

Premiums down, but Schinnerer still top manager

The Schinnerer Group Inc.

2 Wisconsin Circle; Chevy Chase, Md. 20815-7003; 301-961-9800; fax: 301-951-5444

	1990	1989
Premium volume	$489,000,000	$548,000,000
Gross revenues	$41,565,000*	$48,365,000*
Employees	373	379
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

* *BI* estimate.

The Schinnerer Group Inc. is optimistic that sluggish business will rebound when the soft property/casualty insurance market hardens.

In 1990, Schinnerer's premium volume slipped 10.8% to $489 million from $548 million in 1989, which was down 3.7% from $569 million in 1988. The company primarily attributes that drop, the second-biggest among the largest insurance wholesalers, to stiff competition and the recession.

Despite that decline, Schinnerer retained its No. 1 position in the *Business Insurance* ranking of the nation's largest underwriting managers and managing general agents.

During the first six months of 1991, premium volume continued to slide, declining 7.4% to $225 million from $243 million during the first six months of 1990.

Though Schinnerer does not disclose its gross revenues, *BI* estimates 1990 gross revenues at $41.6 million based on 8.5% of premium volume. That's down 14.1% from an estimated $48.4 million in 1989.

Schinnerer said the dropoff in premium volume was disappointing, though not unexpected.

And, rather than chase price-cutters, Schinnerer remains firmly committed to its decades-old philosophy of basing rates on risk.

"We'll continue, as always, to try our very best to price our products based on the risks involved rather than what the market dictates," said Senior Vp Douglas C. Dolan Jr.

That underwriting philosophy will be a boon to Schinnerer, its insurers and policyholders when the market tightens, Mr. Dolan said.

Some other insurers, burned by huge underwriting losses, will drop out of the market or cut limits when the market turns, he said. However, Schinnerer, because it protected its insurers' capital base during the soft market, will be ready to provide coverage in the next hard market, he said.

"We always are optimistic. We've know at some point the market will change," he said.

Mr. Dolan is not short of examples to describe the intense competition in Schinnerer's flagship program—architects and engineers'

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Continued from previous page
professional liability coverage.

On one risk, for example, insurers in the London market were quoting the same premium as the previous year even though the risk's exposure had increased by 80%, he said.

"In many cases, there doesn't seem to be any basis for premium determination other than an attitude of 'what will it take to beat the other guy?' It is pure cash-flow underwriting rather than an understanding of risk," Mr. Dolan said.

Rather than follow price-cutters in the architects and engineers professional liability market, Schinnerer retains policyholders by rewarding good long-term claims experience.

One example is a 35-year-old architects/engineers program underwritten by CNA Financial Corp. Endorsed by both the American Institute of Architects and the National Society of Professional Engineers, the innovative program offers small to medium-sized firms "profit-sharing" payments.

Under this arrangement, CNA has agreed to provide policyholders with profit-sharing payments when premium income—after claims, expenses and a reasonable profit—is totaled.

Last year, CNA paid about $3 million to policyholders in the 1985 and 1986 underwriting years. And, this year, CNA will provide about $15 million to eligible policyholders that were insured in 1985, 1986 and 1987.

Through this program, policyholders benefit by receiving coverage through a long-term, stable program, Mr. Dolan notes.

"Predicting what a professional liability insurance rate should be on a year-to-year basis is not an exact science. If loss development is more favorable than expected, CNA has made a commitment to return the money to the insureds," he said.

Effective with the 1991 policy year, the program will include larger firms —those with annual billings exceeding $5 million.

Of an estimated two dozen competing programs, Schinnerer's is far and away the largest. It offers limits of up to $15 million.

Aside from the soft market, several factors led to a slight decline in premium volume produced last year by the architects/engineers program, Mr. Dolan said.

First, the recession took its toll. With fewer bridges and buildings being built, premiums flatten out or decline, Mr. Dolan said.

Also, many long-time policyholders with favorable loss experience receive premium credits. "Even if the exposure remains the same, premiums will decline for those qualifying for credits," Mr. Dolan said.

In 1990, basic rates for architects/engineers professional liability coverage were flat. No major changes are expected this year, but Schinnerer is watching to see whether a recent rise in claims among builders in the Northeast spreads.

The recession also affected another Schinnerer professional liability program: errors and omissions coverage for real estate agents.

"When a real estate agency's sales drop 25% to 35%," premium volume will suffer, Mr. Dolan said, noting that agency premiums are based on volume and loss experience.

With an improving real estate market and CNA writing coverage in all 50 states, Mr. Dolan sees a rebound in the E&O program. "In recent months, we have seen the beginning of a rebound in terms of number of insureds and premium volume."

That program, which is endorsed by the National Assn. of Realtors, offers limits up to $5 million. It is among the broadest available to such speciality firms as real estate appraisal firms, property managers and leasing firms, as well as residential, commercial and industrial agencies.

While rates in the real estate E&O program remained stable last year, they could fall later this year in most states because of improved claims experience, Mr. Dolan said.

Schinnerer, through CNA, also recently launched two new programs in the real estate E&O field.

One, which will be available in all states by fall, provides basic E&O liability coverage for individual real estate agents not covered by their agency. It also is geared to agents who want their own personal liability coverage to protect them when they change firms.

The program, known as REAL, short for Real Estate Agents Liability, provides $25,000 in limits. In 49 states, a policy with a $2,500 deductible costs $105, while the premium for a policy with a $1,000 deductible is $135. In California, only a $2,500 deductible is offered for $590.

Coverage under the REAL program is available to agents who receive at least 90% of their income from residential transactions, have an annual real estate income of at least $50,000 and have been licensed for at least three years or have completed at least 10 transactions.

The other new real estate program, which Schinnerer won in competitive bidding, is offered to Iowa real estate licensees. An Iowa law that took effect July 1 requires agents to have at least $100,000 of E&O coverage.

Under the Schinnerer program, written through a CNA unit, Iowa agents can obtain $100,000 of basic coverage, with a $2,500 deductible, for an annual premium of $80. The annual premium for prior acts coverage for claims filed during the policy year—but which occurred prior to the date of coverage—is $96.

While the premiums are relatively low, the potential market is significant, Mr. Dolan said, noting that when the Iowa law took effect, 60% of the state's 12,200 licensed agents lacked the required coverage.

Another Schinnerer program, hospital excess professional liability insurance, is being rocked by competition.

Last year, Mr. Dolan thought Schinnerer might pick up some medical malpractice risks that had been written by the H.S. Weavers (Underwriting) Agencies Ltd. line slip after it suspended underwriting.

But other London facilities now charge rates as low or even lower than Weavers. Those low rates leave Mr. Dolan wondering about the future of some competitors.

"Rates that put Weavers where it is are being used by others. We wonder about their staying power," Mr. Dolan said.

Under the Schinnerer excess hospital professional liability program—provided through Transamerica Insurance Co.—limits of up to $25 million are available.

Generally, the excess coverage is written over a self-insured retention or primary insurance of $1 million per claim/$3 million aggregate.

Hospitals with loss-free claims experience that also take on more risk through higher SIRs or primary limits should see rate decreases of 15% this year, Mr. Dolan said.

Unlike many competitors, which simply provide excess coverage, Schinnerer provides a range of loss prevention and risk management services to hospitals.

Staffers, for example, will examine a hospital's claims' handling practices and suggest ways to improve the reporting, investigating, reserving and managing of claims. In addition, Schinnerer actuaries will help hospitals determine whether and at what levels self-insurance is feasible.

"We are not just collecting a premium and paying claims. We try to be pro-active," Mr. Dolan said.

Rates have been holding steady or slipping slightly in a program that provides E&O and directors and officers liability insurance for non-profit associations and organizations.

Up to $25 million in E&O and D&O limits are available through the program, which is underwritten by Federal Insurance Co., a unit of Chubb Corp.

The recession also has depressed premiums generated by this program, Mr. Dolan said. "In a recession, trade association budgets tend to decrease, pulling down their exposures."

Bucking the trend of declining premium volume in Schinnerer programs is the sparkling growth of United Educators Insurance Risk Retention Group Inc.

In each of the last two years, its premium volume has risen about 50%. Last year, United Educators, which provides coverage to about 575 educational institutions, generated about $18 million in gross premiums. That made it Vermont's third-largest risk retention group.

United Educators' growth has been aided by a boost last year in the excess liability limit to $25 million from $10 million, Mr. Dolan said. The limit for educators legal liability coverage remains at $10 million.

And recently, United Educators added a new policy: employee benefits/ERISA liability. This new policy, with a $10 million limit, provides coverage for any breach of a responsibility imposed by the Employee Retirement Income Security Act of 1974 as well as for claims alleging negligent acts, errors or omissions in employee benefit plan administration.

In another new program for certain educational institutions, public school district pools and captives can obtain up to $10 million of excess liability coverage. Coverage, written over an underlying program of at least $1 million, is provided by School, College & University Underwriters Ltd. of Bermuda and American Re-Insurance Co.

Premium volume also has been rising for Beverage Retailers Insurance Co. Risk Retention Group, for which Schinnerer also serves as underwriting manager. Last year, Vermont-domiciled BRICO, which provides up to $1 million of liquor liability coverage for taverns, restaurants and hotels, produced about $3.5 million in premiums, up from about $2.5 million in 1989.

Mr. Dolan notes that BRICO is growing as the market recognizes that it will provide stable, long-term coverage. To make that program more appealing, policyholders that honor Diners Club will receive a 5% premium credit.

Schinnerer is also underwriting manager for Title Insurance Assurance Co. Risk Retention Group. Title Insurance, licensed in Vermont, offers real estate agents conducting title searches up to $1 million in E&O coverage.

Schinnerer no longer serves as underwriting manager for AAMOS Mutual Insurance Co. Risk Retention Group, which is domiciled in Illinois. The ophthalmology risk retention group is now managing itself.

A Schinnerer subsidiary, Potomac Insurance Managers Inc., serves as underwriting manager for Colorado-domiciled Ophthalmic Mutual Insurance Co. Risk Retention Group. The group offers up to $2 million in medical malpractice liability limits per claim/$4 million aggregate.

Schinnerer, a Marsh & McLennan Cos. Inc. unit based in Chevy Chase, Md., has offices in New York, Chicago, Dallas, San Francisco, Bermuda, London, Ottawa and Toronto.

The Schinnerer Group Inc. serves as a holding company for its underwriting managing subsidiaries, including Victor O. Schinnerer & Co. Inc., which does business in the United States; ENCON Insurance Managers of Ottawa, Schinnerer's Canadian underwriting manager; Schinnerer & Co. Ltd. in London; and Potomac, which provides underwriting management services to both risk retention groups and other alternative risk financing facilities.

Schinnerer has 361 employees down from 373 at the end of 1990.

James R. Stevens is the president and Merrill B. Walker is executive vp of The Schinnerer Group Inc. Along with Mr. Dolan, officers of Victor O. Schinnerer & Co. Inc. are Marshall A. Ames, executive vp, and Paul L. Genecki, Thomas F. Tucker; James F. Willging; John Colmer; Homer M. Sandridge; Richard J. Walk; and Richard A. Curd, senior vps.

—By Jerry Geisel

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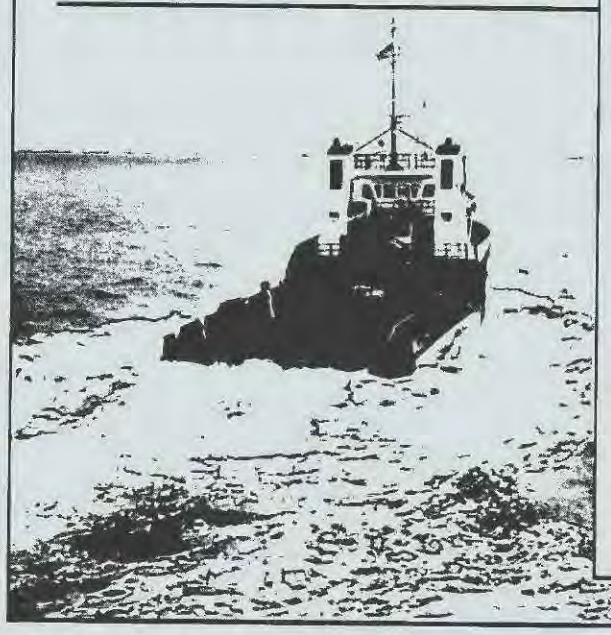
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The London Agency Inc.

1230 W. Peachtree St. N.W., Atlanta, Ga. 30309; 404-875-9641; fax: 404-874-4498

	1990	1989
Premium volume	$419,878,000	$412,418,000
Gross revenues	NM	NM
Employees	320	326
Admitted business	90%	90%
Non-admitted	10%	10%

NM-Not meaningful

The London Agency Inc.'s umbrella liability business provided the underwriting manager with shelter from some of the damage inflicted by the soft property/casualty insurance market.

But competition still is hammering away at umbrella business—The London Agency's main offering—and the Atlanta-based unit of Crum & Forster Inc. has seen that business slump this year.

Premium volume at The London Agency, aided by a jump in umbrella underwriting, rose a scant 1.8% to $419.9 million in 1990 from $412.4 million the previous year. Still, the small increase is significant because it comes after a 9.5% decline in premium volume in 1989 and a 17.9% drop in 1988.

The rise in premium volume was due to $255.4 million in umbrella premiums written in 1990, a 6.1% increase over $241 million in umbrella premiums recorded in 1989.

The increase in umbrella business written by The London Agency was particularly important because premium volume is largely unchanged at subsidiaries Seaboard Underwriters Inc. in Burlington, N.C.; brokerage Floyd West & Co. in Dallas; and London Brokers Ltd. in Atlanta.

Of the $419.9 million in premium volume recorded last year, $328 million, or 78.1%, was generated by The London Agency, $33.2 million, or 7.9%, by Seaboard as an underwriting manager and broker and $30.7 million, or 7.3%, by London Brokers on a brokerage basis.

Floyd West contributed $27.9 million, or 6.7% of the total, on a brokerage basis.

The London Agency took second place in the *Business Insurance* ranking of the largest U.S. underwriting managers/managing general agents and was ranked No. 3 among all wholesalers.

The small increase in premium volume last year at The London Agency is not an indication that the soft market is petering out, said John M. Griffin, chairman and chief executive officer.

"It's an indication of The London Agency having a better product," he explained, referring to an increase in limits for umbrella coverage. "We increased our umbrella limits to $15 million from $10 million. We did that because Crum & Forster had the capacity, and customers were looking to us to provide more in that marketplace."

Flat results reported by the subsidiaries are a reminder that the soft market is still having an impact, he pointed out.

Umbrella coverage, which is available excess of $1 million, is written by The London Agency on behalf of Crum & Forster Inc. unit International Insurance Co. The most recent increase in limits comes after an increase in 1989 from $5 million to $10 million.

There are no plans to further increase umbrella limits, he said.

The London Agency's decision to increase capacity in 1990 meant that it "attracted more (new) business," said Mr. Griffin, adding that existing clients are renewing umbrella coverages at the higher limits.

Although umbrella business increased last year, the overall renewal rate for the coverage is not rising this year, and new business is slowing. While existing clients were renewing at a rate of about 68% through July of last year, the 1991 renewal rate stands at about 63%.

New business also is sluggish, according to Mr. Griffin. "In terms of new business, we probably wrote half of the number of new policies" in the first six months of 1991 that the company wrote in the first six months of 1990, he said.

In fact, The London Agency alone, not including the subsidiaries, recorded premium volume of $164 million through the first six months of this year, an 8% decrease from $178.4 million in the first half of 1990.

Competition is coming from major stock insurance companies that are pushing umbrella business and offering low rates, he said.

But The London Agency remains steadfast in its resolve not to compete on price and is prepared to walk away from business that cannot be written at its "floor price."

"We've seen pricing nudge up 1% or 2%," Mr. Griffin said of the umbrella business. "What that tells me is that we're doing a lot of renewals at minus 5% (of last year's price), but we're also doing a lot at plus 5%."

And when business is not written, the reason is often not because The London Agency walked away, but because it did not have a chance to compete before another company wrote the coverage for an unrealistically low price, according to Mr. Griffin.

The average premium is around $72,000 on The London Agency's umbrella accounts, up from about $70,000 in 1989 and 1988.

The London Agency will not compete on price partly because it can offer "the highest underwriting expertise that is available," Mr. Griffin contends. "And we can get to know and maintain a relationship with the risk manager." The agency prefers to use its expertise to write umbrella coverage for difficult, high-hazard accounts. However, some hazards—like pharmaceuticals, potential pollutants, asbestos and medical malpractice exposures—are too risky, according to Mr. Griffin.

The London Agency writes some Fortune 500 accounts, but these accounts are composed of "safer" risks, like construction companies, rather than chemical or oil concerns.

The London Agency continues to deal with about 25 wholesalers, under the belief that a limited number of sources is important to its success because it can stay in close contact with producers.

Ten of those 25 wholesalers provide The London Agency with about two-thirds of its business, Mr. Griffin pointed out.

Mr. Griffin is optimistic that a new umbrella product developed in 1990 and introduced in January 1991 will be successful.

The coverage, written on an admitted basis by International Insurance Co., provides $500,000 in limits above a $500,000 self-insured retention. The London Agency then provides an additional $5 million or $10 million in umbrella limits above the $1 million.

The coverage is aimed at clients with more than $25 million in net worth or those with a product liability exposure but infrequent losses, Mr. Griffin explained.

The London Agency is offering the coverage in two layers because it prefers to write the umbrella above $1 million.

Mr. Griffin explained that claims activity is different above and below the $1 million threshold and The London Agency prefers to keep separate those claims that fall between $500,000 and $1 million. That way, a high frequency of claims in the lower layer would not affect the loss experience of The London Agency's umbrella program, he explained.

The new offering has resulted in about two dozen quotes and two accounts have been written, Mr. Griffin said. If the insurance market hardens, the coverage should become more attractive, he added.

"Primary prices are low now, so it's more attractive for risk managers to buy coverage in the market now rather than self-insure," Mr. Griffin explained. "Self-insurance will become more attractive in a harder market."

"Our wholesalers asked us for this," Mr. Griffin said of the new coverage. Wholesalers outlined their need for the product in a June 1990 meeting, and the coverage was rolled out the following January.

Meanwhile, 1990 and 1991 have been uneventful years for brokerage operations London Brokers and Floyd West, Mr. Griffin reported.

"Premiums have been pretty steady on a year-to-year basis," he said of the two operations.

Floyd West's $27.9 million in 1990 gross premiums and London Brokers' $30.7 million are close to the subsidiaries' 1989 results.

Three-year-old London Brokers operates as independently as possible from The London Agency, placing a broad range of commercial property/casualty coverages for clients primarily based in the Southeast.

Floyd West also places various property/casualty coverages, with much of its business based in Texas.

In April 1990, Floyd West opened a New Orleans office that formerly operated as a London Agency branch. The move came after a Floyd West office in Tampa, Fla., was moved to Atlanta.

London Agency underwriters who were based in New Orleans also were moved to Atlanta in the realignment. The move boosted productivity in the Atlanta office while the New Orleans office began working with wholesalers rather than retail brokers, which is the overall strategy of The London Agency.

Even amid sluggish economic conditions in New Orleans, "they're doing very well," Mr. Griffin said of the Floyd West office."

The London Agency's overall employee count stood at 320 at year-end, down from 326 at the end of 1989.

Seaboard's $33.2 million in 1990 writings is little changed from about $33 million in 1989. Of the total, $22.2 million was generated as an underwriting manager and $11 million as a wholesale broker.

Seaboard writes long-haul trucking liability insurance on behalf of Crum & Forster unit United States Fire Insurance Co. in Morristown, N.J.

Mr. Griffin said some small surplus lines insurers have dropped out of the competition for long-haul trucking liability accounts and rates are beginning to rise for the coverage. "That's becoming a very restrictive and tight marketplace," he said.

However, despite the absence of a few small players, competition for trucking business remains, Mr. Griffin noted. "We still have to compete with every insurance company on the street, no matter what their quality" if the company is writing the trucking coverage.

The underwriters that fell by the roadside were charging rates as low as 50% below those offered by Seaboard, he said. "With them out of the marketplace, we've been able to firm up our prices" to levels 15% or 20% higher than last year. That increase comes after a 20% jump in 1989.

As competitors have dropped out, the range of prices for long-haul liability coverage is much smaller than it was a year ago, according to Mr. Griffin. Some competitors are charging 10% to 15% less than Seaboard, rather than 50% less as in 1990.

Seaboard measures gains in market share by the number of trucks for which it writes coverage, not in the number of accounts. Although Mr. Griffin did not have specific numbers, he said the company has increased the number of units it covers.

The type of client the company seeks is a medium-sized trucking firm with 10 to 15 large trucks.

Through June, The London Agency reported overall premiums—including its subsidiaries' volume—of $199 million, up slightly from $194.4 million for the same period last year.

While umbrella writings increased in 1990, property premiums continued to head in the opposite direction.

"Property business is much more competitive than the umbrella business," Mr. Griffin said. Rates for the coverage are getting so cheap that "they are too low to get involved with," he said.

In 1990, The London Agency's property and inland marine writings shrank to $75 million, down 7.4% from $81 million the previous year. Property and inland marine business has continued its slide into 1991. Through June, The London Agency recorded $35 million in premiums, an 8% decrease from the $38 million written in the first half of 1990.

Average premiums on property and inland marine accounts are about $22,000, nearly unchanged from 1990.

In addition to U.S. Fire and International Insurance, The London Agency writes coverage on behalf of Crum & Forster units North River Insurance Co. in Morristown, N.J., International Surplus Lines Insurance Co. in Chicago and Westchester Fire Insurance Co. in Basking Ridge, N.J.

All of the London Agency's business is commercial lines, and 90% is placed with admitted insurers.

The London Agency is looking to finish 1991 with overall premium volume down slightly from last year, Mr. Griffin predicted.

"Profit-wise, we'll be in good shape," despite the loss of volume, he said.

And despite the market conditions, The London Agency will continue to operate the way it is now.

"We are committed to operating in a soft market," Mr. Griffin observed. "When a hard market comes along, that's a bonus to us."

In addition to Mr. Griffin, the principal officers at The London Agency are: William P. Garrigan, senior vp-financial; Joseph J. George, senior vp-casualty; Richard J. McAdam, senior vp-property; Larry D. Morris, senior vp-claims; Donald R. Sandgren, president of Seaboard Underwriters; Ted A. Hosterman, president of Floyd West; and Robert B. Portwood, senior vp of London Brokers.

The London Agency is a member of NAPSLO.

—By Michael Bradford

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Crum & Forster Managers Group

200 S. Wacker Drive, Chicago, Ill., 60606; 312-993-6300;
fax: 312-876-9638

	1990	1989
Premium volume	$293,010,000	$299,205,000
Gross revenues	NM	NM
Employees	477	441
Commercial lines	100%	100%
Admitted business	79%	38%
Non-admitted	21%	62%

NM-Not meaningful

With the soft market showing no signs of abating, Crum & Forster Managers Group is emphasizing enhanced customer service as a way to differentiate itself from its competitors.

The Chicago-based underwriting manager in late 1990 launched an in-house study of its structure and products in an effort to improve customer service, said David N. Thompson, chairman and chief executive officer of the Crum & Forster Inc. unit.

Based on the study's result, "we recognized the need to put more flesh" on customer service efforts, Mr. Thompson said.

To that end, the underwriting manager reorganized its operating structure, trimmed its product line to sharpen its focus on market niches and improved its loss control programs, he said.

CFM determined its focus had to be sharpened to compete effectively.

CFM's premium volume dropped 2.1% to slightly more than $293 million in 1990 from $299.2 million in 1989, which represented a 6.1% drop from $318.8 million in 1988.

Still, CFM moved up one spot to third place among the largest U.S. underwriting managers/managing general agents in this year's *Business Insurance* rankings and remained the fifth-largest wholesaler overall.

CFM's premium volume continued to dip during the first half of 1991, sliding 3% to $132 million from $136.1 million during the same period in 1989.

But, Mr. Thompson cautioned against reading too much into the first half results.

"Our second six months is always heavier than our first six months," he said.

And, improved customer service as a result of a organizational restructuring can only help, he said.

But, Mr. Thompson stressed that responding to customer demands does not mean engaging in price competition.

Crum & Forster Inc. Chairman and Chief Executive Officer Robert J. Vairo has stated repeatedly that C&F and all of its units will adhere to the concept of a walkaway price, below which they will not write the business.

"We do not choose to compete on ever lower spiralling rates," Mr. Thompson said.

Instead, CFM chooses to compete on the basis of service. As a result, the underwriting manager reorganized its headquarters structure somewhat earlier this year, Mr. Thompson said.

The reorganization in the Chicago office was necessary because "we found our focus on the customer was blurred," Mr. Thompson said.

He noted that before the reorganization, the same people in the Chicago headquarters might be expected to handle both underwriting and rate and form filings with state insurance departments, which did not allow them to concentrate on customer service.

Therefore, the headquarters was split into a "group office," which handles administrative functions for all of CFM, and a "branch office" in the same building.

"We took the (Chicago office) underwriters, the administrative support and marketing departments all closely aligned with the producer and established them in the Chicago branch office," Mr. Thompson explained.

Under the new structure, all of the branch offices, including Chicago, report to Walter E. Mueller, senior vp in Chicago. Mr. Mueller continues to report to Mr. Thompson.

Robert E. Stalker, vp-marketing, explained that branch offices are responsible for the day-to-day servicing of producers' needs. This includes accepting submissions, underwriting, issuing policies and providing ongoing service to producers, he said.

The group office, which is headed by Mr. Thompson, handles claims, establishes underwriting guidelines for the four branches, and carries out human resources, administration, reinsurance, financial services and group marketing functions, Mr. Stalker said.

"CFM is devoted to superior customer service and we feel that the branch office network interacting closely with a finite network of producers locally is the most effective way to service their needs," Mr. Thompson said.

Mr. Stalker noted that the reorganization had very little impact on the general operations of the three existing branches. But by splitting Chicago underwriting into branch office and group office underwriting, underwriters in the branches find that group office underwriters "have a greater capability to rapidly respond to field office requests for support and assistance as a part of their major job function," rather than being hampered by administrative work, he said.

Mr. Thompson said that the reorganization, instituted earlier this year, is already paying dividends in enhanced service.

"Our turnaround times have dropped to almost nothing. You can send us an application, we'll send you a quote," Mr. Thompson said.

Mr. Stalker added that conversations with clients indicate increasing satisfaction with service since the changes were made.

CFM consists of four units: Crum & Forster Managers Corp. (Ill.) in Chicago; Crum & Forster Managers Corp. (N.Y.) in New York; Crum & Forster Managers Corp. (Fla.) in Miami; and Crum & Forster Insurance Managers Brokers in Los Angeles.

CFM also has trimmed its product lines to concentrate on its specialty niches, according to Mr. Thompson.

The underwriting manager had about 25 product lines a year ago but has eliminated about five products due to a lack of demand from Mr. Thompson said. He declined to name which products had been cut, other than saying they were small lines.

The slimmer product book focuses on CFM's traditional strengths, he said.

CFM's major lines of business are:

- Various forms of errors and omissions liability coverage, which accounted for 50% of CFM's premium volume in 1990, unchanged from 1989.
- Excess casualty, which accounted for 19% of CFM's premium volume in 1990, up a percentage point from 1989.
- Directors and officers liability insurance, which accounted for 19% of CFM's book of business in 1990, down slightly from 21% a year earlier.
- Property, which made up 12% of the CFM book of business, up slightly from 11% a year earlier.

Mr. Thompson noted that much of CFM's property and liability business is focused on public entities.

CFM also is stressing its expertise in D&O insurance for non-profit organizations as part of its niche marketing strategy, he said.

He added that although CFM writes D&O insurance for for-profit organizations, it does not provide D&O coverage for financial institutions.

It also does not write environmental impairment liability insurance.

In general, CFM quotes limits of up to $10 million for virtually all property and casualty risks it writes, Mr. Thompson said.

However, there are exceptions, he said. For example, a police professional liability program offers limits of up to only $1 million because "that's all there is in demand," Mr. Thompson said.

As part of CFM's emphasis on customer service, the underwriting manager is redoubling its efforts to promote loss control, Mr. Thompson noted.

"We see that there's a definite need for loss control education" among professionals, he said.

CFM has been actively promoting its loss control efforts through associations and has pioneered the use of loss control videos aimed at professionals like accountants and insurance agents, pointed out Roger A. Quigley, senior vp and chief underwriting officer.

Mr. Quigley noted that accountants are able to meet continuing education requirements by viewing the videos, which a Chicago-area company produces for CFM.

The emphasis on customer service is also reflected in the theme chosen for the underwriting manager's 20th anniversary this year, "Score-II for Service," Mr. Thompson said.

The aim of Score-II is to celebrate "20 years of customer service," Mr. Stalker said.

Mr. Thompson added that there will be "a quasi-decentralized party" throughout the group this year, with each branch commemorating the event when and how it chooses.

CFM underwrites insurance on an admitted basis for Crum & Forster affiliates International Insurance Co., International Surplus Lines Insurance Co., North River Insurance Co., United States Fire Insurance Co. and Westchester Fire Insurance Co.

However, CFM's shift to the admitted market had a dramatic impact on the premium volume for Chicago-based ISLIC, its traditional surplus lines insurer, which operates as an admitted insurer in Illinois and a non-admitted insurer in all other states except Alaska. where it does not write business.

ISLIC's non-admitted direct premiums fell 62% to slightly less than $66 million in 1990 from $174.1 in 1989.

The drop pushed ISLIC off *Business Insurance*'s list of the Top 10 excess/surplus insurers. ISLIC ranked third a year ago (*BI*, Aug. 13, 1990).

ISLIC—which has has no employees of its own and whose day-to-day operations are managed by CFM—reported total gross premiums of $69.8 million in 1990, a 62% decline from $184.9 million in 1989.

However, "ISLIC is available for new programs. It's available for the hard market. It's available for day-to-day underwriting," Mr. Thompson said.

"A year ago, our plan was to move to admitted paper," Mr. Thompson said. "We're very comfortable with our rates and forms."

Seventy-nine percent of CFM's premium volume was placed with admitted markets in 1990, more than double the 38% placed with admitted insurers in 1989.

The trend continues through the first half of 1991: Eighty-five percent of CFM's premiums were placed with admitted markets, compared with 78% for the first half of 1990.

CFM has been adding underwriting staff since early 1990. These additions were reflected in an 8.2% growth in the number of CFM employees to 477 at the end of 1990 compared with 441 at the end of 1989.

However, all of the growth occurred during the first half of 1990, when the number of employees reached a high of 479.

CFM also expanded its network of producers slightly in 1990 to 747 at year-end, compared with 729 at the end of 1989, pointed out Mr. Stalker.

Wholesalers produce roughly three-quarters of CFM's premium volume, Mr. Stalker noted. The remainder is produced by retailers, though "we can't say that there's very much volume with the alphabet houses," he said.

Some of the underwriting manager's professional liability programs are produced exclusively through certain brokerages.

For example, Rollins Burdick Hunter Co. of Chicago is the exclusive broker for an E&O program for certified public accountants.

Another Chicago firm—Myers-Baker & Co.—produces an E&O program for real estate appraiser.

And, an architects and engineers E&O liability program is produced by Professional Coverage Managers of New York.

CFM's principal officers include Messrs. Thompson, Quigley, and Mueller and Gary J. Ferguson, senior vp-claims.

In addition, CFM late last month named Thomas A. McCall senior vp and chief financial officer. Mr. McCall, previously senior vp-business analysis for Crum & Forster Inc., succeeded Dennis C. Gibbs, who was named senior vp with reinsurance collection responsibilities for Crum & Forster Inc.

CFM is a member of both AAMGA and NAPSLO.

—By Mark A. Hofmann



General Star Management Co.

695 East Main St., P.O. Box 10354, Stamford, Conn., 06904-1354; 203-328-5700; fax: 203-328-6260

	1990	1989
Premium volume	$189,224,310	$176,292,776
Gross revenues	NM	NM
Employees	215	173
Commercial lines	98%	99%
Admitted business	25.6%	26.5%
Non-admitted	74.4%	73.5%

NM-Not meaningful

General Star Management Co. has moved back among the ranks of the Top 10 U.S. wholesalers, largely because an affiliated insurer it manages purchased a large book of business from Royal Group Inc.

The book of property business for small to medium-sized risks that General Star Indemnity Co. acquired in July 1990 was responsible for about a $10 million increase in premium volume, said President Kevin P. Brooks.

The underwriting manager's premium volume increased 7.3% to $189.2 million from $176.3 million, boosting General Star Management into 10th place among all wholesalers and fifth place among managing general agents/underwriting managers in the *Business Insurance* ranking of the largest U.S. wholesalers.

General Star Management last appeared in the *Business Insurance* ranking in 1988, based on its 1987 premium volume of $228 million. That total had been down 32.7% from almost $339 million in 1986 (*BI*, Aug. 8, 1988).

General Star Management, a unit of General Re Corp., is the exclusive underwriting manager for General Star Indemnity.

General Star Management also underwrites for affiliate General Star National Insurance Co.

Another factor contributing to the increase in the underwriting manager's premium volume was that General Star Indemnity was able to boost its new and renewal primary casualty business by 10%, Mr. Brooks said.

General Star Indemnity—which primarily writes primary, excess and umbrella liability and property business on a non-admitted basis—reported its direct, non-admitted premiums increased 16.6% to $152.5 million in 1990 from $130.7 million in 1989.

This increase moved the insurer up two notches to third place in the *Business Insurance* ranking of the largest U.S. surplus lines insurers (see story, page 19).

Total gross premiums for General Star Indemnity—which also reflects business written in Connecticut, where it is an admitted insurer—increased 15.9% to $156.1 million from $134.6 million.

General Star National—which writes mainly excess liability business and is admitted in all states except Hawaii—reported its gross premiums remained constant at $58.3 million in 1990.

Other General Re units also write business for General Star National.

General Star Management prefers using its non-admitted market and using General Star National mainly when policyholders—like municipalities or school districts—require an admitted insurer, Mr. Brooks explained.

The share of the management company's premiums written on a non-admitted basis has remained constant, according to Mr. Brooks.

In 1990, 74.4% of General Star Management's premium volume was written in the non-admitted market, compared with 73.5% in 1989.

For the first six months of 1991, 74% of General Star Management's premium volume was written in the non-admitted market.

"It moves up and down within a 5% range, but the 75/25 split has existed since 1986," he said.

The first six months of 1991 also showed a small increase in premium volume.

Premium volume is up 3.9% to $94.8 million from $91.3 million during the first six months of 1990.

General Star Indemnity and General Star National have no employees of their own. The companies are managed by the staff of General Star Management, which had 215 employees at year-end 1990, up 24.3% from 173 the year before. As of June 30, the underwriting manager had 221 employees.

In addition to Mr. Brooks, General Star Management's principal officers are Samuel C. Andersen, Russell D. Hendrickson, Adin S. Tooker and Ronald S. Austin, vps; and Charles N. Venezia, second vp.

General Star Management is a member of NAPSLO and the AAMGA.

—By Stacy Adler

Cameron & Colby Co. Inc.

60 Batterymarch St., Boston, Mass. 02110 617-357-8400; fax: 617-357-9820

	1990	1989
Premium volume*	$198,000,000	$231,991,000
Gross revenues	NM	NM
Employees	0	430
Commercial lines	100%	100%
Admitted business	55%	48%
Non-admitted	45%	52%

* Direct writings only; excludes reinsurance.
NM-Not meaningful.

Cameron & Colby Co. Inc., an underwriting management unit of the Hartford Group Inc., is being phased out.

The Boston-based management firm for years has acted as the exclusive underwriting manager for First State Insurance Co., New England Insurance Co. and New England Reinsurance Corp., all Hartford subsidiaries (see story, page 37).

But, beginning several months ago, the group began an internal restructuring, with Cameron & Colby employees assigned to the staffs of First State and New England Insurance, and the two insurers' operations then separated from those of New England Re, said Ralph J. Palmieri, president and chief operating officer of Cameron & Colby.

Previously, Cameron & Colby employees served as the staffs of the three companies, which reported having no employees of their own.

First State, a non-admitted surplus lines insurer, and New England Insurance, its admitted market counterpart, will continue to operate in tandem under a new surplus lines management company, First State Management Group, explained Lawrence S. Doyle, the chief executive officer of Cameron & Colby.

New England Re, meanwhile, will operate independently with its own staff and without an underwriting manager.

In the process, Cameron & Colby will cease to exist. The phase-out is expected to be completed by next spring, when the insurers' operations move to new offices in downtown Boston.

"That will pretty much be the final stroke" for Cameron & Colby, Mr. Palmieri observed.

At one time, it was easier for Hartford to combine the underwriting, accounting and other functions of the three insurance companies under a single management operation, Mr. Doyle said, explaining Cameron & Colby's function.

Hartford officials decided, however, that it made more sense to separate First State and New England Insurance—which write basically the same types of business on either a non-admitted or admitted basis—from the reinsurance business of New England Re.

Cameron & Colby itself had little name recognition in the market, where the names of the three underwriting units are widely known, Mr. Palmieri noted.

"We don't gain anything by using Cameron & Colby," he summed up.

Direct premium volume written by First State and New England Insurance fell 14.6% last year to $198 million from $232 million the previous year as the soft insurance market continued to erode the companies' business.

Including the reinsurance operations of New England Re, the Cameron & Colby-managed companies reported earned premiums of $421.6 million last year, down marginally from $427.5 million in 1989. Combined net income jumped 40.2% to $40.8 million last year from $29.1 million in 1989, and combined surplus expanded 16.5% to $511.5 million at year-end 1990 from $439.1 million at the previous year-end.

In addition to Boston, Cameron & Colby has offices in Atlanta, Chicago, Los Angeles, New York an San Francisco. First State Management will operate from these same locations.

Top officers include Mr. Doyle and Mr. Palmieri and Lynford M. Richardson, executive vp. They will have the same titles with First State Management.

Peter P. Coghlan, currently a First State senior vp, will become an executive vp of First State and First State Management.

—By Douglas McLeod

BI's annual directory of insurance wholesalers

A

ARC Excess & Surplus Inc.

300 Old Country Road, Mineola, N.Y. 11501; 516-747-4100; fax: 516-747-3633

	1990	1989
Premium volume	$110,000,000	$105,000,000
Employees	24	22
Commercial lines	100%	100%
Admitted business	70%	85%
Non-admitted	30%	15%

Year founded: 1986.
Business: 100% broker.
Broker for: Primarily Aetna Casualty & Surety, CNA Financial Corp., National Union Fire Insurance Co. of Pittsburgh, Pa., Great American Insurance Co., CIGNA Corp., Reliance Insurance Co., Federal Insurance Co., Gulf Insurance Co., Home Insurance Co., Harbor Insurance Co., Old Republic Insurance Co., RLI Insurance Co., Tudor Insurance Co., Evanston Insurance Co., Associated International Insurance Co., Lexington Insurance Co., Agricultural Excess & Surplus Lines Insurance Co.
Branch offices: Houston.
Subsidiaries: ARC Consulting Group Inc. and ARC Special Risks Inc., Mineola, N.Y.
Specialties: Directors and officers liability, fiduciary liability, lawyers professional liability, union fiduciary liability.
Principal officers: Albert L. Salvatico, Richard A. Fierstein, Christopher J. Cavallaro, Stephanie L. Tessmer, Robert H. Goodman, Vikki Nygren, Jan Landstrom, Mark Campson.
Licensed in: New York, Texas.
Membership: NAPSLO, Professional Insurance Wholesalers of New York, Professional Liability Underwriting Society.

Agency Marketing Services Inc.

130 Pinellas Way N., St. Petersburg, Fla. 33710; 813-384-1036; fax: 813-343-4123

	1990	1989
Premium volume	$7,315,000	$6,507,000
Employees	6	6
Commercial lines	100%	100%
Admitted business	50%	40%
Non-admitted	50%	60%

Year founded: 1982.
Business: 40% managing general agent, 60% broker.
MGA for: Home Insurance Co., Lincoln Insurance Co.
Broker for: Primarily Chubb Custom Insurance Co., Crum & Forster Inc., Interstate Fire & Casualty Co., Lexington Insurance Co., RLI Insurance Co., Transamerica Insurance Co., Evanston Insurance Co., Zurich American Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Professional liability, directors and officers liability.
Principal officers: Kevin Schuck, president; Bryan Chenell, Stephen Todd and Donald Baker, vps.
Contact: Kevin Schuck.
Licensed in: Florida.
Membership: NAPSLO, Florida Surplus Lines Assn., Florida Assn. of Independent Agents.

Alexander Howden North America Inc.

200 Northcreek, Suite 800, 3715 Northside Parkway N.W., Atlanta, Ga. 30327 404-250-5200; fax: 404-240-5392

See profile on page 55.

All American Agency Facilities Inc.

711 Margaret St., P.O. Box 41169, Jacksonville, Fla. 32203; 904-354-3532; fax: 904-632-2157

	1990	1989
Premium volume	$37,400,000	$35,200,000
Gross revenues	$3,360,000	$2,826,000
Employees	64	68
Commercial lines	95%	95%
Admitted business	70%	62%
Non-admitted	30%	38%

Year founded: 1981.
Parent company: W.R. Berkley Corp.
Business: 70% managing general agent, 30% broker.
MGA for: American Empire Surplus Lines Insurance Co., American Modern Home Insurance Co., Canal Insurance Co., Carolina Casualty Insurance Co., Empire Fire & Marine Insurance Co., Essex Insurance Co., Guaranty National Insurance Co., Lloyd's of London syndicates, Scottsdale Insurance Co., Union American Insurance Co., Western World Insurance Co.
Broker for: Primarily Admiral Insurance Co., General Star Indemnity Co., American International Group Inc. (including Lexington Insurance Co.), Crum & Forster Inc., Cameron & Colby Co. Inc., Fireman's Fund Insurance Cos., Interstate Fire & Casualty Insurance Co., Shand, Morahan & Co. Inc., RLI Insurance Co., Transcontinental Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Baltimore; Chicago; Denver; Jackson, Miss.
Subsidiaries: Commercial General Agency, Jacksonville, Fla. and Charlotte, N.C.; Diversified X/S Underwriters, Lincoln, Neb.; Tobey & Co., Portland, Ore. and Redmond, Wash.
Specialties: Commercial automobile liability, physical damage and motor truck cargo.
Principal officers: James C. Blanton, chairman/president; Irvin Wolf III, senior vp; Jack C. Lotz, secretary/treasurer; Kenneth R. Baker, vp.
Contact: James C. Blanton or Irvin Wolf III.
Licensed in: Maryland, North Carolina, Georgia, Florida, Illinois, Colorado, Nebraska, Washington, Oregon, Iowa, Mississippi.
Membership: NAPSLO.

All Risks Ltd.

1001 Cromwell Bridge Road, Suite 302, Towson, Md. 21204; 301-828-5810; fax: 301-828-8179

	1990	1989
Premium volume	$20,000,000	$16,500,000
Gross revenues	NA	$1,650,000
Employees	32	25
Commercial lines	95%	95%
Admitted business	40%	40%
Non-admitted	60%	60%

Year founded: 1964.
Business: 85% managing general

Continued on next page

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Continued from previous page
agent, 15% broker.

MGA for: Scottsdale Insurance Co., Western World Insurance Co., National Indemnity Co., Harco National Insurance Co., Northland Insurance Co., American Empire Surplus Lines Insurance Co., Colony Insurance Co., National Casualty Co.

Broker for: Primarily CNA Financial Corp., Virginia Surety Co. Inc., Tudor Insurance Co., Crum & Forster Managers Group, The London Agency Inc., Chubb Custom Insurance Co., Transamerica Insurance Co., United National Insurance Co., Reliance National Insurance Co., Lexington Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Richmond, Va.; York, Pa.

Specialties: Commercial automobile, restaurant, commercial umbrellas, lawyers professional insurance.

Principal officers: William J. Salladin, president; Martha Dickinson, executive vp; Nick Cortezi, vp.

Contact: Nick Cortezi.

Licensed in: Maryland, Pennsylvania, Virginia, Delaware, District of Columbia.

Membership: NAPSLO, Independent Insurance Agents of America Inc., National Assn. Professional Insurance Agents.

American E&S

90 John St., New York, N.Y. 10038; 212-619-4220; fax: 212-766-1019

	1990	1989
Premium volume.	$53,898,904	$56,243,800
Employees	43	47
Commercial lines.	100%	100%
Admitted business	46%	52%
Non-admitted	54%	48%

Year founded: 1980.

Parent company: American Business Insurance.

Business: 12% managing general agent, 88% broker.

MGA for: Scottsdale Insurance Co., National Casualty Co., General Agents Insurance Co.

Broker for: Primarily Agricultural Excess & Surplus Lines Insurance Co., Travelers Insurance Co., Union Labor Life Insurance Co., Great American Insurance Co., Reliance Insurance Co., Zurich Insurance Co.

Branch offices: San Francisco, Houston.

Specialties: Property, DIC, casualty primary products, excess liability, professional fiduciary, special program business.

Principal officers: Roger S. Walsh, chief executive officer; Arthur Forenza, president; Larry Mennes and Jane H. Vander Velde, senior vps.

Contact: Roger S. Walsh.

Licensed in: California, New Jersey, New York, Texas.

Membership: AAMGA, NAPSLO, PIWA of New York, Texas Surplus Lines Assn., IBA of New York, Western States Surplus Lines Assn.

American Insurance Marketing Services Inc.

20 N. Wacker Drive, Suite 3414, Chicago, Ill. 60606-3102; 312-201-8333; fax: 312-201-8818

	1990	1989
Premium volume.	$7,200,000	$6,719,379
Gross revenues	$400,000	$946,603
Employees	4	5
Commercial lines.	100%	100%
Admitted business	40%	50%
Non-admitted	60%	50%

Year founded: 1989.

Business: 15% managing general agent, 85% broker.

MGA for: Agricultural Excess & Surplus Lines Insurance Co.

Broker for: Primarily Agricultural Excess & Surplus Lines Insurance Co., RLI Insurance Co., Continental Excess & Surplus, Associated International Insurance Co., First State Insurance Co., The Home Insurance Co. of Illinois, Interstate Fire & Casualty Insurance Co., Transamerica Insurance Co., Fireman's Fund Insurance Cos., Chubb Custom Insurance Co., Calvert Insurance Co., Assicurazioni Generali S.p.A., Homestead Insurance Co., Allianz Underwriters Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Public entity, primary product liability, umbrellas for chemical manufacturing and machinery manufacturing.

Principal officers: John P. Middleton, president.

Licensed in: Illinois.

Membership: NAPSLO.

American X/S Underwriters Inc.

N14 W23883 Stone Ridge Drive, Waukesha, Wis. 53188; 414-544-5700; fax: 414-544-1672

	1990	1989
Premium volume.	$7,300,000	$7,100,000
Employees	12	10
Commercial lines.	70%	70%
Admitted business	30%	30%
Non-admitted	70%	70%

Year founded: 1969.

Business: 65% managing general agent, 35% broker.

MGA for: Scottsdale Insurance Co., Western World Insurance Co., Acceptance Insurance Co., Essex Insurance Co., Northfield Insurance Co., Colony Insurance Co., Mount Vernon Insurance Co., Lloyd's of London, Evanston Insurance Co.

Broker for: Primarily Lexington Insurance Co., International Insurance Co., RLI Insurance Co., Illinois Insurance Exchange, General Star Management Co.

Correspondent: Lloyd's of London.

Principal officers: John Owens, chairman; Jeff Berg, president.

Contact: Jeff Berg.

Licensed in: Wisconsin.

Membership: AAMGA, NAPSLO.

Anderson & Murison Inc.

800 W. Colorado Blvd., Los Angeles, Calif. 90041-1704; 213-255-2333; fax: 213-255-0957

	1990	1989
Gross revenues	$3,201,177	$2,717,526
Employees	29	28
Commercial lines.	75%	75%
Admitted business	25%	25%
Non-admitted	75%	75%

Year founded: 1965.

Type of business: 80% managing general agent, 20% broker.

MGA for: Acceptance Insurance Co., American Empire Surplus Lines Insurance Co., Jefferson Insurance Group, United National Insurance Co., Western World Insurance Co., Topa Insurance Co.

Broker for: Primarily First State Insurance Co., Colonia Insurance A.G., Topa Insurance Co., General Star Management Co.

Correspondent: Lloyd's of London.

Principal officers: David F. Anderson, president; Horst L. Lechler, senior vp.

Contact: David F. Anderson.

Licensed in: California.

Membership: AAMGA, NAPSLO, Surplus Lines Assn. of California.

Anglo-American Ltd.

201 Bloomfield Ave., Verona, N.J. 07044; 201-239-7000

	1990	1989
Premium volume.	$3,500,000	$3,500,000
Employees	6	5
Commercial lines.	99%	99%
Admitted business	5%	5%
Non-admitted	95%	95%

Year founded: 1975.

Type of business: 90% managing general agent, 10% broker.

MGA for: Lincoln Insurance Co., Sphere Drake Insurance Co. P.L.C., Terra Nova Insurance Co. Ltd., Evanston Insurance Co.

Broker for: Primarily Lexington Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Trucking.

Principal officers: Sam Bergerman.

Licensed in: New Jersey, New York and Pennsylvania.

Membership: NAPSLO, Professional Brokers Assn., Independent Insurance Agents of America Inc., National Assn. of Professional Insurance Agents, New Jersey Surplus Lines Assn.

Aon Entertainment Ltd. Insurance Services

10 Universal City Plaza, Suite 2200, Universal City, Calif. 91608-1002; 818-506-1500; fax: 818-509-7565

	1990	1989
Premium volume.	$45,929,295	$64,266,411
Gross revenues	$8,272,838	$9,038,477
Employees	72	79
Commercial lines.	98%	98%
Admitted business	75%	65%
Non-admitted	25%	35%

Year founded: 1854.

Parent company: Aon Corp.

Business: 80% underwriting manager, 15% managing general agent. 5% broker.

Underwriting manager for: CNA Financial Corp., Virginia Surety Co. Inc.

MGA for: Lloyd's of London.

Broker for: Primarily Chubb Custom Insurance Co., Topa Insurance Co., CIGNA Corp.

Correspondent: Lloyd's of London.

Branch offices: Los Angeles, New York, Montreal, London.

Specialties: Entertainment industry, sports, venues, music.

Principal officers: Al Rieder and Eric Gemballa, senior vps; Frank Powers, Eric Oxboel and Guy DeMarco, vps.

Contact: Guy DeMarco.

Licensed in: California, New York.

Arlington/Roe & Co. Inc.

5546 Shorewood Drive, P.O. Box 20905, Indianapolis, Ind. 46220; 317-257-9123; fax: 317-259-4106

	1990	1989
Premium volume.	$12,507,096	$9,734,682
Gross revenues	$1,298,110	$1,061,073
Employees	28	23
Commercial lines.	60.1%	58%
Admitted business	60%	65%
Non-admitted	40%	35%

Year founded: 1964.

Type of business: 73% managing general agent, 27% broker.

MGA for: American Empire Surplus Lines Insurance Co., American Modern Home Insurance Co., Century Surety Co., Guaranty National Insurance Co., Empire Fire & Marine Insurance Co., Foremost Insurance Co., Midwest Mutual Insurance Co., National Indemnity Co., Nautilus Insurance Co., Northland Insurance Co., Northfield Insurance Co., Western Heritage Insurance Co., Lloyd's of London, First Financial Insurance Co., Western World Insurance Co.

Broker for: Primarily International Surplus Lines Insurance Co., Employers REinsurance Corp., CNA Financial Corp., Evanston Insurance Co., Fireman's Fund Insurance Cos., The Home Insurance Co. of Illinois, Homestead Insurance Co., Lexington Insurance Co., North Atlantic Casualty & Surety Insurance Co., Scottsdale Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa., Aetna Casualty & Surety Co., Reliance Insurance Co., Transamerica Insurance Co., United National Insurance Co., First State Insurance Co., Chubb Custom Insurance Co., Tudor Insurance Co., Lloyd's of London, SAFECO Corp., Colonia Insurance A.G., United Capitol Insurance Co., General Star Indemnity Co., Dearborn Insurance Co., RLI Insurance Co.

Correspondent: Lloyd's of London.

Principal officers: James A. Roe, president; Nancy E. Young, Allen J. Grau and Shirley M. Lee, vps.

Contact: James A. Roe.

Licensed in: Indiana.

Membership: AAMGA, NAPSLO, Indiana Assn. of Professional Specialty Lines Offices, Big I.

Associated Programs Inc.

919 Third Ave., New York, N.Y. 10022; 212-688-9700; fax: 212-319-7509

	1990	1989
Premium volume.	$17,000,000	$9,000,000
Gross revenues	$2,100,000	$1,200,000
Employees	17*	11*
Commercial lines.	100%	100%
Admitted business	94%	100%
Non-admitted	6%	0%

* Support services provided by parent company.

Year founded: 1987.

Parent company: Kornreich Insurance Services.

Type of business: 91% managing general agent, 9% broker.

MGA for: CIGNA Corp., Institute of London Underwriters member companies.

Broker for: Primarily International Insurance Co., Kemper National Insurance Cos., Assicurazioni Generali S.p.A., American International Group Inc., RLI Insurance Co., General Re Corp.

Branch offices: Toronto; New York; Teaneck, N.J., West Palm Beach, Fla.

Specialties: Not-for-profit community service organizations.

Principal officers: Steven L. Grossberg, executive vp/chief operating officer; Robert A. Stein, vp/underwriting officer; Steven E. Sims, vp-product development; James D. Kornreich, Thomas A. Kornreich and William D. Kornreich, executive vps.

Contact: Steven E. Sims.

Licensed in: All states.

Membership: Professional Liability Underwriting Society.

AVRECO Inc.

10 S. LaSalle St., 12th Floor, Chicago, Ill. 60603-1099; 312-346-6161

	1990	1989
Premium volume.	$71,000,000	$70,600,000
Gross revenues	$4,000,000	$4,200,000
Employees	42*	44*
Commercial lines.	100%	100%
Admitted business	30%	25%
Non-admitted	70%	75%

* Additional support services provided by a related company.

Year founded: 1962.

Business: 2% underwriting manager, 1% managing general agent, 97% broker.

Underwriting manager for: Reliance Insurance Co., Illinois Insurance Exchange.

MGA for: Lloyd's of London.

Broker for: Primarily Lexington Insurance Co., Employers Reinsurance Corp., California Union Insurance Co., Reliance Insurance Co., St. Paul Surplus Lines Insurance Co., Home Insurance Co., Chubb Custom Insurance Co., First State Insurance Co., Crum & Forster Inc.

Branch offices: New York. Cameron Excess, Scottsdale, Ariz.

Specialties: Hospitals, directors and officers, errors and omissions, lawyers, umbrella, products liability.

Principal officers: Fred H. Pearson, president; William D. Yurek, executive vp; Robert Kampa, senior vp; Kenneth Heyman, chief financial officer; Daniel Monnin, vp.

Licensed in: Illinois, New York, New Jersey, District of Columbia, Virginia, Arizona; non-resident license in all other states.

Membership: NAPSLO, Assn. of Lloyd's Brokers, Illinois Surplus Lines Assn., Chicago Board of Underwriters, Professional Liability Underwriting Society.

B

Bailey Special Risks, Inc.

P.O. Box 768, Hendersonville, Tenn. 37077-0768; 615-264-3977; fax: 615-264-3980

	1990	1989
Premium volume.	$2,500,000	$600,000
Gross revenues	$175,000	$42,000
Employees	4	3
Commercial lines.	97%	100%
Admitted business	70%	70%
Non-admitted	30%	30%

Year founded: 1989.

Type of business: 10% managing general agent, 90% broker.

MGA for: Audubon Indemnity Co., Colony Insurance Co.

Broker for: Primarily Audubon Indemnity Co., Chubb Custom Insurance Co., Fireman's Fund Insurance Co., First State Insurance Co., Lexington Insurance Co., United National Insurance Co., Illinois Insurance Exchange.

Specialties: Commercial umbrella, liquor liability, products liability, professional liability.

Principal officers: James W. Edwards, president; Nancy T. Edwards, vp.

Contact: Jim Edwards or Nancy Edwards.

Licensed in: Tennessee.

Memberships: Insurors of Tennessee, Illinois Insurance Exchange Brokers Assn., Professional Liability Underwriters Assn.

Continued on next page

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Continued from previous page

F.B. Beattie & Co. Inc.

1601 Fifth Ave., Suite 1500, Seattle, Wash. 98101-1642; 206-622-4040; fax: 206-624-5975

	1990	1989
Premium volume	NA	NA
Employees	62*	53*
Commercial lines	99%	99%
Admitted business	76%	76%
Non-admitted	24%	24%

* Support services provided by parent company.

Year founded: 1976.
Parent company: SAFECO Corp.
Business: 77% underwriting manager, 9% managing general agent, 14% broker.
Underwriting manager for: First National Insurance Co. of America, General Insurance Co. of America.
MGA for: Underwriters at Lloyd's of London, First State Insurance Co, Essex Insurance Co., SAFECO National Insurance Co., SAFECO Surplus Lines Insurance Co.
Broker for: Primarily RLI Insurance Co., Lexington Insurance Co., Evanston Insurance Co., Commonwealth Insurance Co., Century Indemnity Co., Admiral Insurance Co., Associated International Insurance Co., Fireman's Fund Insurance Cos., The Home Insurance Co., Transamerica Insurance Co.
Correspondent: Lloyd's of London.
Subsidiaries: F.B. Beattie Insurance Services Inc., Orange, Calif.
Principal officers: Cal B. Rees, president/chief executive officer; Earl E. Tarble, Alvin Dorow, S. Chris King and Elizabeth Lang, vps.
Contact: S. Chris King.
Licensed in: Alaska, Washington, California.
Membership: NAPSLO.

J.H. Blades & Co. Inc.

P.O. Box 22003, Houston, Texas 77227-2003; 713-780-8770; fax: 713-780-2851

	1990	1989
Premium volume	$120,000,000	$100,000,000
Employees	49	46
Commercial lines	100%	100%

Year founded: 1952.
Type of business: 75% managing general agent, 25% broker.
MGA for: Lloyd's of London.
Correspondent: Lloyd's of London.
Specialties: Energy risks.
Principal officers: Charles L. Bailey, president; John S. Parsley, executive vps; Richard M. Blades, senior vp; Ben J. Verdina, treasurer.
Contact: Charles L. Bailey.
Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn.

Russell Bond & Co. Inc.

866 Ellicott Square Building, Buffalo, N.Y. 14203-2595; 716-856-8220; 800-333-7226; fax: 716-856-0403

	1990	1989
Premium volume	$7,000,000	$6,900,000
Gross revenues	$725,000	NA
Employees	15	15
Commercial lines	100%	100%
Admitted business	70%	70%
Non-admitted	30%	30%

Year founded: 1950.
Type of business: 35% managing general agent, 65% broker.
MGA for: National Casualty Co., United States Liability Insurance Co., North River Insurance Co.
Broker for: Primarily General Star Indemnity Co., Admiral Insurance Co., American Empire Surplus Lines Insurance Co., First State Insurance Co., Scottsdale Insurance Co., Seaboard Surety Co., Lexington Insurance Co., Interstate Indemnity Co.
Correspondent: Lloyd's of London.
Subsidiaries: Environmental Liability Managers Inc., Buffalo, N.Y.
Principal officers: Kurt C. Bingeman, president/treasurer; Alan A. Hall, executive vp/secretary; Gary L. Hoffman, vp.
Licensed in: New York.
Membership: NAPSLO, Excess Lines Assn. of New York, Professional Insurance Wholesalers Assn. of New York State Inc.

W. Brown & Associates Insurance Services

4675 MacArthur Court, Suite 770, Newport Beach, Calif. 92660; 714-851-2060; fax: 714-851-2155

	1990	1989
Premium volume	$16,300,000	$15,000,000
Employees	17	12
Commercial lines	100%	100%
Admitted business	35%	35%
Non-admitted	65%	65%

Year founded: 1987.
Type of business: 20% underwriting manager, 30% managing general agent, 50% broker.
Underwriting manager for: Virginia Surety Co. Inc.
MGA for: Scottsdale Insurance Co.
Broker for: First State Insurance Co., Scottsdale Insurance Co., Topa Insurance Co., General Star Indemnity Co., Associated International Insurance Co., Fireman's Fund Insurance Cos., Transamerica Insurance Co., Providence Washington Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Aviation products, general contractors general liability, mobile home parks.
Principal officers: William W. Brown, chief executive officer; Scott Brown, president-aviation; John Krebs, president-casualty; Vince Zimmerer and Brian English, executive vps.
Contact: John Krebs.
Licensed in: California, Utah, New York.
Membership: NAPSLO.

Brown & Riding Insurance Services Inc.

4221 Wilshire Blvd., Los Angeles, Calif. 90010; 213-930-1321; fax: 213-930-1327

	1990	1989
Premium volume	$14,500,000	$8,379,000
Employees	13	14
Commercial lines	98%	100%
Admitted business	75%	65%
Non-admitted	25%	35%

Year founded: 1980.
Type of business: 15% managing general agent, 85% broker.
MGA for: Lloyd's of London.
Broker for: Primarily Providence Washington Insurance Co., International Insurance Co., First State Insurance Co., Associated International Insurance Co., Admiral Insurance Co., Interstate Fire & Casualty Insurance Co.
Branch offices: San Mateo, Calif.
Specialties: Contractors, umbrella liability.
Principal officers: B. Peter Brown, chairman; Chris A. Brown, president; Ramon C. Howing, Kaycie L. Palmer and Raymond Williams, vps.
Contact: Chris A. Brown.
Licensed in: California, Nevada.
Membership: AAMGA, NAPSLO, California State Surplus Lines Assn.

Burns & Wilcox Ltd.

29355 Northwestern Highway, Suite 200, Southfield, Mich. 48034; 313-354-0400; fax: 313-354-0204

	1990	1989
Premium volume	$115,000,000	$93,000,000
Gross revenues	$13,886,840	$11,000,000
Employees	238	195
Commercial lines	98%	99%
Admitted business	12%	20%
Non-admitted	88%	80%

Year founded: 1969.
Parent company: H.W. Kaufman Financial Group Inc.
Type of business: 58% managing general agent, 42% broker.
MGA for: Scottsdale Insurance Co., Canal Insurance Co., Nautilus Insurance Co., General Agents Insurance Co., Northland Insurance Co.
Broker for: Primarily First State Insurance Co., International Surplus Lines Insurance Co., Admiral Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Anaheim, San Diego and Sacramento, Calif., Baltimore; Birmingham, Ala.; Boston; Charlotte, N.C.; Chicago; Columbus, Ohio; Dallas; Daytona Beach and Tampa, Fla.; Denver; Indianapolis; Laurence Harbor, N.J.; New Orleans; Phoenix; Salt Lake City; Seattle; Southfield, Mich.; Springfield and St. Louis, Mo., Tampa, Fla.; St. Paul, Minn.
Subsidiaries: Royal Premium Budget Inc., Service General, Casualty Underwriters Inc.
Principal officers: Herbert W. Kaufman, president/chief executive officer; Gerald W. Horton, senior vp.
Contact: Brooke Bothe.
Licensed in: All states except Hawaii.
Membership: AAMGA, NAPSLO, Independent Insurance Agents of America Inc.

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5 Marineview Plaza
Hoboken, NJ 07030
Phone: 201-656-4600
FAX: 201-656-1526

C

Cambridge General Agency

1825 Sacramento St., Third Floor, San Francisco, Calif. 94109; 415-441-8500; fax: 415-304-6305

	1990	1989
Premium volume	$48,000,000	$46,000,000
Gross revenues	$4,800,000	$4,600,000
Employees	80	78
Commercial lines	98%	98%
Admitted business	60%	54%
Non-admitted	40%	46%

Year founded: 1966.
Type of business: 60% managing general agent, 40% broker.
MGA for: Scottsdale Insurance Co., Penn-America Insurance Co., Lloyd's of London, General Agents Insurance Co., National Casualty Co., Monticello Insurance Co., Acceptance Insurance Co., First State Insurance Co.
Broker for: Primarily Illinois Insurance Exchange, Golden Eagle Insurance Co., Golden Bear Insurance Co., RLI Insurance Co., Interstate Fire & Casualty Insurance Co., Associated International Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Covina, Fresno and San Diego, Calif.
Specialties: Property and general liability.
Principal officers: A. Mason Blodgett, president/owner; Paul E. Janofsky, Julie Sylim-Uang and Tom Rucki, vps; Dian Gonzales, chief financial officer.
Contact: Lisa M. Cousins, Mabel Jaenecke.
Licensed in: California.
Membership: AAMGA, NAPSLO.

Cameron & Colby Co.

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

See profile on page 60.

The Cardiff Group Inc.

13743 Ventura Blvd., Sherman Oaks, Calif. 91423; 818-902-9027; fax: 818-501-3090

	1990	1989
Premium volume	$28,000,000	$26,000,000
Gross revenues	$3,075,000	$2,665,000
Employees	41	40
Commercial lines	93%	90%
Admitted business	30%	20%
Non-admitted	70%	80%

Year founded: 1979.
Business: 30% broker, 70% MGA.
MGA for: Union America Insurance Co. Ltd.
Broker for: Primarily Topa Insurance Co., RLI Insurance Co., Mount Hawley Insurance Co., Associated International Insurance Co., Golden Eagle Insurance Co.
Correspondent: Lloyd's of London.
Subsidiaries: Cowan Surplus Lines Insurance Services Inc., Cardiff General Insurance Agency Inc.
Specialties: Earthquake, auto, physical damage.
Principal officers: Isobel Cowan, president; Raymond S. Cowan, chairman.
Contact: Raymond Cowan.
Licensed in: California.
Membership: NAPSLO, National Assn. of Professional Insurance Agents.

Castle Insurance Associates Inc.

84 State St., Boston, Mass. 02109; 617-367-9550; fax: 617-367-9543

	1990	1989
Premium volume	$15,732,028	$12,641,475
Gross revenues	$1,048,952	$819,084
Employees	7	6
Commercial lines	100%	100
Admitted business	50%	50%
Non-admitted	50%	50%

Year founded: 1988.
Type of business: 20% managing general agent, 80% broker.
MGA for: American Empire Surplus Lines Insurance Co., Lloyd's of London, Western World Insurance Co.
Broker for: Primarily General Star Management Co., International Insurance Co., California Union Insurance Co., American Empire Surplus Lines Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Providence, R.I.
Principal officers: Francis J. Vincent, president; Richard F. Coughlin and Charles J. McCarthy, Patricia A. O'Driscoll, Robert Lyons, vps.
Contact: Patricia O'Driscoll.
Licensed in: Massachusetts, Rhode Island.
Membership: NAPSLO.

Central Insurex Agency Inc.

800 S. Washington St., Van Wert, Ohio 45891; 800-736-7131; fax: 800-736-7026

	1990	1989
Premium volume	$4,622,000	$4,900,000
Gross revenues	$460,000	$530,000
Employees	6	6
Commercial lines	94%	94%
Admitted business	64%	62%
Non-admitted	36%	38%

Year founded: 1978.
Parent company: Central Insurance Cos.
Business: 75.3% managing general agent, 24.7% broker.
MGA for: Essex Insurance Co., Carolina Casualty Insurance Co., Northland Insurance Co., Foremost Insurance Co., Scottsdale Insurance Co.
Broker for: Admiral Insurance Co., Chubb Custom Insurance Co., Crum & Forster Inc., Virginia Surety Co. Inc., Employers REinsurance Corp., The Home Insurance Co., Evanston Insurance Co.
Specialties: Long haul trucking.
Principal officers: Robert W. Muntzinger, vp; F.W. Purmort Jr., president; G.D. Thatcher, treasurer; F.W. Purmort III, secretary.
Contact: Robert W. Muntzinger.
Licensed in: Ohio, Indiana, Illinois, Virginia.
Membership: NAPSLO, Ohio Assn. of Professional Specialty Lines Offices.

Centrex Underwriters Inc.

P.O. Box 171176, Memphis, Tenn. 38187; 901-767-4754; fax: 901-767-0153

	1990	1989
Premium volume	$1,277,000	$1,033,000
Employees	6	5
Commercial lines	100%	100%
Non-admitted	100%	100%

Year founded: 1985.
Type of business: 100% managing general agent.
MGA for: United National Insurance Co.
Specialties: Primary liquor liability.
Principal officers: Joseph Carlson, president; Eric Sturm and Robert L. Smith, vps.
Contact: Joseph Carlson.
Licensed in: Tennessee.
Membership: AAMGA.

Chicago Underwriting Group Inc.

211 W. Wacker Drive, Chicago, Ill. 60606; 312-750-8800; fax: 312-750-8965

	1990	1989
Premium volume	$20,000,000*	$20,000,000*
Employees	17	17
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

* *BI* estimate.
Year founded: 1983.
Parent company: Old Republic International Corp.
Type of business: 100% underwriting manager.

Continued on next page

Continued from previous page

Underwriting manager for: Old Republic Insurance Co. and affiliates.

Subsidiaries: CHUG Insurance Brokers Inc. and CHUG Services Inc., Chicago; Upper Peninsula Insurance Co., Jackson, Miss.; CHUG Services (Bermuda) Ltd., Hamilton, Bermuda.

Specialties: Corporate directors and officers liability, non-medical professional liability.

Principal officers: Martin J. Perry, president; William J. Schwass and Bart Westcott, senior vps; Vivian K. Yamaguchi, general counsel; Diane B. Couston, assistant vp.

Contact: Martin J. Perry.

CIGNA Excess & Surplus Insurance Services Inc.

3700 Wilshire Blvd., Suite 900, Los Angeles, Calif. 90010;
213-480-4589; fax: 213-480-4618

	1990	1989
Premium volume	$103,594,000	$112,641,000
Gross revenues	$10,300,000	$11,200,000
Employees	94	94
Commercial lines	95%	95%
Admitted business	5%	5%
Non-admitted	95%	95%

Year founded: 1978.

Parent company: Insurance Co. of North America Inc.

Type of business: 100% underwriting manager.

Underwriting manager for: California Union Insurance Co., Illinois Union Insurance Co., Century Indemnity Co.

Branch offices: Chicago.

Specialties: Property and casualty.

Principal officers: Michael P. Fujii, president; Robert S. Cennok, vp-Western region; John P. Rugee, vp-Eastern region; Hal N. Steinberg, vp-marketing; W. Hall Wilson, vp-underwriting.

Contact: Michael P. Fujii.

Licensed in: California, Illinois and New Jersey.

Membership: NAPSLO.

Commercial Insurance Underwriters Inc.

1200 E. Woodhurst M-400, P.O. Box 9005, Springfield, Mo. 65808-9005; 417-883-3277; fax: 417-883-3393

	1990	1989
Premium volume	$10,026,640	$8,758,194
Gross revenues	$1,107,426	$1,062,880
Employees	17	15
Commercial lines	98%	97%
Admitted business	50%	50%
Non-admitted	50%	50%

Year founded: 1984.

Type of business: 70% managing general agent, 30% broker.

MGA for: Acceptance Insurance Co., Capitol Indemnity Corp., Essex Insurance Co., Guaranty National Insurance Co., Occidental Fire & Casualty Co., Scottsdale Insurance Co.

Broker for: Primarily Admiral Insurance Co., Lexington Insurance Co., RLI Insurance Co., United Capitol Insurance Co.

Correspondent: Lloyd's of London.

Principal officers: David W. Hinrichs, president; Robert L. McGrew, executive vp; Eunice K. Harralson and S. Cal Rogers, vps.

Contact: David W. Hinrichs.

Licensed in: Missouri, Kansas and Arkansas.

Membership: AAMGA, NAPSLO.

Compass Insurance Group of Agencies

805 Fairmount Ave., Glendale, Calif. 91203; 818-507-1980; fax: 818-507-1133

	1990	1989
Premium volume	$7,200,000	$7,200,000
Gross revenues	$795,000	$795,000
Employees	8	8
Commercial lines	80%	80%
Admitted business	30%	30%
Non-admitted	70%	70%

Year founded: 1971.

Type of business: 100% managing general agent.

MGA for: Scottsdale Insurance Co., Topa Insurance Co., Western Heritage Insurance Co., American Home Assurance Co.

Correspondent: Lloyd's of London.

Principal officers: Harry W. Gorst, president; Pat Piccinonno, vp/manager.

Licensed in: California.

Membership: AAMGA, NAPSLO, Professional Insurance Agents, National Assn. of Independent Insurers, Independent Insurance Agents of America Inc.

Cooney, Rikard & Curtin Inc.

P.O. Box 59689, Birmingham, Ala. 35259-9689; 208-870-7790; 800-982-3739

	1990	1989
Premium volume	$59,713,574	$54,021,351
Employees	30	28
Commercial lines	100%	100%
Admitted business	60%	60%
Non-admitted	40%	40%

Year founded: 1982.

Business: 1% managing general agent, 99% broker.

MGA for: Lloyd's of London.

Correspondent: Lloyd's of London.

Specialties: Umbrella and excess casualty.

Principal officers: Tom Curtin, chairman; John Cooney, president.

Contact: Tom Curtin.

Licensed in: Alabama, licensed in 36 states with non-resident licenses.

Membership: NAPSLO, Insurers of Memphis, Professional Agents of Alabama, Independent Agents of Mississippi, Alabama, Louisiana.

Corporate Advisors Inc.

910 Skokie Blvd., Suite 204, Northbrook, Ill. 60062; 708-564-5820; fax: 708-564-5828

	1990	1989
Premium volume	$1,010,000	$1,054,000
Gross revenues	$125,000	$131,000
Employees	3	3
Commercial lines	99%	98%
Admitted business	60%	60%
Non-admitted	40%	40%

Year founded: 1970.

Type of business: 100% broker.

Broker for: Primarily Admiral Insurance Co., Hartford Insurance Group, Illinois Insurance Exchange.

Specialties: Professional liability for fire protection engineers, lawyers.

Principal officers: Louis W. Biegler, president; C.M. Murphy, vp/secretary; William L. Biegler, vp.

Contact: Ken Hill.

Licensed in: Illinois.

Membership: Illinois Surplus Lines Assn., Lloyd's Brokers Assn., Illinois Insurance Exchange Brokers Assn.

Cox Insurance Group Inc.

5170 Commerce Circle, Indianapolis, Ind. 46237; 317-887-0030; fax: 317-888-7145

	1990	1989
Premium volume	$31,007,416	$20,400,612
Gross revenues	$2,755,700	$1,938,000
Employees	30	28
Commercial lines	100%	100%
Non-admitted	100%	100%

Year founded: 1982.

Type of business: 100% managing general agent.

Correspondent: Lloyd's of London.

Branch offices: Birmingham, Ala.; Minneapolis.

Principal officers: Raybon E. Cox, William Krantz, Terri Moriarty and Derek Cox.

Contact person: Terri Moriarty.

Licensed in: Indiana.

Membership: NAPSLO.

Cravens, Dargan & Co. Pacific Coast

3700 Wilshire Blvd., Suite 530, Los Angeles, Calif. 90010; 213-480-4400; fax: 213-480-4608

	1990	1989
Premium volume	$25,158,822	$23,267,337
Gross revenues	$5,738,397	$5,808,398
Employees	56	61
Commercial lines	100%	100%
Admitted business	99%	99%
Non-admitted	1%	1%

Year founded: 1903.

Parent company: CIGNA Corp.

Type of business: 99% underwriting manager, 1% broker.

Underwriting manager for: Century Indemnity Co.

Broker for: Primarily California Union Insurance Co.

Branch offices: Atlanta, Chicago, San Francisco and Seattle.

Specialties: Monoline commercial property and inland marine.

Principal officers: Kenneth W. Woods, chairman; Donald M. Shorey, president; Arthur C. Werden and William E. Rucker, vps; Jean K. McGranahan, assistant vp.

Contact: Donald M. Shorey.

Licensed in: California and Washington.

Crum & Forster Managers Group

200 S. Wacker Drive, Chicago, Ill. 60606; 312-993-6300; fax: 312-876-9638

See profile on page 59.

D

D.R.I. Ltd.

71 Murray St., New York, N.Y. 10007; 212-227-6160; fax: 212-608-1704

	1990	1989
Premium volume	$9,200,000	$7,000,000
Employees	10	7
Commercial lines	100%	100%
Admitted business	40%	40%
Non-admitted	60%	60%

Year founded: 1984.

Type of business: 100% broker.

Broker for: Primarily Adriatic Insurance Co., American International Group Inc., Calvert Insurance Co., Century Surety Co., Zurich-American Insurance Group.

Continued on next page

WORKERS COMP

Publishing: September 16

Ad Closing: September 3

WHAT IS WORKERS COMP ?

Remember that game show where you got the answer but had to ask the right question to win?

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The major risk management problem today.

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*Includes pass-along readership.

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Correspondent: Lloyd's of London.

Subsidiaries: DRI Ltd. of Alabama, Gadsen, Ala.

Specialties: Long haul trucking, stock throughputs, wet/dry marine.

Principal officers: Barry L. Kochman, president; Dudley Holaday, Vickey Hicks and Michael E. LaRubbio, vps.

Contact: Michael E. LaRubbio.

Licensed in: New York, New Jersey, Alabama, Georgia, California, Maryland, Missouri, Kentucky, Connecticut, Florida, Tennessee, Arkansas.

Membership: Professional Wholesale Insurance Assn., Excess Lines Assn. of New York.

Dillard-Harris Inc.

4101 McEwen, Suite 506, Dallas, Texas 75244; 214-702-0200; fax: 214-233-8590

	1990	1989
Premium volume	$5,722,000	NA
Gross revenues	$706,000	NA
Employees	5	NA
Commercial lines	100%	NA
Admitted business	8%	NA
Non-admitted	92%	NA

Year founded: 1990.

Type of business: 67.5% managing general agent, 32.5% broker.

MGA for: United National Insurance Co.

Broker for: Primarily Mount Hawley Insurance Co., Albany Insurance Co., Hermitage Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Oil and gas, primary casualty, umbrella and OEE.

Principal officers: F.E. Dillard, president; Raymond G. Harris, vp.

Contact: F.E. Dillard.

Licensed in: Texas.

Membership: Texas Surplus Lines Assn., Independent Insurance Agents of Dallas, Professional Insurance Agents of Texas.

Doranco Inc.

6240 Carlisle Pike, P.O. Box 1417, Mechanicsburg, Pa. 17055; 717-697-4626; fax: 717-697-7506

	1990	1989
Premium volume	$16,000,000	$18,200,000
Gross revenues	NA	$1,276,600
Employees	15	7
Commercial lines	97.5%	100%
Admitted business	12%	1%
Non-admitted	88%	99%

Year founded: 1975.

Business: 97% managing general agent, 3% broker.

MGA for: United National Group, Aegis Security Insurance Co., Midwest Mutual Insurance Co., Northern Mutual Insurance Co.

Broker for: Primarily Regis Insurance Co., Gainsco Insurance Co., Investors Insurance Co.

Subsidiaries: Doran Excess Underwriters Inc., Commonwealth Underwriting Services Inc. and Dorex Data Services Inc., all Mechanicsburg, Pa.

Specialties: Hospital excess medical malpractice, errors and omissions, umbrella.

Principal officers: Bill Doran, president; Ronald Hihn, vp; Deborah Grivens, vp/general counsel; Elizabeth Firestone, treasurer.

Contact: Deborah Grivens.

Licensed in: Pennsylvania.

Membership: NAPSLO, Pennsylvania Surplus Lines Assn.

E

ECS Underwriting Inc.

1 East Uwchlan Ave., Suite 300, Exton, Pa. 19341; 215-269-6731; fax: 215-524-5354

	1990	1989
Premium volume	$100,200,000	$64,500,000
Employees	105	61
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

Year founded: 1979.

Type of business: 90% managing general agent, 10% broker.

MGA for: Planet Insurance Co.

Broker for: Primarily Reliance Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa., United Capitol Insurance Co., Shand, Morahan & Co. Inc., Lexington Insurance Co.

Subsidiaries: ECS Brokerage.

Specialties: Environmental liability, chemical industry, hazardous waste/material transportation, industrial haulers.

Principal officers: William Kronenberg III, president/chief executive officer; David M. Rosenberg, executive vp; Frank A. Piliero, senior vp/controller; Mark Vuono, senior vp.

Contact: ECS Marketing Dept., 215-269-6731 or 800-327-1414.

Licensed in: Pennsylvania, District of Columbia.

Membership: NAPSLO.

E&S Facilities Inc.

31 Inverness Center Parkway, Suite 280, Birmingham, Ala. 35242; 205-969-1700; fax: 205-991-2588

	1990	1989
Premium volume	$24,000,000	$27,000,000
Gross revenues	$2,400,000	$2,700,000
Employees	34	29
Commercial lines	100%	100%
Admitted business	50%	45%
Non-admitted	50%	55%

Year founded: 1975.

Type of business: 30% managing general agent, 70% broker.

MGA for: Lexington Insurance Co., First Financial Insurance Co., Burlington Insurance Co., RLI Insurance Co., Valiant Insurance Co., Colony Insurance Co., Underwriters Indemnity Co., Transamerica Insurance Co., Agricultural Excess & Surplus Lines Insurance Co., American Reliable Insurance Co., Anglo American Insurance Co. Ltd.

Broker for: Primarily First State Insurance Co., Admiral Insurance Co., Fireman's Fund Insurance Cos., United National Insurance Co., Colony Insurance Co., American International Group Inc., Home Insurance Co., Evanston Insurance Co., Tudor Insurance Co., Employers Reinsurance Corp., Midwest Employers Casualty Co., Columbia Casualty Co., Planet Insurance Co., International Surplus Lines Insurance Co., General Star, Illinois Insurance Exchange, Reliance Insurance Co.

Correspondent for: Lloyd's of London.

Branch offices: Atlanta; Orlando, Fla.

Subsidiaries: Unicorn Premium Finance, Birmingham, Ala.

Specialties: Umbrella and excess casualty/property, transportation, pollution, directors and officers, errors and omissions, miscellaneous professional.

Principal officers: Don J. Pate, chairman; Charles H. Garrison, president; D.L. Lackey, executive vp; Sondra Pate, secretary/treasurer.

Contact: Don J. Pate.

Licensed in: Alabama, Florida, Georgia, Mississippi.

Membership: NAPSLO, Broker and Managing Agents of Alabama.

ESL Inc.

P.O. Box 1458, Harrisburg, Pa. 17105; 717-255-6820; fax: 717-255-6826

	1990	1989
Premium volume	$3,288,833	$3,365,618
Gross revenues	$303,034	$319,901
Employees	4*	4*
Commercial lines	98%	98%
Admitted business	56%	57%
Non-admitted	44%	43%

* Additional support provided by parent company.

Year founded: 1980.

Parent company: Pennsylvania National Mutual Casualty Insurance Co.

Type of business: 26% managing general agent, 74% broker.

MGA for: Harco National Insurance Co.

Broker for: Primarily Scottsdale Insurance Co., Utica Mutual Insurance Co., Crum & Forster Inc., Great American Insurance Co.

Specialties: Long haul trucking in Pennsylvania, professional liability for public entities.

Principal officers: D.D. Walters, president; Robert S. Schade, executive vp; Ken Shutts, secretary/counsel; Barry Kline, treasurer; Brent Parrett, assistant vp.

Contact: Robert S. Schade.

Licensed in: Pennsylvania, Alabama, Maryland, North Carolina, New Jersey, South Carolina, Tennessee and Virginia.

Membership: NAPSLO, Pennsylvania Surplus Lines Assn., North Carolina Surplus Lines Assn.

Eastern America Insurance Agency Inc.

Royal Bank Center, Suite 500, 255 Ponce de Leon Ave., Hato Rey, Puerto Rico 00917; 809-758-1288; fax: 809-763-8840

	1990	1989
Premium volume	$42,347,870	$34,540,070
Gross revenues	$4,140,221	$3,076,168
Employees	66	52
Commercial lines	94%	92%
Admitted business	100%	100%

Year founded: 1981.

Parent company: Eastern America Financial Group.

Type of business: 32% underwriting manager, 67% managing general agent, 1% broker.

Underwriting manager for: Eastern America Insurance Co.

MGA for: American International Insurance Co., CNA Casualty Insurance Co. of Puerto Rico, El Fenix de Puerto Rico, Eastern America Insurance Co., Federal Insurance Co., Royal Insurance Co., Universal Insurance Co., Sun Alliance Insurance Co., Eagle Star Insurance Co., CIGNA Corp., Seguros Triple S Inc., Reliance National Insurance Co.

Broker for: Primarily General Accident Insurance Co. of Puerto Rico, Utica Mutual Insurance Co., Hartford Steam Boiler Inspection and Insurance Co., William H. McGee & Co.

Principal officers: Luis Miranda Casanas, president; Jorge J. Amadeo and Rafael A. Rodriguez, executive vps; Guillermo Fernandez, vp.

Contact: Jorge J. Amadeo.

Licensed in: Puerto Rico.

Membership: Professional Insurance Agents of Puerto Rico and the Caribbean.

The Ebco Group

1420 Union Ave., Memphis, Tenn. 38104; 901-725-0966; fax: 901-726-4229

	1990	1989
Premium volume	$15,836,249	$13,856,771
Gross revenues	$1,248,017	$1,152,468
Employees	27	30
Commercial lines	15%	15%
Admitted business	90%	90%
Non-admitted	10%	10%

* Additional support services provided by Ebco Budget Service Inc. and Ebco Claims Service Inc.

Year founded: 1980.

Business: 100% managing general agent.

MGA for: Corrie Bauckham Atts & Strickland, Sphere Drake Insurance Co. P.L.C., Illinois Insurance Exchange, Interstate National, Evanston Insurance Co., Empire Insurance Cos., Global Insurance Co., Insurance Co. of Florida, American International Group Inc., Associated Aviation Underwriters, Commercial Aviation Underwriters, United States Aviation Underwriters Inc., CIGNA Corp.

Correspondent: Lloyd's of London.

Branch offices: Norcross, Ga.

Specialties: Trucking, property.

Principal officers: Farris Evans Sr., president; Farris Evans Jr. and John Stanley Evans, vps; V.B. Evans, secretary-treasurer; Guy B. Stephenson, controller.

Contact: Violet B. Evans.

Licensed in: Georgia, Mississippi, Tennessee, Virginia; non-resident license in 37 states.

Membership: AAMGA, NAPSLO, Independent Insurance Agents of Arkansas, Alabama, Georgia, Missouri, Mississippi, Virginia and Tennessee.

Environmental Insurance Services

500 N. State College Blvd., Suite 560, Orange, Calif. 92668; 714-938-9121; fax: 714-938-9330

	1990	1989
Premium volume	NA	NA
Employees	2*	NA
Commercial lines	100%	NA
Admitted business	50%	NA
Non-admitted	50%	NA

* Additional support services provided by parent company.

Year founded: 1990.

Parent company: Lemac & Associates Inc.

Business: 20% managing general agent, 80% broker.

Correspondent for: Lloyd's of London.

Specialties: Primary liability for recyclers, handlers of hazardous materials, remediation contractors, manufacturers of pollution control products.

Principal officers: Bill Newton, chief executive officer; Mary Tole, president.

Contact: Mary Tole.

Licensed in: California.

Excess & Surplus Lines Insurance Brokers Inc.

13848 Ventura Blvd., Suite A, Sherman Oaks, Calif. 91423; 818-990-8860; fax: 818-990-4530

	1990	1989
Premium volume	$10,410,000	$13,696,000
Gross revenues	$1,060,000	$1,560,000
Employees	11	14
Commercial lines	90%	90%
Admitted business	50%	58%
Non-admitted	50%	42%

Year founded: 1975.

Type of business: 20% managing general agent, 80% broker.

MGA for: American Empire Surplus Lines Insurance Co., Indemnity Underwriters Insurance Co., Lloyd's of London syndicates.

Broker for: Illinois Insurance Exchange, Century Indemnity Insurance Co., Topa Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Contracting.

Principal officers: Jerome C. Boyer, president; Melba J. Alcazar, vp.

Licensed in: California.

Membership: NAPSLO.

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Business Insurance

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Ex-Plus Agency Inc.

915 W. 55th St., Western Springs, Ill. 60558; 708-246-7475; fax: 708-246-7660

	1990	1989
Premium volume	$3,188,968	$3,311,500
Gross revenues	$378,849	$429,207
Employees	9	9
Commercial lines	100%	99%
Admitted business	90%	93.3%
Non-admitted	10%	6.7%

Year founded: 1983.
Type of business: 85% managing general agent, 15% broker.
MGA for: Harco National Insurance Co.
Broker for: Primarily Essex Insurance Co., Marine Office of America Corp., Adriatic Insurance Co.
Specialty: Long haul trucking.
Principal officers: William J. Wilson, president; Marilyn J. Wilson, vp/treasurer.
Contact: William J. Wilson.
Licensed in: Illinois.
Membership: NAPSLO, Illinois Surplus Lines Assn.

F

FIA Excess & Surplus Inc.

1160 Parsippany Blvd., Parsippany, N.J. 07054; 201-402-1200; fax: 201-402-0770

	1990	1989
Premium volume	NA	NA
Employees	5	NA
Commercial lines	95%	NA
Admitted business	10%	NA
Non-admitted	90%	NA

Year founded: 1991.
Parent company: ABSCO Holding Ltd.
Business: 100% broker.
Broker for: Primarily Scottsdale Insurance Co., Mount Vernon Insurance Co., United National Insurance Co., First State Insurance Co., Lexington Insurance Co.
Correspondent: Lloyd's of London.
Principal officers: Richard Van Cleave III, chairman; Walter W. Foster, president.
Licensed in: New Jersey.

Farmington Management Inc.

77 Hartland St., East Hartford, Conn. 06108; 203-528-2105; fax: 203-282-9393

	1990	1989
Premium volume	$40,000,000	$60,000,000
Employees	18*	18*
Commercial lines	100%	100%
Admitted business	100%	100%

* Additional support services provided by member companies of American Excess Insurance Assn.
Year founded: 1986.
Parent company: Aetna Life & Casualty Co.
Type of business: 100% managing general agent.
MGA for: American Excess Insurance Assn.
Branch offices: New York.
Principal officers: Clinton Greene, president; Henry Poirier, vp-underwriting; Charles Stevens, assistant vp-underwriting; Mike St. Pierre, manager-underwriting; Donald Francis, manager-administration; Debra Winter, manager-accounting.
Contact: Mike St. Pierre, 203-528-2155.
Licensed in: All states.

Fischer Underwriting Group Inc.

P.O. Box 814, Hasbrouck Heights, N.J. 07604; 201-288-8620; fax: 201-288-2275

	1990	1989
Premium volume	$13,500,000	$12,150,000
Employees	6	6
Commercial lines	100%	100%
Non-admitted	100%	100%

Year founded: 1981.
Business: Managing general agent.
MGA for: Lloyd's of London.
Specialties: Standard directors & officers, hard-to-place directors & officers, miscellaneous professional liability, hard-to-place lawyers professional liability.
Principal officers: Donald R. Fischer, president.
Membership: AAMGA, NAPSLO, New Jersey Surplus Lines Assn., Professional Insurance Wholesalers Assn. of New York.

G

Gateway Underwriters Agency Inc.

11116 S. Towne Square, St. Louis, Mo. 63123-7809; 314-845-3900; fax: 314-845-3921

	1990	1989
Premium volume	$4,500,000	$4,314,332
Gross Revenues	$891,173	$880,803
Employees	8	8
Commercial lines	100%	100%
Admitted business	63%	47%
Non-admitted	37%	53%

Year founded: 1954.
Parent company: Berkshire Hathaway Inc.
Type of business: 90% managing general agent, 10% broker.
MGA for: National Indemnity Co., Nautilus Insurance Co., Western World Insurance Co. Inc., National Fire & Marine Insurance Co.
Broker for: Primarily Admiral Insurance Co., Tudor Insurance Co.
Specialties: Commercial and public auto liability, commercial general liability.
Principal officers: Alan Marlette, president; Patsy L. Woolem, secretary/treasurer.
Contact: Alan Marlette.
Licensed in: Illinois and Missouri.
Membership: NAPSLO.

General Star Management Co.

695 E. Main St., P.O. Box 10354, Stamford, Conn. 06904-1354; 203-328-5700; fax: 203-328-6460

	1990	1989
Premium volume	$189,224,310	$176,292,776
Employees	215*	173*
Commercial lines	98%	99%
Admitted business	25.6%	26.5%
Non-admitted	74.4%	73.5%

* Additional support services provided by parent company.
Year founded: 1978.
Parent company: General Re Corp.
Business: 100% underwriting manager.
Underwriting manager for: General Star Indemnity Co., General Star National Insurance Co.
Branch offices: New York; Chicago; Los Angeles; Hartford, Conn.; Atlanta; Dallas.
Principal officers: Kevin Brooks, president; Samuel C. Andersen, Ronald S. Austin and Russell D. Hendrickson, vps; Charles N. Venezia, second vp.
Membership: AAMGA, NAPSLO.

Geneva International Management Inc.

200 W. Madison St., Suite 1900, Chicago, Ill. 60606; 312-855-0590; fax: 312-855-0620

	1990	1989
Premium volume	$16,000,000	$37,882,000
Gross revenues	$3,000,000	$3,175,000
Employees	36	NA
Commercial lines	100%	100%
Admitted business	20%	10%
Non-admitted	80%	90%

Year founded: 1985.
Type of business: 100% underwriting manager.
Underwriting manager for: Geneva Assurance Syndicate Inc., Geneva Underwriters Syndicate Inc.
Subsidiaries: Geneva Assurance Syndicate Inc., Geneva Underwriters Syndicate Inc.
Specialties: Excess hospital professional.
Principal officers: Bruce Ricci, president; Richard E. Foss, executive vp; Barabara K. Marrs, vp/assistant secretary; Francis P. McGovern, vp; Gwen F. Kindelin, treasurer.
Contact: Richard E. Foss.
Licensed in: Illinois.
Membership: Illinois Surplus Lines Assn., Lloyd's Assn.

Glanvill Special Risk

90 John St., New York, N.Y. 10038; 212-619-4220; 212-766-1019

See American E & S.

Global Facilities Inc.

146 Merrick Road, Lynbrook, N.Y. 11563; 516-599-3800; fax: 516-599-3930

	1990	1989
Premium volume	$4,937,000	$4,897,500
Employees	NA	4
Commercial lines	97%	98%
Admitted business	99%	95%
Non-admitted	1%	5%

Year founded: 1977.
Type of business: 80% managing general agent, 20% broker.
MGA for: Mount Vernon Insurance Co., Colonia Insurance A.G., New York Merchant Bankers Mutual Fire Insurance Co., First Central Insurance Co.
Broker for: Primarily Calvert Insurance Co., General Star Indemnity Co.
Specialties: Property, casualty, trucking, umbrella, marine.
Principal officers: Robert Shapiro, president; Sheldon Bagatell, vp; Gary Radovich and Frank Wallach, underwriters.
Contact: Robert Shapiro.
Licensed in: New York and New Jersey.
Membership: NAPSLO, Professional Insurance Wholesalers Assn. of New York, Excess Lines Assn. of New York.

Harry W. Gorst Co. Inc.

805 Fairmont Ave., Glendale, Calif. 91203; 818-507-0900; fax: 818-507-1133

	1990	1989
Premium volume	$26,500,000	$26,500,000
Gross revenues	$2,600,000	$2,600,000
Employees	30	30
Commercial lines	68%	68%
Admitted business	18%	18%
Non-admitted	82%	82%

Year founded: 1968.
Type of business: 80% managing general agent, 20% broker.
MGA for: Scottsdale Insurance Co., Western Heritage Insurance Co., Topa Insurance Co., American Bankers Insurance Co., Terra Nova Insurance Co. Ltd., Sphere Drake Insurance Co. P.L.C., St. Katherine Insurance Co. P.L.C., British National Insurance Co. Ltd., Bishopsgate Insurance P.L.C., Employers Reinsurance Corp.
Correspondent: Lloyd's of London.
Principal officers: Harry W. Gorst, president; R.C. Blackwell, chief financial officer; Leighton R. Cairns, vp; Michael Heagerty and William A. Lemon, vps.
Licensed in: Arizona, California, Kansas, Missouri and Florida.
Membership: AAMGA, NAPSLO, Professional Insurance Agents, Western Assn. of Independent Insurance Brokers, Independent Insurance Agents of America Inc., California & Nevada Independent Insurance Assn.

Gracechurch Associates Inc.

83 Big Oak Road, P.O. Box 879, Morrisville, Pa. 19067; 215-295-0725; fax: 215-295-1780

	1990	1989
Premium volume	$4,500,000	$4,500,000
Employees	8	8
Commercial lines	99%	100%
Admitted business	40%	10%
Non-admitted	60%	90%

Year founded: 1973.
Type of business: 5% managing general agent, 95% broker.
MGA for: Lincoln Insurance Co.
Broker for: Primarily First State Insurance Co., Assicurazioni Generali S.p.A., Planet Insurance Co., Chubb Custom Insurance Co., CIGNA Corp., United National Insurance Co., United Capitol Insurance Co.
Specialties: Retail and wholesale accounts.
Principal officers: Philip J. Corso Sr., president; Ronald J. Kellett, executive vp; Philip S. Corso Jr., senior vp; Lee S. Stacy, vp.
Contact: Ronald J. Kellett.
Licensed in: Pennsylvania.
Membership: NAPSLO, Pennsylvania Surplus Lines Assn.

Greenwich American Underwriters Inc.

25 Century Blvd., Suite 401, Nashville, Tenn. 37214; 615-391-4428; fax: 615-883-0428

	1990	1989
Premium volume	$10,739,730	$7,786,647
Gross revenues	$800,000	$693,357
Employees	14	12
Commercial lines	100%	100%
Admitted business	10%	50%
Non-admitted	90%	50%

Year founded: 1981.
Type of business: 65% managing general agent, 35% broker.
MGA for: Carolina Casualty Insurance Co., General Agents Insurance Co., Illinois Insurance Exchange, Lloyd's of London, Lexington Insurance Co.
Broker for: Primarily United National Insurance Co., The Home Insurance Co. of Illinois, Albany Insurance Co., Zurich American Insurance Co., International Insurance Co., Chubb Custom Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Transportation.
Principal officers: Benjamin C. Armistead, president; Hunter Armistead, chairman; Gertrude S. Caldwell, vp; Darla George and Gayle Ferguson, underwriters.
Contact: Trudy Caldwell.
Licensed in: Tennessee.
Membership: AAMGA, NAPSLO, Professional Insurance Agents.

Gresham & Associates Inc.

7193 Jonesboro Road, Morrow, Ga. 30260; 404-961-8810; fax: 404-961-0124

	1990	1989
Premium volume	$31,000,000	$28,026,741
Gross revenues	$2,950,000	$3,091,832
Employees	41	39
Commercial lines	99%	100%
Admitted business	50%	45%
Non-admitted	50%	55%

Year founded: 1979.
Type of business: 45% managing general agent, 55% broker.
MGA for: Scottsdale Insurance Co., Essex Insurance Co., General Agents Insurance Co.
Broker for: Primarily International Insurance Co., Royal Insurance Co., First State Insurance Co., Reliance Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Palm Beach Gardens, Fla.; Nashville, Tenn.
Principal officers: James V. Gresham, chairman; William A. Burger, president; Gail Gresham, secretary/treasurer; Sondra Lawrence and Debbie Cornwell, vps; James A. Gresham, senior vp.
Contact: William A. Burger.
Licensed in: Georgia, Tennessee, Alabama, Florida.
Membership: AAMGA, NAPSLO, Georgia Surplus Lines Assn., Florida Surplus Lines Assn.

H

H&W Underwriters (Agency) Inc.

P.O. Box 10303, Kansas City, Mo. 64111; 913-676-9301; fax: 913-432-1706

	1990	1989
Premium volume	$9,693,752	$9,268,462
Gross revenues	$1,958,519	$1,838,320
Employees	12	11
Commercial lines	99%	99%
Admitted business	20%	20%
Non-admitted	80%	80%

Year founded: 1958.
Type of business: 30% underwriting manager, 68% managing general agent, 2% broker.
Underwriting manager for: Americana Excess & Reinsurance Corp., Paratransit Risk Retention Group of Maryland Inc.
MGA for: Ulico Casualty Co., Lloyd's of London.
Broker for: Primarily CNA Financial Corp.
Correspondent: Lloyd's of London.
Specialties: Public transportation risk, association professional liability, labor union errors and omissions.

Continued on next page

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Continued from previous page

Principal officers: Neil R. Pouppirt, president; Michael Kosednar and Bernard R. Geis, vps.
Contact: Neil R. Pouppirt.
Membership: AAMGA, NAPSLO.

Hanover Excess & Surplus Inc.

228 N. Front St., P.O. Box 1411, Wilmington, N.C. 28402; 919-762-7109; fax: 919-762-6426

	1990	1989
Premium volume	$8,311,987	$6,499,730
Gross revenues	$2,012,095	$1,590,625
Employees	18	16
Commercial lines	95%	95%
Admitted business	5%	5%
Non-admitted	95%	95%

Year founded: 1970.
Business: 85% managing general agent, 15% broker.
MGA for: Guaranty National Insurance Co., Scottsdale Insurance Co., Jefferson Insurance Co. of New York, Monticello Insurance Co., Colonia Insurance A.G., Interstate Fire & Casualty Insurance Co.
Broker for: Primarily Crum & Forster Managers; Shand, Morahan & Co. Inc.; Fireman's Fund Insurance Cos.; Employers Reinsurance Corp.
Correspondent: Lloyd's of London.
Principal officers: Glasgow Hicks Jr., president; David Parker, vp; John R. Hicks, secretary/treasurer.
Contact: Glasgow Hicks Jr.
Licensed in: North Carolina, South Carolina, Virginia, Georgia.
Membership: AAMGA, NAPSLO, North Carolina Surplus Lines Assn., Professional Liability Underwriting Society.

L.E. Harris Agency Inc.

1353 Holton Lane, P.O. Box 3889, Langley Park, Md. 20787-3889; 301-439-4700; fax: 301-439-5800

	1990	1989
Premium volume	$10,121,000	$11,201,000
Gross revenues	$1,741,916	$1,731,166
Employees	14	15
Commercial lines	99%	99%
Admitted business	34%	33%
Non-admitted	66%	67%

Year founded: 1922.
Type of business: 57% managing general agent, 43% broker.
MGA for: Aetna Life & Casualty Co., Burlington Insurance Co., First Financial Insurance Co., Jefferson Insurance Co. of New York, Lloyd's of London, Monticello Insurance Co., National Indemnity Co., Nautilus Insurance Co., Penn-America Insurance Co., Sphere Drake Insurance Co. P.L.C., St. Katherine Insurance Co. Ltd., United National Insurance Co., United States Liability Insurance Co.
Broker for: Primarily Admiral Insurance Co., American International Group Inc., Crum & Forster Managers Group, Chubb Custom Insurance Co., Evanston Insurance Co., Employers Re Group, Fireman's Fund Insurance Co., Illinois Insurance Exchange, Media Professional, RLI Insurance Co., Mt. Hawley Insurance Co., Scottsdale Insurance Co., Seaboard Surety Co., United Capitol Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Commercial auto, professional liability, mortgage impairment.
Principal officers: David A. Riffert, president; Nicholas Taube, executive vp; Mark J. Baldwin, vp; Cindy Milburn, assistant secretary.
Contact: David A. Riffert or Mark J. Baldwin.
Licensed in: Maryland, District of Columbia, Virginia.
Membership: AAMGA, NAPSLO, Specialty Underwriters of Virginia Inc.

Huycke General Agency

2904 Boniface Parkway, Anchorage, Alaska 99504; 907-338-0491; fax: 907-338-7234

	1990	1989
Premium volume	$3,030,333	$2,506,746
Gross revenues	$456,381	$427,258
Employees	6	6
Commercial lines	97%	95%
Admitted business	3%	5%
Non-admitted	97%	95%

Year founded: 1976.
Type of business: 100% managing general agent.
MGA for: American Family Home Insurance Co., American Modern Home Insurance Co., Minnehoma Insurance Co., Scottsdale Insurance Co., National Casualty Insurance Co.
Specialties: Commercial auto, contractors liability.
Principal officers: Peter C. Huycke, owner.
Licensed in: Alaska.
Membership: AAMGA.

I

Independent Insurance Wholesalers Inc.

722 S.W. Second Ave., Suite 340, Portland, Ore. 97204-3130; 503-224-1956; fax: 503-224-3010

	1990	1989
Premium volume	$9,000,000	$8,500,000
Gross revenues	$826,000	$820,000
Employees	9	9
Commercial lines	100%	100%
Admitted business	20%	30%
Non-admitted	80%	70%

Year founded: 1983.
Type of business: 20% managing general agent, 80% broker.
Broker for: Primarily Agricultural Excess & Surplus Lines Insurance Co., Western Alliance Insurance Co., General Star Indemnity Co., Colonia Insurance A.G., Tudor Insurance Co., Admiral Insurance Co.
Correspondent: Lloyd's of London.
Principal officers: Robert K. Stahl, president; Thomas E. Sawyer, vp; Sherrie L. Stahl, secretary/treasurer.
Contact: Robert K. Stahl.
Licensed in: Oregon, Alaska.
Membership: NAPSLO, Oregon Surplus Lines Assn.

Insurance Facilities Inc.

120 N. Main Ave., Sioux Falls, S.D. 57102-0599; 605-336-0798; fax: 605-336-9789

	1990	1989
Premium volume	$4,669,011	$5,940,811
Gross revenues	$709,428	$784,896
Employees	12	23
Commercial lines	67%	50%
Admitted business	68%	85%
Non-admitted	32%	15%

Year founded: 1965.
Type of business: 90% managing general agent, 10% broker.
MGA for: Riuinone Adriatica di Sicurta S.p.A., Jefferson Insurance Co. of New York, Monticello Insurance Co., American Modern Home Insurance Co., American Reliable Insurance Co., Canal Insurance Co., Occidental Fire & Casualty Co. of North Carolina, Colonia Insurance A.G., General Star Indemnity Co., Evanston Insurance Co., Insurance Co. of Evanston, National Casualty Co., Hartford Steam Boiler & Inspection Insurance Co., Western National Mutual Insurance Co.
Broker for: Primarily Crum & Forster Managers Group, Shand, Morahan & Co. Inc., Employers Reinsurance Corp., Aviation Office of America Inc.
Principal officers: James T. Schneider, president/chief executive officer; Bob J. Schneider, executive vp/general manager; Donald Dougherty, vp/secretary/treasurer.
Contact: Bob J. Schneider.
Licensed in: Minnesota, North Dakota and South Dakota.
Membership: AAMGA, Minnesota Surplus Lines Assn.

Insurance Services Inc.

1600 W. Commercial Blvd., P.O. Box 11394, Fort Lauderdale, Fla. 33339; 800-275-2800; fax: 305-493-7748

	1990	1989
Premium volume	$10,000,000	$12,000,000
Gross revenues	$1,200,000	$1,300,000
Employees	13	15
Commercial lines	99%	99%
Admitted business	90%	90%
Non-admitted	10%	10%

Year founded: 1979.
Parent company: Viceroy Underwriters, Inc.
Type of business: 95% managing general agent, 5% broker.
MGA for: Transportation Casualty Insurance Co., Lloyd's of London, Lincoln Insurance Co.
Broker for: Primarily Eagle Insurance Co., Great Republic Insurance Co. Inc.
Correspondent: Lloyd's of London.
Specialties: Commercial auto liability and physical damage, garage liability.
Principal officers: Philip Morgaman, president; Michael Hanuschak, executive vp; Dennis Smith, vp; Cheryl Smith, secretary; Jacqui Meghani, treasurer.
Contact: Dennis A. Smith.
Licensed in: Florida.
Membership: NAPSLO, Florida Surplus Lines Assn.

Insurisk Excess & Surplus Lines

1500 Riverfront Drive, P.O. Box 3198, Little Rock, Ark. 72203; 501-661-1417; fax: 501-663-5861

	1990	1989
Premium volume	$26,542,090	$26,679,721
Employees	8*	8*
Commercial lines	100%	100%
Admitted business	20%	22%
Non-admitted	80%	78%

* Additional support services provided by parent company.
Year founded: 1980.
Parent company: Rebsamen Insurance Inc.
Type of business: 11% managing general agent, 89% broker.
MGA for: Scottsdale Insurance Co., Lincoln Insurance Co.
Broker for: Primarily The London Agency Inc., Scottsdale Insurance Co., Lexington Insurance Co., Fireman's Fund Insurance Cos., Reliance National Insurance Co., Lincoln Insurance Co., American International Group Inc., J.H. Minet & Co.
Principal officers: Charles Harper, president; Jack Garrison and Steve Hoffmann, senior vps; Max Campbell, secretary/treasurer; Dianna Farish, vp.
Contact: Steve Hoffmann or Dianna Farish.
Licensed in: Arkansas.
Membership: NAPSLO.

Insurors Nationwide Service Agency Inc.

2111 Denver Harnar Drive, Miami, Okla. 74354; 918-542-1671; fax: 918-542-4415

	1990	1989
Premium volume	$19,128,546	$12 488,203
Gross revenues	$2,010,907	$1.822,325
Employees	25	25
Commercial lines	100%	100%
Admitted business	10%	0%
Non-admitted	90%	100%

Year founded: 1974.
Type of business: 100% underwriting manager.
Underwriting manager for: Indemnity Underwriters Insurance Co.
Principal officers: Robert H. Garwood, president; Robert H. Garwood II, vp; Melinda L. Florio, secretary/treasurer.
Contact: Robert H. Garwood II.
Licensed: Oklahoma.
Membership: NAPSLO.

Inter-Atlantic Insurance Services Inc.

7699 Biscayne Blvd., Miami, Fla. 33138; 305-751-2800; fax: 305-758-7346

	1990	1989
Premium volume	$5,000,000	$13,000,000
Gross revenues	$1,000,000	$3,000,000
Employees	20	20
Commercial lines	15%	10%
Admitted business	10%	10%
Non-admitted	90%	90%

Year founded: 1988.
Type of business: 90% managing general agent, 10% broker.
MGA for: Assicurazioni Generali S.p.A., Lloyd's of London.
Broker for: Primarily American International Group Inc., Albany Insurance Co., United States Fire Insurance Co., North Atlantic Casualty & Surety Insurance Co. Inc.
Correspondent: Lloyd's of London.
Subsidiaries: Inter-Atlantic Insurance Adjustors Inc.; Palacio, Weinraub & Foster Inc.; Palacio & Weinraub Inc., all Miami.
Specialties: Yacht, ocean marine, inland marine, commercial auto physical damage.
Principal officers: Alan Weinraub, president; Irving Weinraub, senior vp; James Gallaudet, vp; Amalia Weinraub, secretary/treasurer.
Contact: James Gallaudet.
Licensed in: Florida.
Membership: NAPSLO, National Assn. of Professional Insurance Agents, Florida Surplus Lines Assn., Latin American Insurance Agents Assn.

Interline Insurance Services Inc.

12641 E. 166th St., Cerritos, Calif. 90701; 213-926-5061; fax: 213-926-0224

	1990	1989
Premium volume	$4,689,050	$5,870,843
Gross revenues	NA	$1.226,831
Employees	4*	8*
Commercial lines	100%	100%
Admitted business	10%	20%
Non-admitted	90%	80%

* Additional support services provided by parent company.
Year founded: 1982.
Parent company: Crest Financial Corp.
Type of business: 100% managing general agent.
MGA for: Guaranty National Insurance Co., Lloyd's of London, Marine Office of America Corp., Williamsburg National Insurance Co., Security Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Commercial auto, professional liability.
Principal officers: Charles J. Escalante, president.
Licensed in: California, non-resident in Alaska.

International Placement Services Inc.

7710 Carondelet, Suite 433, St. Louis, Mo. 63105; 314-725-8394; fax: 314-725-4317

	1990	1989
Premium volume	NA	NA
Gross revenues	$1,485,000	$1,334,000
Employees	15	16
Commercial lines	99%	99%
Admitted business	60%	60%
Non-admitted	40%	40%

Year founded: 1981.
Type of business: 20% managing general agent, 80% broker.
MGA for: Empire Insurance Co., Penn-America Insurance Co., Lincoln Insurance Co., Northland Insurance Co., Nautilus Insurance Co., Lloyd's of London.
Broker for: Primarily American International Group Inc., Fireman's Fund Insurance Cos., First State Insurance Co., Illinois Insurance Exchange, Midwest Employers Casualty Co., United Capitol Insurance Co., Hartford Insurance Group, Safety Mutual Casualty Corp., Crum & Forster Managers Group, The London Agency Inc., Hartford Steam Boiler Inspection & Insurance Co., The Home Insurance Co., Liberty Mutual Insurance Co., RLI Insurance Co., Prudential/LMI, Reliance Insurance Co., Evanston Insurance Co., Stonewall Surplus Lines Insurance Co., Surplus Underwriters Casualty Insurance Co., United Coastal Insurance Co., United National Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Self-insurance.
Principal officers: Richard J. Eichhorn, president; Robert Fagan and Michael Eichhorn, vps.
Contact: Richard J. Eichhorn.
Licensed in: Arkansas, Illinois, Indiana, Iowa, Kansas, Kentucky, Missouri, Nebraska, Ohio, Oklahoma, Oregon, South Carolina, South Dakota, Tennessee, Wisconsin.
Membership: NAPSLO.

Interstate Excess Inc.

1471 Woodward Ave., Suite 104, Bloomfield Hills, Mich. 48302; 313-338-3232; fax: 313-338-4436

	1990	1989
Premium volume	$7,549,050	$6,871,560
Gross revenues	$357,309	$345,632
Employees	7	6
Commercial lines	100%	100%
Admitted business	61%	57%
Non-admitted	39%	43%

Year founded: 1972.
Type of business: 100% broker.
Broker for: Primarily United Capitol Insurance Co., Crum & Forster Managers Group, Stonewall Surplus Lines Insurance Co., American Continental Insurance Co., Liberty National Fire Insurance Co., Hermitage Insurance Co.
Correspondent: Lloyd's of London.
Subsidiaries: Interstate Healthcare Inc., Bloomfield Hills, Mich.
Specialties: Product liability, hospital professional liability.
Principal officers: Charles E. Marlin, president; John F. Flaherty, executive vp; William Duggan Jr., vp; Katherine V. Marlin, secretary/treasurer.
Contact: Charles E. Marlin.
Licensed in: Michigan.
Membership: Michigan Surplus Lines Agents Assn.

J

Jacobs-Burke & Associates Inc.

Bldg. 4, 8221 Brecksville Road, Brecksville, Ohio 44141; 216-838-1870; fax: 216-838-0742

	1990	1989
Premium volume	$2,800,000	$2,300,000
Employees	3	3
Commercial lines	99%	99%
Admitted business	60%	60%
Non-admitted	40%	40%

Year founded: 1988.
Business: 45% managing general agent, 55% broker.
MGA for: Scottsdale Insurance Co., Mount Vernon Fire Insurance Co., Western Heritage Insurance Co., United National Insurance Co., Northwestern National Casualty Co.
Broker for: Primarily RLI Insurance Co., The Home Insurance Co., Fireman's Fund Insurance Cos., Chubb Custom Insurance Co., Illinois Insurance Exchange, Crum & Forster Managers Group.
Principal officers: James Jacobs, president; Jeff Burke, vp.
Contact: James Jacobs.
Licensed in: Ohio.

Jaeger & Haines Inc.

P.O. Box 1623, Fayetteville, Ark. 72702; 501-521-2551; fax: 501-521-3195

	1990	1989
Premium volume	$9,000,000	$9,000,000
Employees	25	25
Commercial lines	68%	70%
Admitted business	50%	35%
Non-admitted	50%	65%

Year founded: 1976.
Type of business: 90% managing general agent, 10% broker.
Correspondent: Lloyd's of London.

Continued on next page

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Continued from previous page

Principal officers: Larry Haines, chairman; Mike Johnson, president; E.A. Elliott and Matt Carter, vps.
Contact: Mike Johnson.
Licensed in: Arkansas, Missouri, Oklahoma and Tennessee.
Membership: AAMGA, NAPSLO.

Don R. Jensen & Co.

100 S. Wacker Drive, Suite 2030, Chicago, Ill. 60606; 312-939-5240; fax: 312-435-2818

	1990	1989
Premium volume.	$10,000,000	$8,000,000
Employees.....	9	7
Commercial lines.	100%	100%
Admitted business	78%	75%
Non-admitted....	22%	25%

Year founded: 1931.
Type of business: 25% managing general agent, 75% broker.
MGA for: First State Insurance Co., Jefferson Insurance Co., Monticello Insurance Co.
Broker for: Primarily American Empire Surplus Lines Insurance Co., California Union Insurance Co., Chubb Custom Insurance Co., Lexington Insurance Co., Mount Hawley Insurance Co., General Star Indemnity Co.
Principal officers: Theodore R. Malecki and Michael Kristof.
Contact: Theodore R. Malecki.
Licensed in: Illinois.
Membership: NAPSLO, Assn. of Lloyd's Brokers, Surplus Lines Assn. of Illinois.

Jensvold & Le Fevre Inc.

13105 Northwest Freeway, Suite 900, Houston, Texas 77040; 713-462-6223; fax: 713-462-5447

	1990	1989
Premium volume.	$9,327,488	$8,200,286
Gross revenues...	$886,906	$805,786
Employees.....	17	12
Commercial lines.	100%	100%
Admitted business	15%	15%
Non-admitted....	85%	85%

Year founded: 1982.
Business: 50% managing general agent, 50% broker.
MGA for: Lexington Insurance Co., Sphere Drake Insurance Co. Ltd., Scottish Lion Insurance Co. Ltd., Lloyd's of London syndicates.
Broker for: Primarily Evanston Insurance Co., United Capitol Insurance Co., Indemnity Underwriters Insurance Co.
Correspondent: Lloyd's of London.
Subsidiaries: Jensvold & Le Fevre Insurance Services of California Inc., Torrance, Calif.
Specialties: Oil and gas, including oil lease operators, rig contractors, rig physical damage, production equipment, commercial auto and truck physical damage.
Principal officers: M. Doris Le Fevre, executive vp; William D. Wurdeman, vp.
Contact: M. Doris Le Fevre.
Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn., Professional Insurance Agents, Independent Insurance Agents of Texas.

JIMCOR Agency Inc.

P.O. Box 890, Westwood, N.J. 07675; 201-666-8600; fax: 201-666-5792

	1990	1989
Premium volume.	$11,000,000	$9,800,000
Gross revenues...	$925,000	$880,000
Employees.....	20	18
Commercial lines.	95%	95%
Admitted business	20%	20%
Non-admitted....	80%	80%

Year founded: 1986.
Type of business: 70% managing general agent, 30% broker.
MGA for: Scottsdale Insurance Co., National Casualty Co., United States Liability Insurance Co., Mount Vernon Insurance Co., Penn-America Insurance Co., Western World Insurance Co., Tudor Insurance Co., Terra Nova Insurance Co. Ltd.
Broker for: Primarily Illinois Insurance Exchange, United National Insurance Co., California Union Insurance Co., Calvert Insurance Co., Tudor Insurance Co., Investors Insurance Co. of America.
Branch offices: New York and Suffern, N.Y.; Milford, Pa.
Subsidiaries: JIMCOR Associates Inc., Milford, Pa.; JIMCOR Associates Corp., New York.
Principal officers: Francis J. Mastowski, president; Ellen Mastowski, vp/treasurer; Anne Grippo and Marvin A. Levey, vps.
Contact: Francis J. Mastowski.
Licensed in: New Jersey, New York and Pennsylvania.
Membership: NAPSLO, New Jersey Surplus Lines Assn., Professional Insurance Wholesalers of New York.

K

K&K Insurance Group Inc.

1712 Magnavox Way, Fort Wayne, Ind. 46804; 219-455-3000; fax: 219-455-5866

	1990	1989
Premium volume.	$150,143,000	$124,887,000
Gross revenues...	$30,699,000	$25,705,970
Employees.....	416	380
Commercial lines.	100%	100%
Admitted business	90%	90%
Non-admitted....	10%	10%

Year founded: 1952.
Parent company: Lincoln National Corp.
Business: 97% managing general agent, 3% broker.
MGA for: Transamerica Insurance Co., Lincoln National Corp.
Broker for: Primarily Chubb Custom Insurance Co., Crum & Forster Inc.
Subsidiaries: National Sports Underwriters, Overland Park, Kan.; K&K Specialties, High Point, N.C.
Principal officers: Ian M. Rolland, president/chief executive officer/cirector; Bruce D. Barton, executive vp-operations/director; Jerry L. Tegan, executive vp; Todd W. Bixler, senior vp/chief financial officer/treasurer; Joy E. DenHouter, senior vp/counsel/secretary; P. Kenneth Dunsire, director.
Contact: Angie Poulos.
Licensed in: 33 states and District of Columbia.

L

LMG Services Ltd.

116 John St., New York, N.Y. 10038; 212-791-1200; fax: 212-406-9585

	1990	1989
Premium volume.	$15,000,000	$18,000,000
Employees.....	11	14
Commercial lines.	100%	100%
Admitted business	95%	95%
Non-admitted....	5%	5%

Year founded: 1970.
Business: 5% managing general agent, 95% broker.
Broker for: Primarily American International Group Inc., Home Specialty, Cameron & Colby C. Inc., General Star, Reliance Insurance Co., Assicurazioni Generali S.p.A.
Subsidiaries: Mule Associates, New York.
Specialties: Real estate, mercantile, garment manufacturing, trucking (umbrella only), bonds, asbestos abatement.
Principal officers: Fred M. Berger, senior vp; John S. Dalton, executive vp.
Contact: Fred M. Berger.
Licensed in: New York, New Jersey, Pennsylvania.
Membership: NAPSLO.

Langan & Co. Inc.

5940 Tahoe Drive S.E., Grand Rapids, Mich. 49546; 616-942-8930; fax: 616-942-1449

	1990	1989
Premium volume.	$25,414,275	$25,226,000
Gross revenues...	$1,878,253	$1,779,102
Employees.....	14	15
Commercial lines.	100%	100%
Admitted business	50%	54%
Non-admitted....	50%	46%

Year founded: 1981.
Type of business: 6% managing general agent, 94% broker.
MGA for: Lloyd's of London syndicates, First State Insurance Co., Hermitage Insurance Co., Colony Insurance Co.
Broker for: Primarily Affiliated FM Insurance Co., California Union Insurance Co., Century Indemnity Co., Chicago Insurance Co., Colony Insurance Co., Columbia Casualty Insurance Co., Employers Reinsurance Corp., Fireman's Fund Insurance Co., First State Insurance Co., General Star Indemnity Co., Guaranty National Insurance Co., Hermitage Insurance Co., Home Insurance Co. of Illinois, International Insurance Co., International Surplus Lines Insurance Co., Lexington Insurance Co., Reliance National Insurance Co., Royal Indemnity Co., Steadfast Insurance Co., United Capitol Insurance Co., Zurich-American Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Product liability, umbrella, property.
Principal officers: James Langan, president; David Young, senior vp; Terri Kelley and Kathleen Davis, vps.
Contact: James Langan.
Licensed in: Michigan.
Membership: NAPSLO, Independent Insurance Agents of America, Independent Insurance Agents of Michigan, Professional Insurance Agents.

Langan & Co. of Illinois Inc.

10 S. Riverside, Suite 1610, Chicago, Ill. 60606; 312-831-0100; fax: 312-831-0155

	1990	1989
Premium volume.	$7,798,997	$7,168,000
Gross revenues...	$399,820	$398,000
Employees.....	3*	3*
Commercial lines.	100%	100%
Admitted business	70%	70%
Non-admitted....	30%	30%

* Additional support services provided by Michigan office.
Year founded: 1984.
Type of business: 100% broker.
Broker for: Primarily California Union Insurance Co., Chicago Insurance Co., Chubb Custom Insurance Co., First State Insurance Co., Harbor Insurance Co., Hermitage Insurance Co., Home Insurance Co. of Illinois, Illinois Insurance Exchange, Insurance Co. of the State of Pennsylvania, International Insurance Co., Lexington Insurance Co., Reliance National Insurance Co., Royal Indemnity Co., United Capitol Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Product liability, umbrella.
Principal officers: James Langan, president; Lisa Nather, vp/chief operating officer; Joseph Klimek, assistant vp.
Licensed in: Illinois.
Membership: NAPSLO, Independent Insurance Agents of Illinois, Independent Insurance Agents of America Inc., Professional Insurance Agents.

Langtree Agency Inc.

201 Bloomfield Ave., Verona N.J. 07044; 201-239-7000; fax: 201-239-0708

	1990	1989
Premium volume.	$3,500,000	$3,500,000
Employees.....	3	3
Commercial lines.	100%	100%
Non-admitted....	100%	100%

Year founded: 1983.
Business: 95% managing general agent, 5% broker.
MGA for: Lloyd's of London underwriters, Sphere Drake Insurance Co. P.L.C., Terra Nova Insurance Co. Ltd., Lincoln Insurance Co., Evanston Insurance Co., Assicurazioni Generali S.p.A.
Broker for: Primarily Lexington Insurance Co., Mount Vernon Insurance Co., Scottsdale Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Restaurants.
Principal officers: Samuel Bergerman, president.
Licensed in: New Jersey.
Membership: NAPSLO, Independent Insurance Agents of America, Professional Insurance Agents, New Jersey Surplus Lines Assn.

Lemac & Associates Inc.

3200 Wilshire Blvd., Suite 1010, Los Angeles, Calif. 90010; 213-380-7451; fax: 213-895-0561

	1990	1989
Premium volume.	NA	NA
Employees.....	23	21
Commercial lines.	100%	100%
Admitted business	48%	48%
Non-admitted....	52%	52%

Year founded: 1972.
Business: 11% managing general agent, 89% broker.
Correspondent: Lloyd's of London.
Branch offices: Orange and Walnut Creek, Calif.; Prescott, Ariz.
Subsidiaries: Environmental Insurance Services, Orange, Calif.
Specialties: Primary liability, contractors and products.
Principal officers: William Newton, president/chief executive officer; Pauline Kwan, Frank Squibb and Mary Tole, vps; Mario Gomez, assistant vp.
Contact: Bill Newton.
Licensed in: Arizona, California.
Membership: NAPSLO.

Leverett Doi & Associates Inc.

875 Old Roswell Road, Bldg. G, Suite 100, Roswell, Ga. 30076; 404-993-0645; fax: 404-993-1077

	1990	1989
Premium volume.	$3,750,000	$2,500,000
Gross revenues...	$375,000	$187,000
Employees.....	3	3
Commercial lines.	100%	100%
Admitted business	30%	30%
Non-admitted....	70%	70%

Year founded: 1985.
Business: 18% managing general agent, 82% broker.
MGA for: Colony Insurance Co.
Broker for: Primarily Colony Insurance Co., First State Insurance Col, General Star Indemnity Co.
Principal officers: Jerry J. Leverett, president; David M. Doi, vp.
Contact: Amanda L. Wilson.
Licensed in: Georgia.
Membership: NAPSLO, Professional Insurance Agents of Georgia, Atlanta Surplus Lines Brokers Assn.

The London Agency Inc.

1230 W. Peachtree St. N.W., Atlanta, Ga. 30309; 404-875-9641; fax: 404-874-4498

See profile on page 58.

London American Risk Specialists Inc.

9301 Southwest Freeway, Suite 630, Houston, Texas 77074; 713-777-6404; fax: 713-777-5471

	1990	1989
Premium volume.	$23,700,000	$17,631,391
Gross revenues...	$1,493,100	$1,123,206
Employees.....	16	16
Commercial lines.	100%	100%
Admitted business	38%	41%
Non-admitted....	62%	59%

Year founded: 1984.
Type of business: 14% managing general agent, 86% broker.
MGA for: Western World Insurance Co., Burlington Insurance Co., Sphere Drake Insurance Co. P.L.C., AEGON N.V., Scottish Lion Insurance Co. Ltd., St. Katherine Insurance Co. P.L.C., River Thames Insurance Co. Ltd.

Broker for: Primarily Aetna Casualty & Surety Co., Admiral Insurance Co., Interstate Fire & Casualty Insurance Co., First State Insurance Co., Travelers Insurance Co., Wm. H. McGee & Co., Lexington Insurance Co., Fireman's Fund Insurance Cos., Marine Office of America Corp., Lloyd's of London underwriters, Home Insurance Co., Chubb Custom Insurance Co., Sheffield Insurance Co., Transamerica Insurance Co., Stonewall Surplus Lines Insurance Co., General Star Indemnity Co., Hartford Steam Boiler Inspection & Insurance Co., United Capitol Insurance Co., Reliance National Insurance Co. and Associated International Insurance Co.
Correspondent: Lloyd's of London.

Branch offices: Dallas.
Specialties: Umbrella/excess umbrella, commercial property/package.

Principal officers: Brian L. Brecker, president; Kenneth S. Keathley, Roy S. Shoultz, Karl B. Emerly and Michael Driscoll, vps.
Contact: Kenneth S. Keathley.
Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn.

Continued on next page

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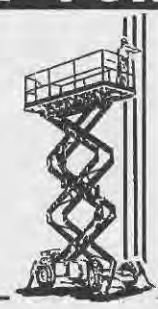
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Continued from previous page

LoVullo Associates Inc.

689 Main St., Buffalo, N.Y. 14203;
716-856-3065; fax: 716-856-8057

	1990	1989
Premium volume	$10,131,823	$9,300,000
Employees	26*	24*
Commercial lines	74%	74%
Admitted business	80%	75%
Non-admitted	20%	25%

* Support services provided by Ardent Premium Plan.

Year founded: 1947.

Type of business: 100% managing general agent.

MGA for: American Modern Home Insurance Co., Essex Insurance Co., Jefferson Insurance Group, Evanston Insurance Co., Lloyd's of London, Midwest Mutual Insurance Co., National Casualty Co., Kansas Fire & Casualty Co., Northland Casualty Co., Western World Insurance Co.

Correspondent: Lloyd's of London.

Principal officers: Leonard T. LoVullo, president/treasurer; Paul W. LoVullo, vp/secretary.

Contact: Leonard T. LoVullo.

Licensed in: New York.

Membership: AAMGA, NAPSLO, Professional Insurance Wholesalers Assn. of New York State Inc.

M

MacDuff Underwriters Inc.

P.O. Box 2424, Daytona Beach,
Fla. 32115; 904-252-6454;
fax: 904-257-5799

	1990	1989
Premium volume	$13,600,000	$12,500,000
Gross revenues	$1,360,000	$1,290,000
Employees	16	17
Commercial lines	100%	100%
Admitted business	10%	14%
Non-admitted	90%	86%

Year founded: 1980.

Parent company: Brown & Brown Inc.

Business: 40% managing general agent, 60% broker.

MGA for: Essex Insurance Co., Lloyd's of London, Lincoln Insurance Co., General Agents Insurance Co., Nautilus Insurance Co., Continental Insurance Co., Frontier Insurance Co.

Broker for: Primarily Admiral Insurance Co., Investors Insurance Co. of America, The Home Insurance Co. of Illinois, Chubb Custom Insurance Co., Continental Insurance Co., Fireman's Fund Insurance Cos., Lexington Insurance Co., Evanston Insurance Co., Transamerica Insurance Co., United Capitol Insurance Co., Crum & Forster Inc.

Correspondent: Lloyd's of London.

Branch offices: Boynton Beach, Fla.

Principal officers: J. Hyatt Brown, chairman; W.L. Rambo, chief operating officer; Rick Pankratz, chief financial officer; Ken Hill, vp.

Contact: W.L. Rambo.

Licensed in: Florida, Georgia, Alabama.

Membership: AAMGA, NAPSLO.

Maclean, Oddy & Associates Inc.

1445 Ross Ave., Suite 3900, Dallas,
Texas 75202; 214-855-7700;
fax: 214-855-7794

	1990	1989
Premium volume	NA	NA
Gross revenues	$4,700,000	$5,531,000
Employees	49	40
Commercial lines	100%	100%
Admitted business	6%	50%
Non-admitted	94%	50%

Year founded: 1983.

Type of business: 2% managing general agent, 98% broker.

MGA for: Underwriters at Lloyd's.

Broker for: Primarily American International Group Inc., Continental Insurance Cos., Crum & Forster Inc., Hartford Insurance Group, St. Paul Surplus Lines Insurance Co., CIGNA Corp., Zurich American Insurance Co.

Correspondent: Lloyd's of London.

Subsidiaries: Maclean, Oddy-Underwriting Management Co.; Maclean, Oddy-Reinsurance Intermediaries Inc.; Maclean, Oddy & Associates of Texas Inc.

Specialties: Energy, utilities, transportation, heavy manufacturing.

Principal officers: R.B. Oddy, chairman; Anita Chanpong, president; John Miller and Miles Lowein, executive vps; Jack Souza, executive vp/chief financial officer.

Contact: Jacki White, 214-855-7713.

Licensed in: Texas.

Membership: NAPSLO, Texas Surplus Lines Assn.

Marinco Inc.

613 N.W. Loop 410, Suite 700, San
Antonio, Texas 78216;
512-341-9117; fax: 512-341-0402

	1990	1989
Premium volume	NA	NA
Employees	45*	47*
Commercial lines	100%	100%
Admitted business	98%	98%
Non-admitted	2%	2%

* Parent company provides additional support.

Year founded: 1982.

Parent company: Rollins Specialty Group Inc.

Business: 100% managing general agent.

MGA for: Reliance Insurance Co.

Specialties: Public entities, waste haulers.

Principal officers: Bill Graves, president/chief executive officer; David Byrom, executive vp; Tom Burney, vp-finance; John Isbister, assistant vp/underwriting manager; Marcia Odom, asst. vp.

Contact: David Byrom or Josette Kiel.

Markel Service Inc.

4551 Cox Road, Glen Allen, Va.,
23060; 804-747-0136;
fax: 804-965-1600

	1990	1989
Premium volume	$186,000,000	$97,907,000
Gross revenues	$33,678,000	$17,522,000
Employees	423	411
Commercial lines	97%	97%
Admitted business	52%	52%
Non-admitted	48%	48%

Year founded: 1930.

Type of business: 80% managing general agent, 20% broker.

MGA for: Scottsdale Insurance Co., National Casualty Co., Evanston Insurance Co., Frontier Insurance Co., Northland Insurance Co.

Broker for: Primarily Investors Insurance Co. of America, Harbor Insurance Co., Evanston Insurance Co., General Star National Insurance Co., General Star Indemnity Co.

Correspondent: Lloyd's of London.

Subsidiaries: Rhulen Agency, Monticello, N.Y.; Michael Maglaras & Co., Stamford, Conn.

Specialties: Police professional liability.

Principal officers: Alan I. Kirshner, president/chief executive officer; John K. Latham Jr., executive vp/chief operating officer; Peter Rhulen and Jesse Farrow, vice chairmen; Jim Chapman, Ed Schirik and John Dunbar, senior vps.

Contact: John K. Latham Jr.

Licensed in: 33 states and the District of Columbia.

Membership: NAPSLO.

Market Action General Insurance Brokers

1570 Brookhollow Drive, Suite 218,
Santa Ana, Calif. 92705;
714-641-1125; fax: 714-641-1342

	1990	1989
Premium volume	$20,544,394	$14,242,049
Gross revenues	$2,511,113	$1,687,692
Employees	49	35
Commercial lines	99%	99%
Admitted business	28%	30%
Non-admitted	72%	70%

Year founded: 1987.

Type of business: 60% managing general agent, 40% broker.

MGA for: Essex Insurance Co., Scottsdale Insurance Co., Lloyd's of London, Nautilus Insurance Co.

Broker for: Primarily Illinois Insurance Exchange, Topa Insurance Co., RLI Insurance Co., Associated International Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa., Shand, Morahan & Co. Inc.

Correspondent: Lloyd's of London.

Branch offices: Santa Clarita, Santa Ana, San Diego and San Francisco, Calif.; Las Vegas.

Principal officers: James M. Yates, president; James Hippard, executive vp; Norm Amick, Nancy Ryan and Joseph Sanzo, senior vps.

Contact: James M. Yates.

Licensed in: California, Nevada.

Membership: AAMGA, NAPSLO, Western States Surplus Lines Assn., California Insurance Wholesalers Assn.

G.A. Mavon & Co.

10 W. Chicago Ave., Hinsdale, Ill.
60521-3499; 312-242-4040 or
708-655-2400; fax: 708-654-4447

	1990	1989
Premium volume	NA	NA
Employees	30	30
Commercial lines	42%	42%
Admitted business	79%	80%
Non-admitted	21%	20%

Year founded: 1916.

Business: 20% managing general agent, 80% broker.

MGA for: Underwriters at Lloyd's.

Broker for: Primarily CNA Financial Corp., Employers Reinsurance Corp., Evanston Insurance Co.

Subsidiaries: Mavco Insurance Agency Inc. and Gamco Premium Finance Co., Hinsdale, Ill.

Principal officers: P.G. Mavon Jr., president/treasurer; W.T. Geary, vp/secretary; P.G. Mavon III, assistant vp.

Contact: W.T. Geary.

Licensed in: Illinois.

Membership: AAMGA, NAPSLO.

McClelland and Hine Inc.

2455 N.E. Loop 410 Suite 249,
P.O. Box 33009, San Antonio,
Texas 78265; 512-599-3944;
fax: 512-599-8119

	1990	1989
Premium volume	$6,500,000	$4,300,000
Employees	13	11
Commercial lines	97%	93%
Admitted business	51%	55%
Non-admitted	49%	45%

Year founded: 1982.

Business: 85% managing general agent, 15% broker.

MGA for: Lloyd's of London, St. Katherine Insurance Co. P.L.C., Lincoln Insurance Co., American Modern Home Insurance Co., Gulf Insurance Co., Western World Insurance Co.

Broker for: Primarily Illinois Insurance Exchange, Admiral Insurance Co., Interstate Fire & Casualty Insurance Co., Lexington Insurance Co., Fireman's Fund Insurance Cos., The Home Insurance Co., United National Group, Stonewall Surplus Lines Insurance Co., Mount Hawley Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Excess employers liability, employee accident.

Principal officers: Jack R. McClelland, Gilbert C. Hine Jr.

Contact: Gilbert C. Hine Jr.

Membership: AAMGA, NAPSLO, Texas Surplus Lines Assn., Independent Agents.

McComb & Flanagan Inc.

108 Wilmot Road, Suite 220,
Deerfield, Ill. 60015; 708-405-9111;
fax: 708-405-9121

	1990	1989
Premium volume	$1,219,250	$1,035,288
Gross revenues	$117,158	$99,477
Employees	3	2
Commercial lines	99%	99%
Admitted business	1%	3%
Non-admitted	99%	97%

Year founded: 1988.

Business: 52% managing general agent, 48% broker.

MGA for: Scottsdale Insurance Co., National Casualty Co.

Broker for: Primarily RLI Insurance Co., Mount Hawley Insurance Co., Chubb Custom Insurance Co., Illinois Insurance Exchange, United National Insurance Co., Transamerica Insurance Co., Fireman's Fund Insurance Cos.

Specialties: Sports liability including participants, commercial auto, general liability, property and packages, product liability, umbrella.

Principal officers: Jack F. McComb, president; Susan M. Flanagan, vp.

Contact: Jack F. McComb.

Licensed in: Illinois, Wisconsin, Indiana, Virginia.

Membership: Surplus Lines Assn. of Illinois.

Miami Valley Excess & Surplus Agency Inc.

2787 Orchard Run Road, Dayton,
Ohio 45449; 513-438-0491;
fax: 513-438-9834

	1990	1989
Premium volume	$1,700,000	$1,600,000
Gross revenues	$360,000	$216,000
Employees	5	4
Commercial lines	100%	100%
Admitted business	80%	75%
Non-admitted	20%	25%

Year founded: 1985.

Type of business: 84% managing general agent, 16% broker.

MGA for: Century Surety Co., First Financial Insurance Co., Adriatic Insurance Co., American Empire Surplus Lines Insurance Co. Sphere Drake Insurance Co. P.L.C.

Broker for: Primarily Guaranty National Insurance Co.

Principal officers: Fred Wootan, president; Barbara Wootan, vp; Gregory Seibel and Ted Bingley, assistant vps.

Contact: Fred Wootan.

Licensed in: Ohio.

Membership: Ohio Assn. of Professional Surplus Lines Offices.

Midwest Indemnity Corp.

5550 W. Touhy Ave., Skokie, Ill.
60077-3200; 708-982-9800;
fax: 708-982-9816

	1990	1989
Employees	70	60
Commercial lines	100%	100%
Admitted business	100%	100%

Year founded: 1944.

Business: 100% managing general agent.

MGA for: Cumberland Casualty & Surety Co., Security Insurance Co.

Branch offices: 77 authorized agents nationwide.

Specialties: Contract and license/permit/miscellaneous surety.

Principal officers: Marvin Silverman, president/co-chairman; Martin L. Shape, co-chairman; Perry Gantman, secretary/treasurer; Steven A. Swerdloff, executive vp.

Contact: Karen A. Tursi, director-marketing.

Licensed in: All 50 states.

Membership: American Surety Assn., Professional Insurance Agents of Illinois, Independent Insurance Agents of Illinois.

Mining Insurance Markets Inc.

P.O. Box 55825, Birmingham, Ala.
35255-5825; 205-933-9162;
fax:205-930-9118

	1990	1989
Premium volume	$5,700,000	$3,200,000
Employees	5*	3*
Commercial lines	100%	100%
Admitted business	100%	100%

* Additional support services provided by corporate affiliate.

Year founded: 1985.

Parent company: CGH Investments Inc.

Type of business: 100% broker.

Broker for: Primarily American Mining Insurance Co., Royal Insurance Co.

Specialties: Mining risks.

Principal officers: Chandler F. Cox Jr., president; Kenneth A. Hoyle, vp; Edward M. Glenn, secretary; Dominick Giovannelli, treasurer.

Contact: Chandler F. Cox Jr., 800-448-4523.

Licensed in: Alabama, Tennessee and Pennsylvania.

Montgomery & Collins Inc.

3700 Wilshire Blvd., Suite 400, Los
Angeles, Calif. 90010;
213-480-4501; fax: 213-384-2250

	1990	1989
Premium volume	$177,136,793	$182,888,664
Gross revenues	$14,729,055	$15,834,423
Employees	138*	152*
Commercial lines	100%	100%
Admitted business	65%	30%
Non-admitted	35%	70%

* Additional support services provided by parent company.

Year founded: 1935.

Parent company: CIGNA Corp.

Business: 41% managing general agent, 59% broker.

MGA for: Pacific Employers, Scottsdale Insurance Co., Guaranty National Insurance Co., Lloyd's of London, Western World Insurance Co.

Broker for: Primarily California Union Insurance Co., First State Insurance Co., Crum & Forster Inc., Transamerica Insurance Co., St. Paul Surplus Lines Insurance Co., Admiral Insurance Co., RLI Insurance Co., Reliance Insurance Co., The Home Insurance Co., Associated International Insurance Co., Stonewall Surplus Lines Insurance Co., Fireman's Fund Insurance Cos., Chubb Custom Insurance Co., Employers Reinsurance Corp.

Correspondent: Lloyd's of London.

Branch offices: Boston, Buffalo, N.Y.; Charlotte, N.C.; Chicago; Columbus, Ohio; Dallas and Houston, Texas; Denver; Detroit; Hartford, Conn.; Honolulu; Kansas City, Mo.; New Orleans; New York; Philadelphia; San Francisco.

Principal officers: Robert P. Keul, president; Robert B. Angle, marketing vp; John T. Baily, Robert W. Chadwick and Robert T. Ricketts, regional vps.

Contact: Robert P. Keul.

Licensed in: Colorado, Hawaii, California, Alaska, Washington, Ohio, Missouri, Louisiana, New York, Virginia, Connecticut.

Membership: AAMGA, NAPSLO, Western Assn. of Insurance Brokers.

Moore Excess Inc.

1 Center St., Croton Falls, N.Y.
10519; 914-277-3955;
914-277-3572

	1990	1989
Premium volume	NA	$8,000,000
Employees	8	10
Commercial lines	100%	99%
Admitted business	35%	50%
Non-admitted	65%	50%

Continued on next page

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Covina, CA 91722 (818) 967-2878
FAX (818) 332-5778

Continued from previous page

Year founded: 1977.
Type of business: 70% managing general agent, 30% broker.
MGA for: United States Liability Insurance Co., Hermitage Insurance Co.
Broker for: Primarily General Star Management Co., New England Insurance Co., Nautilus Insurance Co.
Principal officers: John A. Buckley, president.
Licensed in: New York.
Membership: NAPSLO, Professional Insurance Wholesalers Assn.

N

NAS Ltd.

100 S. Wacker, Chicago, Ill. 60606; 312-726-2186; fax: 312-726-8715

	1990	1989
Premium volume	$17,258,00	$18,722,000
Gross revenues	$1,276,000	$1,350,000
Employees	11	12
Commercial lines	100%	100%
Admitted business	30%	35%
Non-admitted	70%	65%

Year founded: 1975.
Type of business: 100% broker.
Broker for: Primarily First State Insurance Co., Admiral Insurance Co., United National Insurance Co., St. Paul Cos. Inc., General Star Indemnity Co., Crum & Forster Inc.
Branch offices: Philadelphia.
Specialties: Product liability.
Principal officers: Thomas Cath, chairman; John T. Bogart, president; Thomas Hoffman, vp-finance; Richard Munce and Joanna Gesicki, vps.
Contact: John T. Bogart.
Licensed in: Illinois, New Jersey, Pennsylvania.
Membership: NAPSLO.

Nason Associates Inc.

6901 W. 63rd, Suite 207, Overland Park, Kan. 66202; 913-677-1550; fax: 913-384-9350

	1990	1989
Premium volume	$5,200,000	$4,008,039
Gross revenues	$324,492	$293,435
Employees	6	5
Commercial lines	90%	90%
Admitted business	90%	90%
Non-admitted	10%	10%

Year founded: 1980.
Business: 100% broker.
Broker for: Primarily United States Aviation Insurance Group, American International Group Inc.
Correspondent: Lloyd's of London.
Specialties: Aviation insurance.
Principal officers: Courtney H. Nason, president; Linda Joy, vp.
Contact: Linda Joy.
Licensed in: Kansas and Missouri, non-resident in all states.
Membership: Aviation Insurance Assn.

North Island Group Inc.

30 Park Ave., Manhasset, N.Y. 11030; 516-365-7440; fax: 516-365-7392

	1990	1989
Premium volume	$50,000,000	$46,000,000
Employees	48	45
Commercial lines	95%	95%
Admitted business	90%	90%
Non-admitted	10%	10%

Year founded: 1976.
Type of business: 65% managing general agent, 35% broker.
MGA for: National Union Fire Insurance Co. of Pittsburgh, Pa., United States Liability Insurance Co., Scottsdale Insurance Co., National Casualty Co., Hermitage Insurance Co.
Broker for: Primarily General Star Indemnity Co., Crum & Forster Managers Group, First State Insurance Co., Chubb Corp., Interstate Insurance Co., Lexington Insurance Co., Marine Office of America Corp., Admiral Insurance Co., Fireman's Fund Insurance Cos., Investors Insurance Co. of America, Reliance Insurance Co., First Central Insurance Co., Travelers Insurance Co., Evanston Insurance Co.
Branch offices: NIF Services of New York, New York; NIF Services of New England, Warwick, R.I.; NI Services of New Jersey, Orange, N.J.; NIF Services of Mid—Atlantic, Morton, Pa.
Specialties: Social services institutions, including professional liability.
Principal officers: Michael A. Orlando, president; John Orlando, vp/secretary; Dennis Loggie and William Battistini, vps.
Contact: Karen DeSocio.
Licensed in: New York, Pennsylvania, New Jersey, Virginia, Rhode Island, District of Columbia and Connecticut.
Membership: NAPSLO, National Assn. of Professional Insurance Agents, Independent Insurance Agents of America Inc.

O

Oakside Management Corp.

366 Veterans Memorial Highway, Commack, N.Y. 11725; 516-543-4680; fax: 516-543-5138

	1990	1989
Premium volume	$10,300,000	$9,500,000
Employees	12	12
Commercial lines	100%	100%
Non-admitted	100%	100%

Year founded: 1985.
Type of business: 100% managing general agent.
MGA for: Classic Fire & Marine Insurance Co., Illinois Insurance Exchange, Classic Syndicate, Classic Indemnity Co.
Principal officers: Arthur E. Torrington, president/chief executive officer; John W. Lepre, vp/chief financial officer; Janet M. Wesche, Martin Cholewa and Patricia Guecia, vps.
Licensed in: New York.
Membership: NAPSLO.

J.R. Olsen Bonds & Insurance Brokers Inc.

16218 Ventura, Suite 12, Encino, Calif. 91436; 818-501-4385; fax: 818-501-5936

	1990	1989
Premium volume	$3,500,000	$3,500,000
Gross revenues	$400,000	$400,000
Employees	4*	4*
Commercial lines	100%	100%

* Additional support provided by Midwest Indemnity.
Year founded: 1984.
Business: 50% managing general agent, 50% broker.
MGA for: Midwest Indemnity, Western Surety Insurance Co., SAFECO Corp.
Broker for: Primarily National Union Fire Insurance C. of Pittsburgh, Pa., Utica Mutual Insurance Co., Hartford Insurance Group.
Principal officers: James R. Olsen, president/chief executive officer; Rosita Ciccolini, office manager; Debra Scuzo, senior underwriter.
Contact: James R. Olsen.
Licensed in: California.
Membership: National Assn. of Professional Insurance Agents.

Oxbridge Insurance Associates Inc.

374 Millburn Ave, P.O. Box 721, Millburn, N.J. 07041; 201-379-9400; fax: 201-379-9232

	1990	1989
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: 1991.
Business: 5% managing general agent, 95% broker.
MGA for: Lloyd's of London.
Broker for: Primarily International Insurance Co., First State Insurance Co., American International Group Inc., Fireman's Fund Insurance Cos., Chubb Custom Insurance Co., Admiral Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Transportation, contracting, heavy manufacturing, real estate, mini-conglomerates.
Principal officers: Jeremy D. Cooke, president; Michael S. Geogaros, executive vp; David A. Folkes, vp.
Contact: Jeremy D. Cooke.
Licensed in: New Jersey.
Membership: NAPSLO.

P

PW West Insurance Services Inc.

500 Sansome St., Suite 410, San Francisco, Calif. 94110; 415-765-1526; fax: 415-765-0904

	1990	1989
Premium volume	$9,000,000	$3,317,670
Employees	4	4
Commercial lines	100%	100%
Admitted business	70%	70%
Non-admitted	30%	30%

Year founded: 1990.
Parent company: PW Group.
Type of business: 100% underwriting manager.
Underwriting manager for: Providence Washington Insurance Co., Western Alliance Insurance Co.
Principal officers: Donna DiGirolamo, vp; Michael E. Miller, assistant vp.
Contact: Kim Schmidliny, administrative manager.
Licensed in: Arizona, California, Colorado, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming, Montana, Idaho, Alaska, Hawaii.

PWN Insurance Agency Inc.

4 Liberty Square, 7th Floor, Boston, Mass. 02109-4811; 617-482-0600; fax: 617-426-6988

	1990	1989
Premium volume	$8,398,000	NA
Employees	9	6
Commercial lines	95%	95%
Non-admitted	100%	100%

*Support services provided by parent company.
Year founded: 1988.
Parent company: PW Group.
Type of business: 100% underwriting manager.
Underwriting manager for: Providence Washington Insurance Co.
Specialties: Blanket fire bank program.
Principal officers: Christopher C. Dawson, president; William P. Twomey, executive vp.
Licensed in: All states except Arkansas, Minnesota, Nevada, New Mexico and Texas.
Membership: NAPSLO.

Paige-Ruane Inc.

983 Old Eagle School Road, Suite 616, Wayne, Pa. 19087; 215-254-9890; fax: 215-254-9893

	1990	1989
Premium volume	$11,121,507	$12,813,509
Gross revenues	$1,300,233	$1,435,234
Employees	8	8
Commercial lines	100%	100%
Admitted business	65%	50%
Non-admitted	35%	50%

Year founded: 1979.
Type of business: 95% managing general agent, 5% broker.
MGA for: Planet Insurance Co., Great American Insurance Co., United National Insurance Co.
Broker for: Primarily Gulf Insurance Co.
Specialties: Long-term automobile leasing.
Principal officers: Ronald Ruane Sr., president; Frederick Paige, secretary/treasurer; Lisa Shaffran, resident vp; Ronald Ruane Jr., assistant vp.
Contact: Lisa Shaffran.
Licensed in: Pennsylvania.
Membership: NAPSLO.

Phoenix Insurance Group Inc.

812 Sylvia St., P.O. Box 7386, West Trenton, N.J. 08628; 609-530-0111; fax: 609-538-0661

	1990	1989
Premium volume	$10,000,000	$10,000,000
Gross revenues	$950,000	$1,300,000
Employees	11	32
Commercial lines	95%	95%
Admitted business	40%	40%
Non-admitted	60%	60%

Year founded: 1974.
Business: 55% managing general agent, 45% broker.
MGA for: Scottsdale Insurance Co., National Casualty Co.
Broker for: Primarily California Union Insurance Co., Illinois Insurance Exchange, The Home Insurance Co. of Indiana, United National Insurance Co., United Capitol Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Feasterville, Pa.
Subsidiaries: Phoenix Excess & Surplus Lines Inc., Phoenix.
Principal officers: Ed Johnson, chairman; Dennis Pellegrino, president; Carolyn Johnson, vp.
Contact: Ed Johnson.
Licensed in: New Jersey, Pennsylvania.
Membership: NAPSLO, New Jersey Surplus Lines Assn., National Assn. of Professional Insurance Agents, National Assn. of Independent Insurers, Illinois Insurance Exchange Brokers Assn.

Pomerleau Program Administrators

108 Church St., P.O. Box 6, Burlington, Vt. 05402; 802-863-0544; fax: 802-863-8206

	1990	1989
Premium volume	$6,700,000	$7,200,000
Gross revenues	$625,000	$750,000
Employees	5	4
Commercial lines	90%	80%
Admitted business	15%	15%
Non-admitted	85%	85%

Year founded: 1985.
Parent company: Pomerleau Agency Inc.
Business: 90% managing general agent, 10% broker.
MGA for: Columbia Casualty Co., Transcontinental Insurance Co., Continental Casualty Co.
Broker for: Primarily Agricultural Excess & Surplus Lines Insurance Co.
Specialties: Liquor liability, lawyers professional liability.
Principal officers: Antonio B. Pomerleau, chairman; Charles Lord, president; Brian Courcy, senior vp.
Contact: Brian Courcy.
Licensed in: Vermont.

Preferred General Agencies

20 Washington Place, Providence, R.I. 02903; 401-831-4000; fax: 401-421-9684

	1990	1989
Premium volume	$33,133,000	$33,336,300
Gross revenues	$3,677,000	$3,864,660
Employees	72	80
Commercial lines	72%	80%
Admitted business	15%	15%
Non-admitted	85%	85%

*Support services provided by parent company.
Year founded: 1973.
Parent company: PW Group.
Type of business: 10% underwriting manager, 60% managing general agent, 30% broker.
Underwriting manager for: Providence Washington Insurance Co.
MGA for: General Star National Insurance Co., American Empire Surplus Lines Insurance Co., Essex Insurance Managers, First Financial Insurance Co., Nautilus Insurance Co., Jefferson Insurance Co. of New York.
Broker for: Varies by office.
Correspondent: Lloyd's of London.
Branch offices: Houston; Hartford, Conn.; Boston; New Orleans; Anchorage, Alaska; Cincinnati; Wheeling, W.Va.; Keego Harbor, Mich.; Seattle; McMinnville, Ore.
Principal officers: Douglas G. Olson, chairman; Joseph P. Falcone, president; Dana Litman, treasurer; Mary Clare Decker, secretary.
Licensed in: Texas, Massachusetts, Louisiana, Oregon, Michigan, Illinois, Pennsylvania, Ohio, West Virginia, Tennessee, Kentucky, Wisconsin, Washington.
Membership: AAMGA, NAPSLO.

A Preferred Professional Liability Enterprise Inc.

132 Nassau St., 14th Floor, New York, N.Y. 10038; 212-608-4505; fax: 212-608-4540

	1990	1989
Premium volume	$10,000,000	NA
Employees	3	NA
Commercial lines	100%	NA
Admitted business	20%	NA
Non-admitted	80%	NA

Year founded: 1990.
Business: 100% broker.
Broker for: Primarily CNA Financial Corp., Pacific Insurance Fidelity & Casualty Co., Reliance Insurance Co., American International Group Inc.
Correspondent: Lloyd's of London.
Specialties: Lawyers professional liability, directors & officers liability, association liability.
Principal officers: Mark F. Diette, chairman/vp; Deborah Gallo DiMarco, president/treasurer.
Contact: Julia Pellegrino.
Licensed in: New York.

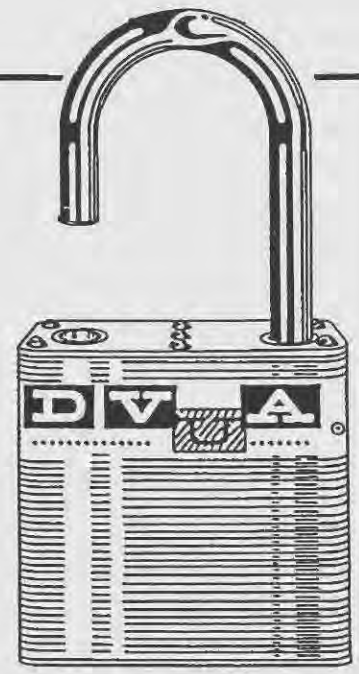
Price Forbes North America

Crump E&S Group Inc., 7557 Rambler Road, Suite 350, Dallas, Texas 75231; 214-891-5970; fax: 214-891-5929;
Southern Marine & Aviation Underwriters, 610 Poydras St., New Orleans, La. 70130; 504-524-4131; fax: 504-525-0313

See profile on page 50.
Continued on next page

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Continued from previous page

Professional Indemnity Agency

P.O. Box 130, 409 Manville Road, Pleasantville, N.Y. 10570; 914-747-1818; fax: 914-747-3737

	1990	1989
Premium volume	$50,000,000	$45,000,000
Employees	35	35
Commercial lines	100%	100%
Admitted business	60%	60%
Non-admitted	40%	40%

Year founded: 1973.
Business: 100% managing general agent.
MGA for: Lloyd's of London.
Correspondent: Lloyd's of London.
Specialties: Union fiduciary liability insurance.
Principal officers: Mark Rattner, executive vp; Gerald Axel, chief executive officer.
Contact: James Higgins or Edward Donnelly.
Licensed in: New Jersey.
Membership: NAPSLO, Professional Liability Underwriting Society.

Professional Indemnity Management Co.

120 S. Riverside Plaza, Suite 960, Chicago, Ill. 60606; 312-876-1666; fax: 312-876-1776

	1990	1989
Premium Volume	$2,500,000	$2,200,000
Employees	3	3
Commercial lines	100%	100%
Admitted business	25%	25%
Non-admitted	75%	75%

Year founded: 1987.
Type of business: 100% managing general agent.
MGA for: SAFECO Surplus Lines Insurance Co., General Insurance Co. of America, SAFECO National Insurance Co.
Specialties: Professional liability.
Principal officers: James M. Romano, president; Michelle A. Duffett, executive vp.
Contact: James M. Romano or Michelle A. Duffett.
Licensed in: Illinois.
Membership: Professional Liability Underwriting Society, Illinois Surplus Lines Assn.

Professional Managers Inc.

2 N. Riverside Plaza, Suite 1460, Chicago, Ill. 60606; 312-559-0101; fax: 312-559-0167

	1990	1989
Premium volume	$17,500,000	$20,000,000
Employees	15	16
Commercial Lines	100%	100%
Non-admitted	100%	100%

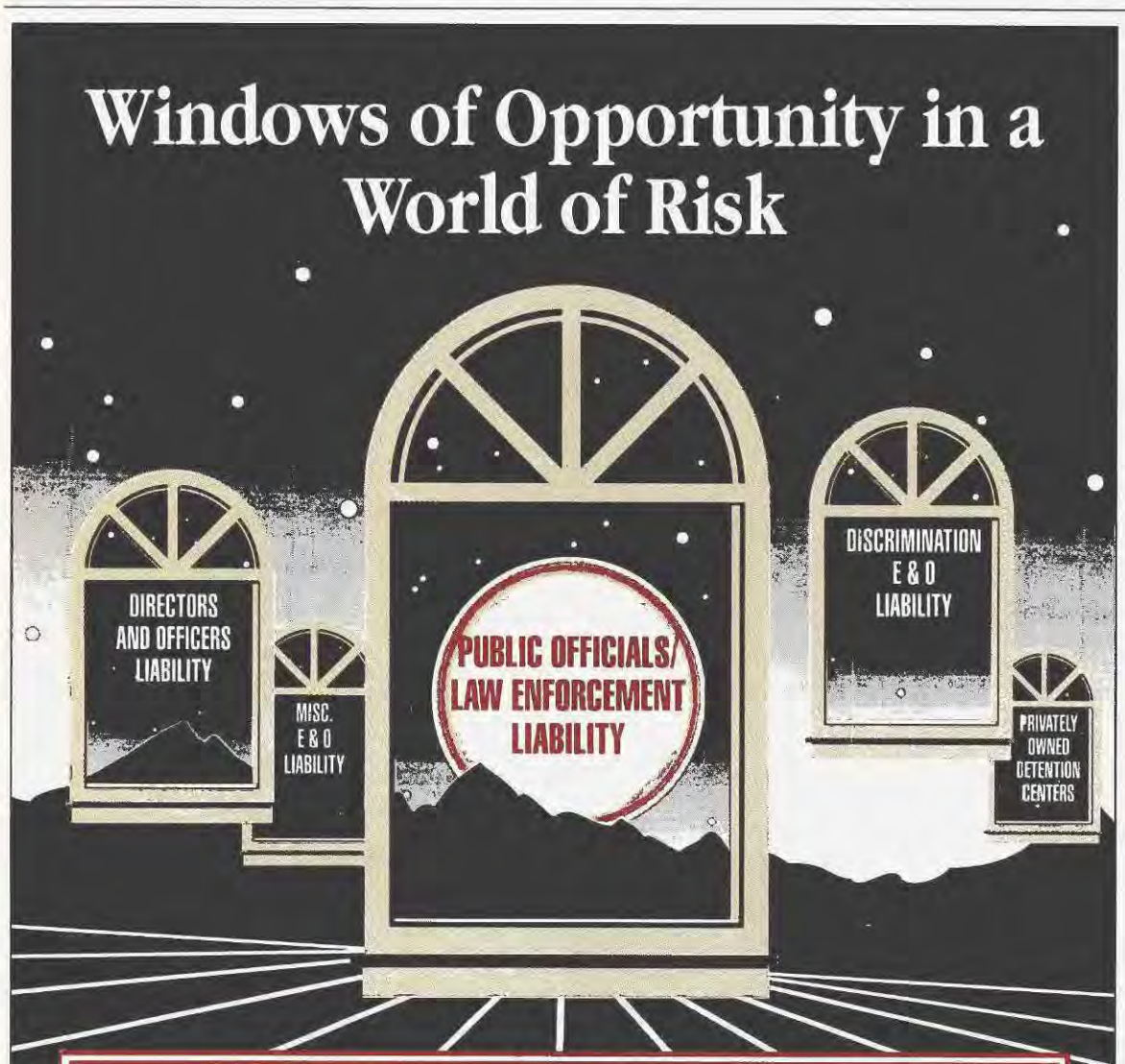
Year founded: 1981.
Type of business: 97% managing general agent, 3% broker.
MGA for: Lexington Insurance Co., General Star Indemnity Co.
Broker for: Primarily Lexington Insurance Co.
Correspondent: Lloyd's of London.
Subsidiaries: PMI Insurance Services Inc.
Specialties: Architects and engineers professional liability, errors and omissions.
Principal officers: John Van Cleave, president; Guy R. Calhoun, executive vp; Brian Van Cleave and Mary P. Mazza, assistant vps.
Contact: John Van Cleave.
Licensed in: Illinois.
Membership: AAMGA, NAPSLO, Illinois Independent Agents Assn., Chicago Board of Underwriters.

Program Underwriters Group

3363 W. Commercial Blvd., Fort Lauderdale, Fla. 33309; 305-485-9442; fax: 305-485-9401

	1990	1989
Premium volume	$24,000,000	$36,000,000
Gross revenues	$5,400,000	$5,400,000
Employees	55	60
Commercial lines	100%	100%
Admitted business	15%	15%
Non-admitted	85%	85%

Year founded: 1979.
Type of business: 80% managing general agent, 20% broker.
MGA for: Casualty Indemnity Exchange, Sphere Drake Insurance Co. P.L.C., Mount Vernon Fire Insurance Co., Eagle Insurance Co., Homestead Insurance Co., Scottish Lion Insurance Co., Aegon Insurance Group N.V., Terra Nova Insurance Co. Ltd.
Broker for: Primarily Liberty National Fire Insurance Co., Sheffield Insurance Co., The Home Insurance Co. of Indiana, Capacity Insurance Co., Interstate Fire & Casualty Insurance Co., Regis Insurance Co., Hartford Steam Boiler Inspection & Insurance Co., Transamerica Insurance Co., Fireman's Fund Insurance Cos., Illinois Insurance Exchange, United Capitol Insurance Co., RLI Insurance Co., American International Group Inc.
Correspondent: Lloyd's of London.
Branch offices: Program Underwriters Three Inc., Brandon, Fla.; Program Underwriters IV Inc., Boca Raton, Fla.; Program Underwriters V Inc., Longwood, Fla.; Program Underwriters VII Inc., Birmingham, Ala.
Subsidiaries: Equity Adjusting Corp., Program Underwriters Financing Inc. and Program Underwriters Life & Health Benefits Inc., Fort Lauderdale, Fla.
Principal officers: Lawrence J. Buto, president; Frances T. Buto, secretary/treasurer.
Contact: Robert B. Cherris.
Licensed in: Florida and Alabama.
Membership: AAMGA, NAPSLO, Florida Surplus Lines Assn., Florida Assn. of Insurance Agents, National Assn. of Professional Insurance Agents.



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R

RISC Inc.

750 N. St. Paul, Suite 990, Dallas, Texas, 75201; 214-922-9898; fax: 214-979-0893

	1990	1989
Premium volume	$28,000,000	$22,000,000
Gross revenues	$2,400,000	$1,900,000
Employees	23	21
Commercial lines	100%	100%
Admitted business	25%	25%
Non-admitted	75%	75%

Year founded: 1966.
Parent company: RIGG Group Inc.
Type of business: 10% underwriting manager, 20% managing general agent, 70% broker.
Underwriting manager for: International Lloyds Insurance Co.
MGA for: Commonwealth General Insurance Co., American Empire Surplus Lines Insurance Co.
Broker for: Primarily Lexington Insurance Co., St. Paul Surplus Lines Insurance Co., First State Insurance Co., Interstate Fire & Casualty Insurance Co.
Specialties: Trucking, energy, logging.
Principal officers: David L. Geary, president; Frances Griffin and Daniel E. Whitt, vps.
Contact: David L. Geary.
Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn., Professional Insurance Agents of Texas, Independent Insurance Agents of Texas.

Rathbone, King & Seeley Insurance Services Inc.

350 California St., Suite 2210, San Francisco, Calif. 94104; 415-421-4244; fax: 415-421-0620

	1990	1989
Premium volume	NA	$11,000,000
Employees	NA	24
Commercial lines	NA	100%
Admitted business	NA	50%
Non-admitted	NA	50%

Year founded: 1849.
Parent company: Rathbone, King & Seeley Inc.
Type of business: 15% managing general agent, 85% broker.
MGA for: Price Forbes North America, Lowndes Lambert Group Holdings P.L.C.
Broker for: Primarily Admiral Insurance Co., Crum & Forster Inc., Providence Washington Insurance Co., Topa Insurance Co., Transco Insurance Services, American International Group Inc., Employers REinsurance Corp.
Correspondent: Lloyd's of London.
Branch offices: San Francisco, Fresno and Glendale, Calif.; Seattle.
Principal officers: Thomas A. Cockrell, president/chief executive officer/secretary/treasurer/chief financial officer; Ralph A. Jackson, executive vp; Janice D. Eastridge, assistant secretary.
Contact: Ralph Jackson.
Licensed in: California, Washington and Arizona.
Membership: NAPSLO.

Repath Associates Inc.

4301 Hillsboro Road, Suite 314, Nashville, Tenn. 37215; 615-297-1739; fax: 615-297-3796

	1990	1989
Premium volume	$23,000,000	$19,000,000
Gross revenues	$1,490,000	$1,210,000
Employees	23	20
Commercial lines	100%	100%
Admitted business	35%	25%
Non-admitted	65%	75%

Year founded: 1984.
Type of business: 3% managing general agent, 97% broker.
MGA for: Lloyd's of London, Essex Insurance Co., American Empire Surplus Lines Insurance Co., Sphere Drake Insurance Co. P.L.C.
Broker for: Primarily Interstate Fire & Casualty Insurance Co., The Home Insurance Co., American International Group Inc., First State Insurance Co., Fireman's Fund Insurance Co., Transamerica Insurance Co., RLI Insurance Co., General Star Management Co., Chubb Custom Insurance Co., Zurich Insurance Co., California Union Insurance Co., American Empire, American Empire Surplus Lines Insurance Co., Great American Insurance Co., Evanston Insurance Co., United Capitol Insurance Co., International Insurance Co., United National Group, Investors Insurance Co. of America, Illinois Insurance Exchange, Tudor Insurance Co., Columbia Casualty Co.
Correspondent: Lloyd's of London.
Branch offices: Houston; Columbus, Ohio; Grand Rapids, Mich., Greensboro, N.C.
Specialties: Heavy product accounts, umbrellas and large property risks.
Principal officers: Derek Repath, chairman; Wayne Sanders, senior vp; Ed Gorman, president (Texas); Russ Bergan, president (North Carolina).
Licensed in: Michigan, Ohio, North Carolina, Tennessee.
Membership: NAPSLO.

S

SMIS Inc.

600 Beacon Parkway W., Suite 950, Birmingham, Ala. 35209; 205-945-8855; fax: 205-945-8856

	1990	1989
Premium volume	$8,000,000	$7,500,000
Gross revenues	$800,000	$750,000
Employees	18	18
Commercial lines	100%	100%
Admitted business	10%	10%
Non-admitted	90%	90%

Year founded: 1980.
Type of business: 25% underwriting manager, 10% managing general agent, 65% broker.
Underwriting manager for: Equipco Insurance Co. Ltd.
MGA for: Southern United Fire Insurance Co.
Broker for: Primarily Colony Insurance Co., Liberty National Insurance Co., Illinois Insurance Exchange, Alliance Insurance Group.
Specialties: Product liability for equipment manufacturers, mining risks.
Principal officers: James H. Godfrey Jr., president; David M. Condon, vp/general counsel; Chris Stough, treasurer.
Contact: James H. Godfrey Jr.
Licensed in: Kansas and Alabama.

W.A. Schickedanz Agency Inc.

300 W. Main St., Belleville, Ill. 62222; 618-233-0644; fax: 618-233-0672

	1990	1989
Premium volume	$6,500,000	$5,500,000
Gross revenues	$1,295,000	NA
Employees	17	16
Commercial lines	80%	80%
Admitted business	90%	80%
Non-admitted	10%	20%

Year founded: 1931.

Continued on next page

Continued from previous page

Type of business: 80% managing general agent, 20% broker.

MGA for: American Reliable Insurance Co., Empire Fire & Marine Insurance Co., First Financial Insurance Co., Guaranty National Insurance Co., Nautilus Insurance Co., Sphere Drake Insurance Co. P.L.C., Lloyd's of London, Northland Insurance Co., AEGON N.V.

Broker for: Primarily Lexington Insurance Co., Mount Hawley Insurance Co., RLI Insurance Co., United National Insurance Co., Employers Reinsurance Corp., Crum & Forster Inc., Hartford Insurance Group.

Correspondent: Lloyd's of London.

Subsidiaries: Gateway Premium Budget Inc., Belleville, Ill.

Specialties: Liquor liability, commercial auto.

Principal officers: C. Jack Miller, president; Steven C. Miller, executive vp/secretary; Elvira K. Steckler, vp-administration.

Licensed in: Illinois and Missouri.

Membership: AAMGA, NAPSLO, Illinois Surplus Lines Assn.

The Schinnerer Group Inc.

Two Wisconsin Circle, Chevy Chase, Md. 20815-7003; 301-961-9800; fax: 301-951-5444

See profile on page 56.

Seminole All Risk Insurance Underwriters

6400 N. Andrews Ave., Suite 300, Fort Lauderdale, Fla. 33309-2172; 305-776-3311; fax: 305-772-2831

	1990	1989
Premium volume	NA	NA
Employees	NA	NA
Commercial lines	NA	NA

Year founded: 1989.

Business: 100% broker.

Broker for: Primarily Assicurazioni Generali S.p.A., Mount Vernon Insurance Co.

Specialties: Hotels, motels, large restaurant risks.

Principal officers: Christopher F. Manfre, president/secretary; James A. McGrath, vp/treasurer.

Contact: Christopher F. Manfre.

Licensed in: Florida.

Shand, Morahan & Co. Inc.

Shand Morahan Plaza, Evanston, Ill. 60201; 708-866-2800; fax: 708-866-0778

	1990	1989
Premium volume	$97,653,000	$88,285,000
Employees	263	290
Commercial lines	100%	100%
Admitted business	9%	12%
Non-admitted	91%	88%

Year founded: 1970.

Parent company: Markel Corp.

Type of business: 100% underwriting manager.

Underwriting manager for: Evanston Insurance Co., Insurance Co. of Evanston.

Correspondent: Lloyd's of London.

Subsidiaries: Altis Services Inc., Evanston, Ill.

Specialties: Architects and engineers professional liability, product liability, errors and omissions and directors and officers liability for insurance companies.

Principal officers: Joseph J. Prochaska Jr., chairman/president/chief executive officer; Robert L. Libby, vice chairman/chief operating officer; Richard A. Adler and Paul W. Springman, executive vps; Steven K. Lauer, executive vp/treasurer/chief financial officer.

Contact: Hedda Ritter, senior vp.

Membership: AAMGA, NAPSLO.

Thomas F. Sheehan Inc.

5200 Town Center Road, Boca Raton, Fla. 33486; 407-362-0117; fax: 407-362-0115

	1990	1980
Premium volume	$3,609,912	$5,840,000
Gross revenues	NA	$365,672
Employees	4	6
Commercial lines	100%	100%
Admitted business	14%	50%
Non-admitted	86%	50%

Year founded: 1990 (Formerly Thomas F. Sheehan Inc. of Illinois).

Type of business: 13% managing general agent, 87% broker.

Correspondent for: Lloyd's of London.

Broker for: Primarily Old Republic Insurance Co., Reliance Insurance Co., Zurich American Insurance Co.

Specialties: Architects and engineers, lawyers liability.

Principal officers: Thomas F. Sheehan, president; Joan M. Sheehan, treasurer.

Contact: Thomas F. Sheehan.

Membership: AAMGA.

Sherwood Insurance Services

201 California St., San Francisco, Calif. 94911; 415-956-3236; fax: 415-956-1204

	1990	1989
Premium volume	$94,000,000	$94,000,000
Gross revenues	$7,500,000	$8,000,000
Employees	60	59
Commercial lines	100%	100%
Admitted business	80%	80%
Non-admitted	20%	20%

Year founded: 1978.

Parent company: Frank B. Hall Insurance Brokers Inc.

Type of business: 10% managing general agent, 90% broker.

MGA for: Lloyd's of London.

Broker for: Primarily Associated International Insurance Co., The Home Insurance Co., RLI Insurance Co., Cameron & Colby Co. Inc.

Correspondent: Lloyd's of London.

Branch offices: Los Angeles.

Specialties: Commercial earthquake.

Principal officers: Donald K. Sherwood, chairman/chief executive officer; James W. Barnes, president-Northern division; David Hartoch, president-Southern division.

Licensed in: 35 states.

Membership: NAPSLO.

Leon F. Skinner Agency Inc.

1032 Sibley Tower Bldg., Rochester, N.Y. 14604; 716-232-3585; 800-836-4430; fax: 716-232-2173

	1990	1989
Premium volume	$6,775,000	$6,710,000
Employees	6	6
Commercial lines	100%	100%
Admitted business	90%	90%
Non-admitted	10%	10%

Year founded: 1952.

Type of business: 100% managing general agent.

Specialties: Trucking, primary liability and physical damage, cargo, bobtail and deadhead liability.

Principal officers: Leon F. Skinner, president.

Southern Insurance Managers Inc.

95 Whitebridge Road, 101-9 Cavalier Bldg., Nashville, Tenn. 37205; 615-356-2900; fax: 615-356-3795

	1990	1989
Premium volume	$6,849,574	$6,958,732
Gross revenues	$830,104	$1,013,406
Employees	14	15
Commercial lines	80%	90%
Admitted business	66.3%	65.9%
Non-admitted	33.7%	34.1%

Year founded: 1953.

Type of business: 98% managing general agent, 2% broker.

MGA for: National Indemnity Insurance Co., National Casualty Co., Scottsdale Insurance Co., Canal Insurance Co., First Financial Insurance Co., Thomas Jefferson Insurance Co., Nautilus Insurance Co., Sphere Drake Insurance Co. P.L.C., Aegon N.V., Transamerica Insurance Co., Lloyd's of London.

Broker for: Primarily RLI Insurance Co., Illinois Insurance Exchange, Mount Hawley Insurance Co., Rhulen Agency.

Correspondent: Lloyd's of London.

Specialties: Commercial auto.

Principal officers: Edward J. Knish, president; Roy E. Bearden, executive vp/secretary; Jan Bessire, vp; Faye Bain, treasurer.

Contact: Edward J. Knish.

Licensed in: Tennessee.

Membership: AAMGA, NAPSLO.

Sovereign Group International Inc.

242 Main St., P.O. Box 70, Staten Island, N.Y. 10307; 718-317-7000; fax: 718-317-8809

	1990	1989
Premium volume	$21,000,000	$23,000,000
Gross revenues	$1,680,000	$1,840,000
Employees	31	20
Commercial lines	100%	100%
Admitted business	60%	75%
Non-admitted	40%	25%

Year founded: 1976.

Type of business: 70% managing general agent, 30% broker.

MGA for: Scottsdale Insurance Co., National Casualty Co., Lloyd's of London.

Broker for: Primarily International Insurance Co., General Star National Insurance Co., United National Insurance Co., Calvert Insurance Co., The Home Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Iselin, N.J.; Bristol, Pa.; Roswell, Ga.; Braintree, Mass.

Subsidiaries: Sovereign Insurance Services Inc., Iselin, N.J.; Sovereign Excess Inc., Braintree, Mass.; Sovereign Brokers Inc., Roswell, Ga.; Sovereign General Agency, Bristol, Pa.

Specialties: Umbrella, builders risk, contractors.

Principal officers: William F. Lynch, president; Daniel J. Lynch, director; William J. Lynch, director; Joseph V. Certo, assistant vp; Mary T. Lynch, treasurer.

Contact: Daniel J. Lynch.

Licensed in: New York, New Jersey, Pennsylvania, Massachusetts.

Membership: AAMGA, NAPSLO, Professional Insurance Agents, Independent Insurance Agents Assn., New Jersey Surplus Lines Assn., Professional Insurance Wholesalers Assn. of New York.

Special Program Management Inc.

2 Hudson Place, Hoboken, N.J. 07030; 201-798-5100; fax: 201-798-9064

	1990	1989
Premium volume	$15,790,435	$15,755,000
Employees	9*	10*
Commercial lines	100%	100%
Admitted business	12%	12%
Non-admitted	88%	88%

* Additional services provided by staff of Calvert Insurance Co.

Year founded: 1987.

Parent company: Willis Corroon P.L.C.

Type of business: 15% underwriting manager, 85% managing general agent.

Underwriting manager for: Calvert Insurance Co.

MGA for: Primarily Lloyd's of London.

Correspondent: Lloyd's of London.

Specialties: Directors and officers liability, fiduciary/trustee protective liability.

Principal officers: James R. Martocci, president; Marjorie B. Feit, assistant vp.

Contact: James R. Martocci.

Licensed in: New Jersey

Membership: AAMGA, Professional Liability Underwriting Society.

Specialty Insurance Services Inc.

6624 Merrill Road, P.O. Box 11869, Jacksonville, Fla. 32239-1869; 904-743-4314; fax: 904-743-5657

	1990	1989
Premium volume	$4,283,900	$3,994,680
Gross revenues	$679,300	$577,044
Employees	12	15
Commercial lines	88%	94%
Admitted business	45%	50%
Non-admitted	55%	50%

Year founded: 1979.

Type of business: 95% managing general agent, 5% broker.

MGA for: Empire Fire & Marine Insurance Co., Empire Insurance Co., Agricultural Excess & Surplus Lines Insurance Co., Lincoln Insurance Co., Penn-America Insurance Co., St. Katherine Insurance Co. P.L.C., River Thames Insurance Co. Ltd., Lloyd's of London.

Broker for: Primarily Shand, Morahan & Co. Inc., Professional Managers Inc.

Correspondent: Lloyd's of London.

Subsidiaries: Specialty Insurance Services of Georgia Inc. and Foster parents Service Inc., Brunswick, Ga.

Principal officers: Harley K. Dulaney, president; Joanne S. Dulaney and Harley K. Dulaney III, vps.

Contact: Harley K. Dulaney.

Licensed in: Florida and Georgia.

Membership: NAPSLO, Florida Surplus Lines Assn., Georgia Surplus Lines Assn.

Sunbelt Special Risks Inc.

P.O. Drawer 80319, 9428 Brookline Ave., Baton Rouge, La. 70898-0319; 504-928-7700; fax: 504-928-7333

	1990	1989
Premium volume	$4,500,000	$4,792,000
Gross revenues	$550,000	$441,000
Employees	10	10
Commercial lines	98%	98%
Admitted business	2%	2%
Non-admitted	98%	98%

Year founded: 1983.

Business: 95% managing general agent, 5% broker.

MGA for: Scottsdale Insurance Co., Essex Insurance Co., St. Katherine Insurance Co. P.L.C.

Broker for: Primarily Illinois Insurance Exchange, Rhulen Agency, Shand, Morahan & Co. Inc., The Schinnerer Group Inc., Lloyd's of London .

Specialties: Primary and excess general liability exposures.

Principal officers: Michael J. Ardoin, president; Russell A. Landry Jr., vp.

Contact: Michael J. Ardoin.

Licensed in: Louisiana.

Membership: NAPSLO, Louisiana Surplus Lines Assn., Professional Insurance Agents.

Swett & Crawford Group

3699 Wilshire Blvd., Los Angeles, Calif. 90010; 213-251-1200; fax: 213-383-0241

See profile on page 48.

T

Tennant Risk Services Inc.

CityPlace II, 185 Asylum St., Hartford, Conn. 06108; 203-527-9717; fax: 203-527-2438

	1990	1989
Premium volume	$4,000,000	$4,000,000
Employees	5*	5*
Commercial lines	100%	100%
Admitted business	5%	5%
Non-admitted	95%	95%

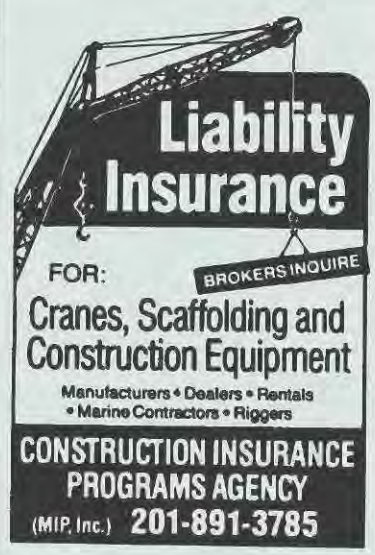
* Additional services provided by affiliate.

Year founded: 1987.

Business: 75% managing general agent, 25% broker.

MGA for: Lloyd's of London, Aegon Insurance Co. (U.K.) Ltd.

Continued on next page



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issue:	August 26	
closing:	August 14	
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closing:	August 20	
editorial feature:	Reinsurance: Int'l Markets — Directory: Leading Reinsurers Worldwide	
demographic section:	Agent/Broker Topics: Automation/Most Productive Agencies	
issue:	September 9	
closing:	August 27	

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Continued from previous page

Broker for: Primarily Lloyd's of London syndicates.

Correspondent: Lloyd's of London.

Specialties: Insurance brokers errors & omissions, miscellaneous professional liability.

Principal officers: Robert T. Sargent, president; Kimberley L. Byrd, vp; Margo M. Espinosa, account executive.

Contact: Robert T. Sargent.

Licensed in: Connecticut.

Texas General Agency Inc.

P.O. Box 40600, 4801 N.W. Loop 410, 10th Floor, San Antonio, Texas 78229; 512-522-1325; fax: 512-520-7222

	1990	1989
Premium volume	$12,00,000	$10,520,000
Gross revenues	NA	$1,393,000
Employees	35	29
Commercial lines	45%	45%
Admitted business	70%	60%
Non-admitted	30%	40%

Year founded: 1981.

Type of business: 95% underwriting manager, 5% broker.

Underwriting manager for: Gulf States Insurance Co., Old American County Mutual Fire Insurance Co.

Broker for: Primarily Appalachian Insurance Co., International Surplus Lines Insurance Co., Media/Professional Insurance, General Star National Insurance Co.

Branch offices: Lubbock, Texas.

Subsidiaries: Gulf States Insurance Co., Oklahoma City.

Specialties: Small commercial auto, private passenger auto.

Principal officers: Sam Cangelosi, president; Don Cangelosi, vp; Don E. Meyer, secretary/treasurer.

Contact: Sam Cangelosi.

Licensed in: Texas.

Membership: AAMGA, Texas Surplus Lines Assn.

Tri-City Insurance Brokers Inc.

110 William St., New York, N.Y. 10038; 212-732-1360; fax: 212-619-5202

See profile on page 52.

Trinity E&S Insurance Services/Trinity MGA Insurance Services

79-301 Country Club Drive, Suite 200, Bermuda Dunes, Calif. 92201; 619-360-4100; fax: 619-360-0055

	1990	1989
Premium volume	$9,458,300	$10,708,000
Gross revenues	$1,079,200	$1,229,000
Employees	9*	9*
Commercial lines	100%	99.9%
Admitted business	45%	40%
Non-admitted	55%	60%

* Additional services provided by TCO Insurance Services.

Year founded: 1985.

Parent company: Exstar Financial Corp.

Type of business: 41% managing general agent, 59% broker.

MGA for: Penn-America Insurance Co., General Agents Insurance Co.

Broker for: Primarily Illinois Insurance Exchange, Topa Insurance Co., Marine Office of America Corp., Alliance Insurance Co., Chubb Custom Insurance Co., First Oak Brook Syndicate, Classic Syndicate, Classic Fire & Marine, United National Insurance Co., North Atlantic Casualty & Safety.

Branch offices: San Rafael, Calif.

Specialties: Contractors primary liability.

Contact: Thomas J. Gassen.

Licensed in: California.

Membership: NAPSLO.

Tri-State General Insurance Agency Ltd.

P.O. Box 2719, Salisbury, Md. 21801; 301-546-1255; fax: 301-546-3953

	1990	1989
Premium volume	$10,779,372	$9,626,090
Gross revenues	$1,401,318	$1,251,391
Employees	30	25
Commercial lines	100%	100%
Admitted business	5%	5%
Non-admitted	95%	95%

Year founded: 1979.

Type of business: 85% managing general agent, 15% broker.

MGA for: Guaranty National Insurance Co., Lincoln Insurance Co., First Financial Insurance Co., Lincoln General Insurance Co., Sphere Drake Insurance Co. P.L.C., Lloyd's of London.

Broker for: Primarily Markel Corp., Rhulen Agency, Tudor Insurance Co., Illinois Insurance Exchange.

Correspondent: Lloyd's of London.

Branch offices: West Chester, Pa.; Richmond, Va.; Cherry Hill, N.J.

Subsidiaries: Tri-State General Insurance Agency of Virginia; Tri-State General Insurance Agency of New Jersey.

Specialties: Marinas.

Principal officers: Edward A. Dickerson Sr., chief executive officer; Edward A. Dickerson III, president; Eileen Dickerson, secretary; Kathleen Ellmaker, vp; Nellie Beals, treasurer.

Contact: Edward A. Dickerson Sr.

Licensed in: New Jersey; Pennsylvania; Washington, D.C.; Delaware; Maryland; Virginia.

Membership: NAPSLO.

U

U.S. & Overseas Agencies Inc.

1693 Stuyvesant Ave., Union, N.J. 07083; 908-964-5950; fax: 908-964-9487

	1990	1989
Premium volume	$3,739,000	$4,030,000
Gross revenues	$490,000	$647,000
Employees	11	13
Commercial lines	80%	80%
Admitted business	15%	15%
Non-admitted	85%	85%

Year founded: 1933.

Type of business: 80% managing general agent, 20% broker.

MGA for: Mount Vernon Fire Insurance Co., Lincoln Insurance Co., Lloyd's of London.

Broker for: Primarily Homestead Insurance Co., United National Insurance Co.

Correspondent: Lloyd's of London.

Specialties: General liability.

Principal officers: Jack Neubauer, president; Jeffrey S. Neubauer, vp; Ingrid Neubauer, secretary; Bernice Bender, treasurer.

Contact: Jeffrey S. Neubauer.

Licensed in: New Jersey.

Membership: NAPSLO.

U.S. Risk Inc.

5910 N. Central Expressway, Suite 1580, Dallas, Texas 75206; 214-891-6440; fax: 214-891-6442

	1990	1989
Premium volume	$28,937,000	$15,158,000
Gross revenues	$2,179,770	$1,573,000
Employees	38	15
Commercial lines	100%	100%
Admitted business	5%	5%
Non-admitted	95%	95%

Year founded: 1977.

Type of business: 50% managing general agent, 50% broker.

MGA for: Lloyd's of London, Acceptance Insurance Co.

Broker for: Primarily Aetna Casualty & Surety, Evanston Insurance Co., Transamerica Insurance Co., The Home Insurance Co., Chubb Custom Insurance Co. , Crum & Forster Inc.

Correspondent: Lloyd's of London.

Branch offices: Austin and Houston, Texas; Boca Raton, Fla.

Subsidiaries: U.S. Risk Underwriters Inc., Dallas and Austin, Texas; R.L. Jarrett Risk Services Inc. and Jarrett Specialty Inc., Dallas, Austin and Houston, Texas; Jean Deal & Associates Inc., Dallas; U.S. Risk of Florida Inc., Boca Raton, Fla.

Specialties: Public officials and law enforcement liability.

Principal officers: Randall G. Goss, president/chief executive officer; Doug Williams, executive vp/chief financial officer; Mac Wesson, Jerry Browning and Caren P. Roberts, executive vps.

Contact: Mac Wesson.

Licensed in: Texas.

Membership: AAMGA, NAPSLO.

W

Bernard Warschaw Insurance Sales Agency Inc.

1180 S. Beverly Drive, Suite 301, Los Angeles, Calif. 90035; 213-286-2687; fax: 213-286-2526

	1990	1989
Premium volume	$10,300,000	$7,500,000
Employees	6*	6*
Commercial lines	100%	100%
Admitted business	15%	98%
Non-admitted	85%	2%

* Additional services provided by parent company.

Year founded: 1989.

Parent company: The Doctors' Co.

Type of business: 100% managing general agent.

MGA for: The Doctors' Co., Professional Underwriters Liability Insurance Co.

Specialties: Non-standard medical malpractice.

Principal officers: Manuel S. Puebla, president; Charles A. O'Brien, secretary; Peter F. Chiarella, treasurer.

Contact: Stephen Freedman, operations manager.

Alexander J. Wayne & Associates Inc.

651 W. Washington Blvd., Chicago, Ill. 60661; 312-993-9666; fax: 312-993-1108

	1990	1989
Premium volume	$6,000,000	NA
Gross revenues	$400,000	NA
Employees	4	NA
Commercial lines	100%	NA
Admitted business	40%	NA
Non-admitted	60%	NA

Year founded: 1989.

Parent company: C.E. Heath P.L.C.

Business: 100% broker.

Broker for: Primarily American International Group Inc., Illinois Insurance Exchange, Evanston Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Directors & officers, public entity self-insured pools, alternative risk programs, product liability.

Principal officers: Alexander J Wayne, Arthur Baden, Thomas J Cummane, Lorraine A. Knapp.

Contact: Alexander J. Wayne.

Licensed in: Illinois.

Membership: Assn. of Lloyd's Brokers, Illinois Surplus Lines Assn.

Western Underwriters Inc.

1580 Logan St., Suite 400, Denver, Colo. 80203; 303-831-8301; fax: 303-860-9672

	1990	1989
Premium volume	NA	NA
Employees	NA*	NA*
Commercial lines	NA	NA

* Additional services provided by American Liability Insurance Group Inc.

Year founded: 1991.

Business: 100% broker.

Broker for: Primarily Chicago Insurance Co., Fischer Underwriting Group.

Specialties: Financial institutions, liquor liability.

Principal officers: Melvin L. Shannon, president; Roger A. Richter Sr., chairman/secretary; LeAnn Bristow, vp.

Contact: Roger A. Richter Sr.

Licensed in: Colorado, Illinois.

Membership: NAPSLO.

The Wetzel Co. Inc.

5 Post Oak Park, Suite 510, Houston, Texas 77022; 713-621-6033; fax: 713-621-7034

	1990	1989
Premium volume	$50,000,000	$38,000,000
Gross revenues	$3,600,000	$2,860,000
Employees	28	24
Admitted business	40%	42%
Non-admitted	60%	58%

Year founded: 1973.

Parent company: Thomas R. Miller & Son (Holdings) Ltd. of London.

Business: 5% underwriting manager, 35% managing general agent, 60% broker.

MGA for: American Insurance Co.

Broker for: Primarily Institute of Lloyd's Underwriters.

Correspondent: Lloyd's of London.

Specialties: Energy industry.

Principal officers: Ed Cave, chief executive officer; Bill Cole, vp/chief financial officer; Panos Georgiou, vp/manager-broking department; Gris Bowden, vp/manager-underwriting department.

Contact: Bill Cole.

Licensed in: Texas.

Membership: NAPSLO, TSLA.

Willis Faber Holdings & Subsidiaries

3075 Orchard Vista Drive, S.E., Grand Rapids, Mich. 49546; 616-942-8000; fax: 616-942-0870

See profile on page 53.

Windsor Insurance Intermediaries Inc.

100 N. Biscayne Blvd., Suite 1200, Miami, Fla. 33132; 800-848-1838; fax: 305-381-6577

	1990	1989
Premium volume	$4,500,000	$4,000,000
Gross revenues	$350,000	$300,000
Employees	11	9
Commercial lines	100%	100%
Admitted	25%	10%
Non-admitted	75%	90%

Year founded: 1987.

Type of business: 50% managing general agent, 50% broker.

MGA for: Usher Insurance Co. Ltd., Hartford Steam Boiler Inspection & Insurance Co.

Broker for: Primarily Regis Insurance Co., Orion Insurance Co., Classic Group, Homestead Insurance Co., Fireman's Fund Insurance Cos., Charter American Casualty Co.

Correspondent: Lloyd's of London.

Specialties: Restaurants and taverns, liquor liability.

Principal officers: Michael Bainbridge, president; Jack Ruffin, vp.

Contact: Jack Ruffin.

Licensed in: Alabama and Florida.

Membership: Florida Surplus Lines Assn.

Wood & Co. Inc.

5335 Triangle Parkway, Suite 300, Norcross, Ga. 30092; 404-448-7148; fax: 404-448-7105

	1990	1989
Premium volume	$35,886,171	$32,843,858
Gross revenues	$2,310,843	$2,286,958
Employees	21	19
Commercial lines	100%	100%
Admitted business	47%	35%
Non-admitted	53%	65%

Year founded: 1984.

Parent company: McGriff, Seibels & Williams Inc.

Type of business: 2% managing general agent, 98% broker.

MGA for: Lloyd's of London.

Broker for: Primarily St. Paul Surplus Lines Insurance Co., The Home Group Inc., Fireman's Fund Insurance Cos., Royal Indemnity Co., Northfield Insurance Co., First State Insurance Co., Transamerica Insurance Co., Chubb Custom Insurance Co., International Insurance Co., General Star Management Co., Travelers Insurance Co., Zurich American Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Primary products liability, excess/umbrella liability.

Principal officers: Bruce A. Wood, president/chief executive officer; Evelyn W. Wood, Michael G. Rimbey, George E.Showalter and Donald L. Swift Jr., vps.

Contact: Bruce A. Wood.

Licensed in: Georgia.

Membership: NAPSLO.

Worldwide Facilities Inc.

3530 Wilshire Blvd., Suite 1400, Los Angeles, Calif. 90010; 213-380-4670; fax: 213-384-1501

	1990	1989
Premium volume	$28,000,000	$29,000,000
Gross revenues	$1,575,000	$1,750,000
Employees	24	24
Commercial lines	100%	100%
Admitted business	35%	40%
Non-admitted	65%	60%

Year founded: 1970.

Type of business: 100% broker.

Broker for: Primarily Associated International Insurance Co., Admiral Insurance Co., Chubb Custom Insurance Co., First State Insurance Co., Fireman's Insurance Co. of Washington, Fireman's Fund Insurance Cos., General Star Indemnity Co., Gotham Insurance Co., Illinois Union Insurance Co., International Insurance Co., Industrial Insurance Co. of Hawaii, Lexington Insurance Co., New York Marine & General Insurance Co., The North River Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Reliance Insurance Co., Topa Insurance Co., Transamerica Insurance Co., United States Fire Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Construction industry, public entities.

Principal officers: Donald R. Davis, chairman; Davis D. Moore, president; Stephen B. Campbell, vice chairman; Frank J. Bermack and Lynn W. Davis Jr., vps.

Contact: Stephen B. Campbell.

Licensed in: California.

Membership: NAPSLO, Surplus Lines Assn. of California.

WYCON Corp.

210 University Drive, Suite 900, Coral Springs, Fla. 33071; 305-752-1222; fax: 305-344-7961

	1990	1989
Premium volume	$27,899,395	$31,332,700
Employees	80	80
Commercial lines	100%	100%
Non-admitted	100%	100%

Year founded: 1984.

Parent company: Weicholz Financial Group.

Type of business: 100% underwriting manager.

Underwriting manager for: Preferred National Insurance Co., Britamco Underwriters Inc.

Specialties: Restaurants, liquor legal liability, professional liability, automobile physical damage.

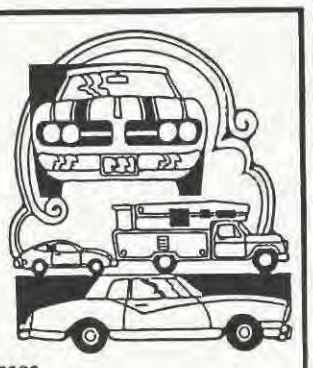
Principal officers: Stephen Weicholz, president/chief executive officer; Scott Weicholz, corporate secretary; Albert S. Solomon, treasurer; Robert Romanik, vp/general manager; Kenneth Sutter, vp-marketing.

Contact: Charles W. Carter Jr., national marketing manager.

Licensed in: All states except New York, New Hampshire, New Jersey, Maine, Massachusetts, Connecticut, Rhode Island and Nevada.

Membership: AAMGA. ■

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Physical Damage by Motors Insurance
The Insurance People from General Motors

Unraveling the mystery of combined ratios

By JUDY GREENWALD

Risk managers and others who examine an insurer's combined ratio to evaluate its financial condition can wind up more confused than when they started.

That's because there's more than one way to compute the combined ratio, which is used as a yardstick of a company's profitability.

For instance, the combined ratio—and more specifically the expense ratio—derived from insurers' annual statements filed with state regulators is not necessarily the same as the combined ratio calculated by insurance rating agencies.

Some property/casualty insurance industry observers say it would make sense—and would eliminate confusion—if the industry used only one formula to compute combined ratios.

In fact, some veterans of the insurance industry expressed surprise when they learned that combined ratios used by regulators and rating agencies differ.

Kevin Brooks, president of Stamford, Conn.-based General Star Indemnity Co., a General Re Corp. unit, believes having two or more combined ratios for the same insurer causes confusion.

The disagreement could be interpreted as another indication that the insurance industry "can't get anything straight," said Mr. Brooks. "My concern is not whether we use one or the other, and which one is more technically accurate," he said, adding: "God knows, we ought to be using one or the other."

General Star Indemnity reported a 94.8% combined ratio in 1990 for statutory accounting purposes, while rating agency A.M. Best Co. calculates General Star Indemnity's combined ratio at 94.4%.

"I think the issue of consistency in dealing with the public is one we have to address," Mr. Brooks said. If it is simply a matter of choosing one method, "then choose it and be done with it. I don't think it's useful to have that kind of confusion."

The difference between the way regulators and rating agencies determine combined ratios can be found on page 4 of insurers' annual convention statements, which is the "underwriting and investment exhibit statement of income."

State regulators include line 13, which reflects "total other income or expenses," in their calculation of an insurer's expense ratio, while the rating agencies do not.

Line 13 includes "net gain or loss for agents' or premium balances charges off" (line 10), "finance or service charges not included in premium" (line 11) and "aggregate write-ins for miscellaneous income" (line 12). Line 12 particularly can create a dramatic change in the expense ratio and, therefore, in the combined ratio (see related story).

A spokesman for Oldwick, N.J.-based Best said that in 1989, the last year for which data is available, the amount reported by all U.S. property/casualty insurers on line 13 amounted to about $1 billion in expenses, adding about 0.5% to the insurance industry's aggregate statutory combined ratio.

In addition, other numbers found in the annual statement may or may not be included in an insurer's combined ratio, depending on who is doing the calculation.

For example, while state regulators and A.M. Best include line 5 of page 4—"aggregate write-ins for underwriting deductions"—in their expense ratio formula, some other rating agencies, including Standard & Poor's Corp., do not include this provision. However, most companies report nothing on this line.

In addition, some industry observers divide both the losses and the underwriting expenses by premiums earned rather than dividing expenses by premiums written.

Many other insurance industry executives agree with Mr. Brooks that the multiple methods of accounting are confusing, and some say they do not care which method is adopted as long as it is used on a uniform basis. However, insurance finance experts concede there are good reasons why certain results should—or should not—be included in combined ratios.

"I think it's confusing to the public," said Norman Engel, comptroller for St. Paul Surplus Lines Insurance Co. in St. Paul, Minn., which this year reported both a statutory and Best's combined ratio of 103.1%.

Any time there are two different ratios, "the public says, 'What's going on?' and that's not a good position for us to be in," he said.

Mr. Engel said he has no preference as to which combined ratio is used. "As long as everybody does it the same way, I don't think it matters."

Daniel J. Kelleher, treasurer for Philadelphia-based United National Insurance Co. in Philadelphia, agreed. "There should be one standard. As to whose that should be, I'm not going to answer that one."

However, agreeing on one formula for the combined ratio is "not going to happen in my or your lifetime, I think," he added, even though "it would alleviate confusion."

United National actually has three combined ratios: an S&P combined ratio of 92.6%, a Best's combined ratio of 94.4% and a statutory combined ratio of 95%.

S&P calculates United National's expense ratio at 22.7%, based just on $8.1 million in other underwriting expenses, while the Best expense ratio of 24.5% also includes $650,000 from line 5 of page 4 of the annual statement for "aggregate write-ins for underwriting deductions."

United National's statutory 25.1% expense ratio also takes into account $297,348 for the amortization of intangible assets. The latter figure is reduced by a net gain of $12,000 reported on line 10 of page 4 for "agents' or premium balances charged off."

The different methodology can produce other big differences.

Admiral Insurance Co. of Cherry Hill, N.J., reports a 110.7% statutory combined ratio for 1991, while its Best's and S&P ratio is 102.8%. The major reason for the difference is $4.2 million in interest to be paid to reinsurers on funds held, said Kathleen Crawford, vp and treasurer.

Ms. Crawford said she does not believe this provision should be reflected in Admiral's combined ratio because it is not part of its operations.

"It's really an investment item," she said. "I don't think it should impact the combined ratio."

"I think it makes sense for (combined ratios) to be consistent," said Marvin Shulman, an analyst with Moody's Investors Service in New York. He noted that while Moody's publishes the statutory combined ratio, it focuses on underwriting results when it examines insurers. While the combined ratio is "part of the insurance operation, typically we look at underwriting performance," he said.

Mr. Shulman noted, for example, that line 13 should reflect an insurer's realized gains or losses for foreign exchange. "Is that really appropriate to include" as part of the expense ratio? he asked.

Line 13 also could include management fees the insurer receives from another company, he noted.

If someone is trying to capture underwriting performance, the focus would be on the "plain business" of premiums written and incurred losses and expense, Mr. Shulman said.

"We don't really rely very heavily on the combined ratio in doing our analysis," he also noted, explaining that there is an inherent inconsistency in insurer's combined ratios because to calculate the ratio, losses and loss adjustment expenses are divided by premiums earned, other expenses are divided by premiums written and the two sums are added together. To be mathematically correct, ratios with two different denominators should not be added together, he said.

The convention statement, in fact, merely reports the loss ratio and the expense ratio separately, and does not add the two together.

Robert Solitro, Deputy Insurance Commissioner for New Hampshire, who represents New Hampshire Insurance Commissioner Louis E. Bergeron on the NAIC's blank committee, said people who add up the expense ratio and the loss ratio that appear on page 22 to get a combined ratio "are not using it properly."

"This is not a combined ratio that you're looking at," he said.

"Page 22 is not attempting to calculate the traditional combined ratio," he said. "That's not the purpose" of line 57, on which the expense ratio appears.

Mr. Solitro said if he were asked for a particular insurer's loss ratio, he would take lines 4 and 5 on the income statement and divide it by premiums earned.

Similarly, the NAIC in its profitability report, which breaks down lines of business by state and insurer, also reports an expense ratio that does not take line 13 into account, he said. The data in line 13 instead is reflected in investment income.

Mr. Solitro said the NAIC also uses premiums earned as a denominator, rather than the premiums written denominator used on line 57.

The reason that particular expense ratio is used in the convention statement at all, he said, is that "historically, it's an attempt to match expenses to premiums written, because the match to written is better than the match to earned."

It is better to match commissions paid to premiums written than to premiums earned, for instance, because the latter "just doesn't fit," he said.

Mr. Shulman said that some people even include investment income divided by premiums earned when calculating the combined ratio.

While many agree that there should be one method of computing combined ratios, observers say there are advantages to each.

"You can find items in there that are legitimate underwriting or operating expenses and probably should be included," said Alan Levin, senior vp at Standard & Poor's, referring to line 13.

But at the same time, some expense and income items included in line 13 "would be misleading to include in a combined ratio column," added Mr. Levin, whose agency does not include either line 5 or line 13 in its calculation of expense ratios.

The most appropriate approach is to look at each individual company statement to make a judgment as to whether or not to include a particular item, he said.

Mr. Levin warned, for instance, that to present a better rating agency combined ratio, insurers sometimes put items under line 13 that should actually be reflected in Line 4, "other underwriting expenses," which is included in all calculations of the expense ratio.

Mr. Levin said that one insurer, which he did not identify, included in item 13 a "corporate expense and management advisory fee" item. That sounds like other underwriting expenses, said Mr. Levin, who explained that the company was attempting not to show this expense.

"Either blanket approach is not necessarily appropriate," he said, explaining that S&P attempts to look at individual differences among companies as opposed to applying identical standard techniques to each company.

Best tried including line 13 in its calculation of the combined ratio "and we found there were distortions in the results," said the Best spokesman.

In addition, he said, "we found that other income by very many companies was restated every year, sometimes with significant swings. It did lead to distortions, and it was not at any given time really a solid number."

David Wells, an analyst with Fitch Investors Service in New York, noted his agency uses just line 4, but neither line 13 nor line 5, when it calculates the expense ratio.

The combined ratio should reflect underwriting profit, said Mr. Wells. Using line 13, with its miscellaneous income and expenses, "throws in static that's going to confuse the comparisons," he said.

For instance, a large amount of uncollectible reinsurance that is reflected in line 13 can distort the combined ratio. "I don't think it should be in the expense ratio," said Mr. Wells. Instead, "I would look at the operating income of the company," where uncollectible insurance would be reflected, he said.

"You want to get it as standardized as possible to compare it as consistently as possible," Mr. Wells said. While there are times when certain items could be swept under the cover of line 5 and line 13, he acknowledged, "you've just got to keep your eyes peeled."

Michael Smith, an analyst with Shearson Lehman Hutton Inc. in New York, noted that line 13 "is likely to be income derived from various types of services that are not directly relevant to the premiums."

Mr. Smith said he does not use item 13 in his own analyses. However, when compiling reports, he uses whatever combined ratio the company reports, which usually is the statutory combined ratio, to avoid creating questions.

"There's quite a variety of ratios," commented Bob Bailey, deputy insurance commissioner of Illinois, who has also worked at both the National Assn. of Insurance Commissioners and at A.M. Best.

"I don't think this is a black or white, yes or no, or right or wrong type of question" he said. "It depends on what you're going to use it for."

He noted that the data on page 22 of the convention statement, where the expense ratio is reported, reflects information that is used in the NAIC's Insurance Regulatory Information System, which historically has been used by state regulators to target companies that could have financial problems.

The IRIS ratios have become so well accepted and enshrined in the public arena that the NAIC has decided to continue to report those ratios, even though they are obsolete in some respects, he said. ■

How combined ratios are computed

An insurer's combined ratio, which often is used as a benchmark to help observers determine the company's financial condition, can differ greatly depending upon the method used to calculate it.

A major difference involves using line 13 on page 4 of the annual convention statement, which reports "total other income" or losses. Line 13 is the sum of three items:

- Line 10, "net gains or losses from agents' or premium balances charged off."
- Line 11, "financial and service charges not included in premium."
- Line 12, "aggregate write-ins for miscellaneous income." Line 12 most often has the greatest impact of the three.

Admiral Insurance Co. of Cherry Hill, N.J., which has a 102.8% combined ratio according to Best's and S&P and a 110.7% statutory combined ratio, illustrates how Line 13 can have a significant impact on an insurer's combined ratio.

All sources agree that Admiral's loss ratio would be calculated by dividing $44.3 million in losses incurred by $58.7 million in premiums earned. That results in a 75.5% loss ratio.

However, not everyone agrees on how the expense ratio should be calculated.

According to rating agencies like A.M. Best Co. and Standard & Poor's Corp., the expense ratio would be calculated by dividing $14.1 million in incurred other underwriting expenses, which appears on line 4 of page 4, by $51.7 million in premiums written. That results in a 27.3% expense ratio and a 102.8% combined ratio.

The statutory expense ratio also is based on the $14.1 million in incurred other underwriting expenses. However, according to the National Assn. of Insurance Commissioners' formula, line 13—which in Admiral's case is an expense of $4.1 million—must be subtracted from the $14.1 million.

Subtracting a $4.1 million expense from the $14.1 million in incurred other underwriting expenses results in a total of $18.2 million in expenses. When this is divided by $51.7 million, it results in a 35.2% expense ratio and the 110.7% combined ratio.

—By Judy Greenwald

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NSWMA

Quality standards

Continued from page 2

NCQA verifies that an HMO checks the education, malpractice history and other relevant background information of its doctors.

"I have in the past seen HMOs hire physicians based on price, not quality," said John Stebbins, manager of health care benefits for Goodyear Tire & Rubber Co. of Akron, Ohio. Upon inspection, some of those doctors' records revealed that their licenses had been suspended in another state before joining the HMO, he said.

- Commitment to HMO members' rights. Organizations must demonstrate a commitment to treating members with respect. Members must be educated about HMO services, and a formal system must be established to receive member complaints and respond to them.
- Preventive health services. The NCQA gives HMOs a list of preventive health measures they should be performing, like mammograms, Pap smears, immunizations and cholesterol screenings.

"One of the most important things HMOs can do is stress preventive medicine and we want to make sure they are doing so," Ms. O'Kane said.

The NCQA also has clarified its existing standards on:

- Quality assurance. Examiners check that organizational arrangements and responsibilities for quality improvement activities are clearly defined, assigned to appropriate individuals and updated as necessary.
- Medical records. Patient records must be maintained in a current, detailed, organized and comprehensive manner that permits effective patient care and quality review. The records must reflect all aspects of patient care, including ancillary services.

During an NCQA review of an HMO, three examiners, including two physicians, spend two or three days at the HMO's headquarters, Ms. O'Kane said.

After the review is completed, the group issues one of four ratings:

- Full accreditation for three years.
- Accreditation for three years with binding recommendations. In this case, an HMO must correct certain problems that were not significant enough to withhold accreditation.
- Provisional accreditation. The HMO is accredited for 12 to 18 months and must correct particular problems. A follow-up review will determine whether it qualifies for accreditation.
- Not accredited.

"The NCQA standards create a tool for businesses to use in making prudent health care purchasing decisions," said Patricia M. Nazemetz, benefits manager at Xerox Corp. in Stamford Conn., and a member of the NCQA's board of directors.

Ms. Nazemetz said Xerox plans to ask the 180 HMOs in the company's six managed care networks to submit to review by the NCQA over the next five years.

"In addition to giving corporations a tool to measure quality, the NCQA review also allows employers to work in a partnership with HMOs" to make sure quality improvements are being made, she added.

Other employers agree.

When Ameritech decided to introduce a point-of-service health care plan for its employees earlier this year, "one thing we put to all of the bidders was that we wanted an outside review' of any providers that would be considered for the network, Mr. Peres said.

The NCQA is "performing a service related to quality of care that we aren't prepared to do, nor are most employers," said Goodyear's Mr. Stebbins.

With an independent organization like the NCQA conducting such reviews, employers are saved both time and money, Mr. Peres said.

"We could hire a consultant to conduct the review, but then you may have another employer using another consultant" to review the same organization, Mr. Peres observed.

And, if consultants use inconsistent criteria to judge a managed care organization, they may draw different conclusions for the employers they represent, he explained.

The standards also help managed care companies document the quality of the care they deliver, Ms. O'Kane said.

The NCQA has conducted more than 100 reviews nationwide since 1979, and most organizations welcome the scrutiny, she said.

"From an HMO's perspective, it is important to be able to satisfy multiple, external questions with one set of data," rather than having to respond to many reviews conducted individually by many different groups, said Dr. Gerald R. Plotkin, medical director of the Harvard Community Health Plan's group division in Brookline, Mass., and chairman of the NCQA's standards committee.

"It's very important to have an outside organization validate our program of continuous quality improvement," said Dr. Susan E. Crutchfield, vp of medical services for the North Central group operations division of Prudential Insurance Co. of America.

"It's such a comprehensive review of everything we do," she said. "Many employers would not have gone as in depth to examine us were they to conduct a review themselves."

The Newark, N.J.—based insurer hopes to have each of its 42 HMO and point-of-service plans across the country accredited by NCQA by 1992, she said.

Aetna Health Plans also is having its 25 HMO and point-of-service plans approved for accreditation,said Dr. Allen Schaffer, assistant vp of quality for the managed care unit of Hartford-based Aetna Life & Casualty Co.

Dr. Schaffer pointed out that people in group health plans "want a Good Housekeeping seal of approval" on plans. "Whenever (employees) trade freedom of choice for other benefits—like higher levels of coverage—they want to make sure they are getting quality services," he explained.

Blue Bell, Pa.-based U.S. Healthcare, the nation's fifth-largest HMO with 1.1 million members, is undergoing NCQA accreditation, said Dr. Neil Schlachman, medical director and chairman of corporate quality assurance.

But, he pointed out, NCQA accreditation "is not intended to be a star you can put on your window. It's also intended, as much as possible, to improve what goes on in the plan and to ultimately lead to better care."

The NCQA was founded in 1979 by the Group Health Assn. of America and the American Managed Care & Review Assn., two Washington, D.C.-based trade associations that represent the managed care industry.

The NCQA originally was established to serve the industry, but it became independent of AMCRA and GHAA in 1990.

Ms. O'Kane pointed out that in addition to NCQA's board of directors, the organization is guided by three other groups:

- A users' group consisting of employer representatives, trade union officials and a consumer advocate.
- A standards committee, which sets criteria by which HMOs' quality of service is judged. The committee consists of physicians and researchers from independent practice association, staff and group model HMOs.
- A review oversight committee, which monitors the NCQA's reviews for consistency. It consists of physicians who are HMO quality assurance directors.

NCQA's independence was made possible by grants from the Princeton, N.J.-based Robert Wood Johnson Foundation, which provides health care policy funding, and some continued donations from GHAA members.

But, by year-end 1992, the NCQA plans to be self-supporting through its fees for doing quality assurance reviews.

Ms. O'Kane pointed out that the price charged for a review varies depending on the organization's size and how extensive a review the HMO selects.

For example, the NCQA charges HMOs with 50,000 or fewer members $22,500 for a basic review.

While the NCQA review covers most of the clinical and quality aspects of an HMO, it may not cover every angle purchasers are interested in, including the HMO's financial health, Harvard Community's Dr. Plotkin pointed out.

Most employers say they will still do some reviews on their own. "There are things that fall outside of NCQA's purview that I may want to check into," pointed out Ameritech's Mr. Peres. ■

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INTERNATIONAL

Blaze to delay opening of underwriting center

LONDON

By STACY SHAPIRO

LONDON—London non-marine underwriters were still dazed last week after a major fire that swept through the building that was to become London's third major underwriting center next March.

The fire—which brought London's financial district to a standstill as black smoke and flames billowed from the atrium of the building, which was in the final stages of construction—will cause the London Underwriting Centre to postpone its opening for at least a year.

"We are, if you pardon the expression, gutted," said Victor Blake, founder of the LUC and chairman of CNA Reinsurance of London Ltd. "But we're staying upbeat and waiting till the smoke clears" to assess the damage.

The new LUC, designed to house 80 non-marine insurance and reinsurance companies, was on schedule for its planned opening next March at 3 Minster Court.



An artist's rendering of the London Underwriting Centre.

Market Building Ltd., a management and leasing company formed and owned by 24 of LUC's founding insurers, has leased the building for 25 years from Prudential Corp. P.L.C. MBL had planned to spend between 46 million and 50 million pounds ($78.9 million to $95.8 million) to fit out the interior of the building (*BI*, Sept. 3, 1990).

However, early Wednesday morning, a fire was discovered by a construction crew in the lower level of the building. The fire traveled up elevator shafts to the atrium, which acted like a chimney.

The cause of the fire was not yet known last week. There was speculation that the fire started from an electrical fault in the backup generating plant in the building's basement, said Mr. Blake.

The extent of the damage also was not known last week, although little of the building's exterior seemed damaged except for some broken windows and granite tiles

Continued on next page



CBS News/AP/Wide World photo

The Oceanos sinks in heavy seas off the coast of South Africa.

Oceanos loss is third for Greek shipowner

LONDON—Insurers of Greek shipping company Epirotiki are still estimating the cost of the company's third major claim in a year after the cruise ship Oceanos sank off the South African coast Aug. 5.

While the hull was lost, liability claims are expected to be slight.

The vessel's hull and machinery were insured under two policies placed almost entirely in the London market by the marine division of Hogg Insurance Brokers Ltd.

A spokesman for Hogg said the main hull and machinery policy has limits of $13.6 million and was jointly led by Lloyd's of London marine syndicate 1014, managed by R.M. Pateman Underwriting Agencies Ltd., and London Assurance, a unit of Sun Alliance & London Insurance P.L.C.

Only 1.5% of the risk was placed outside the standard London market and Lloyd's, according to the spokesman. That portion was underwritten by Arab Insurance Group B.S.C. of Bahrain.

In addition to the main policy, Hogg arranged additional coverage for the Oceanos' hull and machinery. This $2.9 million policy was led at Lloyd's by marine syndicate 488, managed by Charman Underwriting Agencies Ltd. Settlements under this policy automatically follow those reached under the main policy, the Hogg spokesman said.

Liability coverage for the Oceanos was placed with the United Kingdom Mutual Steamship Assurance Assn. (Bermuda) Ltd. Managed by Thomas R. Miller & Co. of London, U.K. Mutual is the world's largest protection and indemnity club.

Like all P&I clubs, U.K. Mutual insures the third-party liability risks of merchant fleets. The club writes unlimited third-party liability coverage for risks like cargo damage, collision, wreck removal and crew illness. Coverage for third-party oil pollution liability is capped at $500 million per incident.

John Tilley, a director at Miller, late last week was still uncertain whether the P&I club would have to pay for the cost of moving the wreck or any pollution generated by it.

"There's no pollution as yet," he said. "The authorities are still scratching their heads over whether to have the wreck moved."

The Oceanos sank, bow first, about a mile off the South African coast.

He added that he expects liability claims from the loss to be slight. The vessel was on an overnight cruise, so passengers had few personal effects that could have been lost or damaged, he explained. All passengers and crew were rescued.

"It was an entirely Greek crew," Mr. Tilley said. "Compensation in Greece is not that staggering. It's not going to be that costly."

Epirotiki, the Greek shipping company that owned the Oceanos, is a well-established firm that recently had a run of bad luck, according to Mr. Tilley.

Last December, another of its cruise ships, the Jupiter, was involved in a collision while leaving the harbor of Piraeus, Greece.

And, two months ago, another cruise ship, the Pegasus, caught fire in the Aegean Sea near Venice. According to the Hogg spokesman, that was ranked as a constructive total loss by underwriters, resulting in total material damage claims of $45 million.

The London market insurers of Oceanos were still in the dark last week as to why the vessel sank. Hogg's spokesman alluded to press reports that bomb threats had been made, but said there was no evidence of bomb damage.

—By William Pitt

Sunken cargo could produce $70 million claim

Two car carriers collide

LONDON—A Norwegian car carrier carrying about 4,600 Japanese vehicles that sank off the Strait of Gibraltar last week could cost insurers more than $70 million, making it one of the largest shipping losses this year.

The Lane, which was carrying 4,592 Toyota and Mazda vehicles, collided with the Astro Coach, another car carrier, and sank Aug. 4 in the Strait of Gibraltar while on its way from Japan to several European ports. The chief officer of the carrier is missing, but all other crew members were accounted for.

The Lane, owned by Norwegian America Line, is insured for about $22 million for hull and machinery risks, confirmed Bjorn Johansen, managing director of Oslo-based Norwegian Ship Management, managers of the vessel.

The coverage is placed by Oslo-based broker Duo Ltd. primarily in the Scandinavian market and is led by Oslo-based Unitas. Coverage also is written in the London and U.S. markets, he confirmed.

The Lane's liability coverage is placed with the Norwegian-based protection and indemnity club Assuranceforeningen Skuld, confirmed Mr. Johansen.

The cargo loss is likely to exceed $50 million which is the approximate value of 4,000 of the vehicles, sources say.

Those vehicles are insured in the Japanese market. A small portion of the cargo loss could enter the London market via reinsurance treaties.

The other 600 vehicles are insured outside the Japanese market.

The Astro Coach—which was bound for Kobe, Japan, from Bremerhaven, Germany—was badly damaged but was towed to a Spanish port. The Astro Coach is owned by Kambara Kisen Co. of Japan.

—By Stacy Shapiro

Earthquake risk in Japan

Effect of a quake may cause tremors in global markets

By CATHERINE RUBINSTEIN

TOKYO—Seismologists predict that within the next few decades, Japan will suffer at least one major earthquake which could devastate insurance and financial markets worldwide.

Japan lies where four tectonic plates—the Eurasian plate, the Philippine Sea plate, the Pacific plate and the tip of the North American plate—rub shoulders, with the potential for cataclysmic effects. The nation suffers an average of 1,000 earth tremors detectable by man annually—more than 10% of the world's total.

The last time the Tokyo area—known as Kanto—was seriously damaged by an earthquake was on Sept. 1, 1923, when both Tokyo and Yokohama were reduced to rubble by the Great Kanto Earthquake and the conflagrations that followed. In all, 140,000 people are estimated to have been killed, more than 60,000 in Tokyo alone, and 50,000 of those due to the fires that followed the quake.

At that time, Tokyo's inhabitants numbered around 2.3 million and most buildings were constructed of wood. The 1923 quake is estimated to have had a magnitude of 8.3 on the Richter scale.

By contrast, the Loma Prieta earthquake that struck the San Francisco area in 1989 measured 7.1. The scale is logarithmic, so a magnitude of 8.0 is 30 times magnitude 7.0.

There are two potential sources of earthquakes in the Tokyo area, according to the National Land Agency: the coastal zone, where the plates meet; and a fault zone under the land. The latter type is comparatively localized; the degree of devastation depends largely on the depth of the epicenter. At present, such earthquakes are impossible to predict, but scientists believe one or more of a magnitude of 6 or 7 could be imminent.

The coastal zone is easier to

Continued on page 77

Mentor liquidators close to setting dividend

BERMUDA

HAMILTON, Bermuda—The joint liquidators of Mentor Insurance Ltd. hope to decide the size of the first dividend payable to Mentor's creditors by mid-November.

"The creditor agreement process should be substantially complete within the next six months, enabling the joint liquidators to indicate the quantum and date of the declaration of the first dividend at the forthcoming annual general meeting," which is scheduled for Nov. 14 in Bermuda, says the annual report to creditors by joint liquidators Charles Kempe and Nigel Hamilton.

Among other things, the report discloses that:

- The size of Mentor's insolvency has shrunk over the past year to $591 million from $650 million.
- Assets available to creditors increased by $12.7 million between July 1, 1990, and June 30, 1991.
- During the last fiscal year, compensation for the liquidators was $1.9 million. Since Mentor was placed in liquidation in 1985, they have been paid more than $11.7 million.
- Including the liquidators' compensation, the liquidators paid out $13.4 million last year. Since the liquidation was started, the liquidators have spent $49.2 million.

According to the annual report, assets available to Mentor's creditors as of June 30 totaled $198 million. But this does not include any estimate for future litigation recoveries, reinsurance recoveries or investment income.

The liquidators reported that creditors' claims currently being adjudicated totaled $789 million as of June 30, before discounting. That compares with an estimate of $835 million made last year by Tillinghast, Nelson & Warren (Bermuda) Ltd. as part of the liquidation proceedings.

However, the annual report

Continued on next page

INTERNATIONAL

LONDON

Continued from previous page
that line the outside of the building.

Mr. Blake confirmed that 95% of the damage was inside the building and only 5% to the outside. In particular, the 16 specially designed escalators that stood alone in the center of what was to be the underwriting room "are just a twisted pile of metal," Mr. Blake said.

"What we have to find out is if there is damage that we can't see to the structure of the building," he said. It is unlikely that the building will have to be torn down, he added.

The LUC building was the only one of three buildings on the site to be damaged. The entire site is valued at about 175 million pounds ($300.2 million), said a spokeswoman for Prudential.

The cost of constructing the shell and core of the 295,000-square-foot LUC building was insured for between 80 million and 100 million pounds ($137.2 million to $171.6 million) by Prudential, MBL and the other contractors with a consortium of London underwriters led by Royal Insurance P.L.C. The coverage was placed by London-based C.T. Bowring & Co. Ltd.

"Many of the people who are insuring the center are members of LUC," added Mr. Blake. For example, Royal's reinsurance subsidiary, Royal Reinsurance Co. Ltd., is an LUC member, he said.

The property developers' package also covers the cost of fitting out the inside of the building. The coverage will also cover Prudential's loss of income in renting the property, inflation in rebuilding costs and business interruption, confirmed Mr. Blake.

The LUC members will not face large losses because they are adequately insured, added Mr. Blake. And, like CNA Re, most LUC members have not yet leased their existing office space, so they still have offices from which to work, he added. "My gut reaction is that no one's business will be seriously impacted" by not moving into the new building, he said.

However, the center will not open now until at least the end of next year and possibly in 1993, said Mr. Blake. It could mean that the LUC will not be opened before the market hardens, if the market turns next year, he said.

The members "won't have the advantage of a magical effect that we would have had of all being together," which might have increased the flow of business just that little bit more, he admitted. "We are a year behind for that chemical reaction that happens when you are all together" under one roof.

Lloyd's loss review

Lloyd's of London has set up its fourth independent loss review, this time for a small syndicate that has reported a 4.4 million pound ($8.5 million at year-end 1990 exchange rates) loss for its members for the 1988 underwriting year.

The review, set up Aug. 2 by the Council of Lloyd's, will examine the losses of syndicate 1084. The syndicate, managed by Cuthbert Heath Underwriting Ltd., closed its 1988 underwriting year with a 143% loss on its stamp capacity of 3.1 million pounds ($5.8 million at year-end 1987 exchange rates). The syndicate has a total of 193 members.

Peter DuBuisson, a partner at London-based accounting firm BDO Binder Hamlyn, is chairman of the review committee. Other members include Peter G. Stilwell, former underwriter of syndicate 172/173 and chairman of Lloyd's underwriting agency Stewart Underwriting P.L.C., and George Lloyd-Roberts, underwriter of syndicate 55 and a director of Lloyd's underwriting agency Lloyd-Roberts & Gilkes Ltd.

Three other independent loss reviews have been formed since Lloyd's recently passed a "loss review bylaw" (*BI*, Aug. 5; July 15).

The role of the review panel in each review is solely "to ascertain the commercial facts and report on them to the Council of Lloyd's," Lloyd's says. A panel "has no responsibility at all to determine any allegations concerning legal liability or misconduct."

GATT priorities

U.K. Trade and Industry Secretary Peter Lilley has set out a list of "things to do" to successfully conclude the Uruguay Round of the General Agreement on tariff and Trade by the end of the year.

The talks, which resumed in March after being nearly disbanded earlier this year, could result in the removal of some world trade barriers on insurance and other financial services (*BI*, March 4; Dec. 10, 1990).

The heads of the world's seven leading industrial democracies are now committed to ending the Uruguay round by the end of this year, Mr. Lilley told the Foreign Affairs Council last month in Brussels, Belgium. "There can be no doubt about the political commitment," he said. "The problem is to turn this into progress in the negotiations themselves."

Among other things, Mr. Lilley said the following are necessary for the GATT talks to be completed:

- The European Community must be ready for negotiations.

Over the remainder of the summer the European Community must work to be prepared for negotiations in the autumn, especially in area of agricultural trade, which has been the major stumbling block so far in negotiations.

- The European Commission must negotiate an agreement as early as possible and E.C. states must allow this and accept that they cannot have "everything their own way."

Completion of the Uruguay round by the end of the year is in everyone's interests in the European Community, but member states first must relinquish their national interests and agree among themselves what is best for the entire community.

- The United States must be realistic in its demands.

The United States "must also be more positive on services and market access," Mr. Lilley said.

- The seven major industrial countries should recognize their responsibilities.

The leaders of those seven nations made personal commitments to the Uruguay Round when they met in London last month. "They must now ensure that these commitments are honored," he said.

"We have just five months" to conclude the GATT talks by the end of this year, Mr. Lilley concluded. "But that is still enough—if we use the time properly."

Insurer losses foreseen

The United Kingdom's five largest insurers will report losses at the end of this year and in 1992, a leading British stock analyst predicts.

"The year 1991 was supposed to be one of recovery following 1990's unprecedented bad results," said Chris Pountain, an analyst with Morgan Stanley Group Inc. in London, in a report to investors in the insurance sector.

Indeed, Mr. Pountain earlier predicted that the insurance companies would do well in 1991.

However, "it is not working out that way at all, and disillusionment with the sector is growing. To lose money in one year. . .may be regarded as a misfortune; to lose money in two years looks like carelessness," he said.

"Worse, I now forecast all companies to report losses in 1992," Mr. Pountain said. "The continuing competitive environment in the U.K. is not, I believe, going to allow the substantial rate increases necessary to achieve profitability."

Three years of losses—1990, 1991 and 1992—will intensify financial strains on the companies, according to Mr. Pountain. The companies will then have to boost their solvency margins by cutting their capacity, disposing of assets above asset value, issuing equity or cutting dividends, he said.

Mr. Pountain predicted significant pretax losses for the five major U.K. insurance companies in 1991 but smaller losses in 1992 because of expectations that the insurers will raise rates next year:

- Commercial Union Assurance Co. P.L.C.: a 53 million pound ($90.9 million) loss in 1991 and a 3 million pound ($5.1 million) loss in 1992.
- General Accident Fire & Life Assurance Corp. P.L.C.: a 133 million pound ($228.2 million) loss in 1991 and a 69 million pound ($118.4 million) loss for 1992.
- Guardian Royal Exchange Assurance P.L.C.: an 81 million pound ($139 million) loss in 1991 and a 31 million pound ($53.2 million) loss in 1992.
- Royal Insurance Holdings P.L.C.: a 184 million pound ($315.7 million) loss in 1991 and a 72 million pound ($123.5 million) loss in 1992.
- Sun Alliance Insurance Holdings P.L.C.: a 132 million pound ($226.4 million) loss in 1991 and a 14 million pound ($24 million) loss in 1992.

Mr. Pountain believes that the rate hikes he expects next year "will be more successful than perhaps ever before" in cutting losses.

But even that might not be enough, he said: "Because of the depth of the hole in which the companies find themselves, that improvement still leaves the companies with dreadful results."

Mr. Pountain also is not sure how successful the companies will be in maintaining the higher rates.

"Perhaps my memory is playing tricks, but in the last profit upturn in the mid- to late 1980s, there was a sense of concerted successful action by the industry to raise rates. I don't detect that today. The rate increases are patchy," he said. ■

BERMUDA

Continued from previous page
notes that "whilst the total of creditors' claims being adjudicated upon for the first dividend is currently below the amount estimated by the joint liquidators based on Tillinghast's report, there may be additional creditors who did not file for the first dividend and/or creditors whose claims may be subject to adjustment subsequent to the first dividend."

In addition, the liquidators note that the Tillinghast study, upon which the liquidators based their claims estimate, does not include provisions for environmental, asbestos or other potential claims "arising from loss causes not recognized in the historical data, except insofar as some claims of these types are included in the historical data and routinely developed."

"Due to the above reasons, it is not possible at this time for the joint liquidators to predict with any certainty the likely ultimate return to creditors," the annual report states.

The liquidators also reported that the book value of reinsurance balances receivable by Mentor has declined to $53.3 million as of June 30, 1991, from $63.8 million a year earlier. "The reduction is principally attributable to recoveries and commutations of ultimate balances due," the liquidators say. The liquidators reported income of more than $9 million from reinsurance balances in fiscal 1990-91.

The Mentor estate collected $26.2 million of income in fiscal 1990-91: about $10.1 million in cash receipts and about $16 million from investments. The liquidators spent $13.4 million during the last fiscal year, giving Mentor a gain in assets of $12.7 million during 1990-91.

Besides the $1.9 million paid to liquidators, $7.6 million was spent on legal fees and expenses; $1.5 million on other professional fees; $1.2 million on salaries and employee benefits; $983,000 on administrative and general costs and office space; $183,000 on actuarial fees; and $56,000 on expenses of Mentor's Committee of Inspection, which represents creditors.

Since Mentor was ordered liquidated in 1985, $51.7 million has been spent. Besides the liquidators' compensation, $21.3 million has been spent on legal fees and expenses; $6.4 million on salaries and employee benefits; $5.1 million on administrative and general costs and office space; and $3.4 million on other professional fees.

The liquidators also detail in the annual report Mentor's efforts to recover damages for Mentor's former parent, a reinsurer and a former accountant.

Mentor is suing Ocean Drilling & Exploration Co., Mentor's parent; Pinnacle Reinsurance Co. Ltd., which wrote excess-of-loss reinsurance contracts for Mentor; and other defendants (*BI*, April 25, 1988). The litigation has been filed in a U.S. court, but it was later determined that Bermuda was the proper forum.

All of the defendants, except Pinnacle, have filed statements of defense and discovery is proceeding in the case.

However, Pinnacle continued to "take exception to both the form and content" of Mentor's claim, maintaining that it disclosed "no good cause of action against it as a matter of law," according to the annual report. After further legal proceedings, Pinnacle was ordered to file its own statement of defense but is still contesting Mentor's statement of claim before the Court of Appeal (see related story).

Pending these proceedings, a trial of the lawsuit could commence by 1993, the liquidators say.

In addition, the liquidators are suing Peat Marwick Mitchell & Co. (Bermuda) and KPMG Peat Marwick in the United States, Mentor's former auditors. Again, the liquidators believe this action could reach the trial stage by 1993.

Mr. Hamilton, who is Ernst & Young's national insolvency director in the United Kingdom, was appointed as a joint liquidator last fall after Michael Arnold resigned when he severed his ties with Ernst & Young. Mr. Kempe, who was appointed as a joint liquidator shortly after Mentor was ordered liquidated in 1985, is with Bermuda-based Kempe & Whittle.

—By James M. Burcke

Pinnacle appeal

Pinnacle Reinsurance Co. has been given leave to appeal a Bermuda Supreme Court decision that threw out its petition for dismissal of a suit brought against it by the liquidators of Mentor Insurance Ltd.

The Mentor liquidators' case against Pinnacle, which arranged three financial reinsurance contracts with the failed insurer, alleges that Pinnacle fraudulently violated Bermuda's 1981 Companies Act and that its "knowing assistance" in a fraudulent breach of trust directed at Mentor makes it liable as a constructive trustee.

However, in a submission to the Bermuda Court of Appeal last month, attorney Michael Beloff, representing Pinnacle, argued that Bermuda Supreme Court Chief Justice Sir James Astwood erred in principle by holding that denying Pinnacle's petition for dismissal would save the court expense and time.

Mr. Beloff submitted that "most of the cost related to Pinnacle's application had already been incurred" prior to the dismissal of its petition and "if Pinnacle were successful (in its petition), the time taken at the trial of the action would be greatly reduced."

Mr. Beloff added that the chief justice also erred in principle "in that he took into account matters which were irrelevant to his decision." He said those matters included the cost, time and effort expended on the previous dismissal application by Pinnacle; that Mentor's creditors might be concerned that the assets of the company would be "squandered on unnecessary interlocutory actions"; and that costs would be wasted if Pinnacle's actions were to fail.

In a 71-page proposition to the three Court of Appeal judges, Mr. Beloff said that Pinnacle "has a rich storehouse of arguments, only some of which need succeed to guarantee success overall."

He added that it is "not the intention of Pinnacle to abuse an application for leave to appeal by seeking to develop submissions appropriate only if leave is granted, but rather to illustrate to the court the dimensions and character of Pinnacle's available arguments."

Mr. Beloff said that the Mentor liquidators would no doubt argue " 'that the application to strike out betrays a lack of confidence on Pinnacle's part to meet the charges leveled against it; that the court should be cautious of shutting the liquidators out from investigating a case of dishonesty with the aid of interlocutory process; and that if Pinnacle has nothing to fear from any trial, it should cooperate in the speedy prosecution of this action, rather than cause delay by procedural applications.' "

But, Pinnacle's counsel told the Court of Appeal that "there is no justification for permitting Pinnacle's business to be blighted and the reputations of Messrs. Marrett and Lawrence (both senior vps and directors of Pinnacle) to be darkened by the shadow of a claim without substance, or to compel Pinnacle to participate in proceedings of awesome potential length and expense when the main and, it is submitted, only proper focus of the action should be on the conduct and state of mind of those who ran Mentor."

Pinnacle's appeal is expected to be heard in November.

—By Roger Scotton

Japan quake risk

Continued from previous page

study. A 24-hour observation network is in place in the Tokai area, which is the eastern part of Suruga Bay in Shizuoka prefecture, west of Tokyo. Of all the susceptible areas, this area has gone the longest—since 1854—without a major quake and is believed to have accumulated significant strain. Seismologists are confident that they can give advance warning for this type of earthquake, which would probably be felt as a strong tremor, causing cracked walls and falling debris, in Tokyo.

Far more devastating would be a temblor closer to Tokyo—in Sagami Bay, which was the epicenter of the Great Kanto quake. Data collection is much harder here and as yet seismologists cannot predict exact movements, but they expect a major quake (magnitude 7.5 to 8) any time from 2020 onward, with a chance it could occur earlier.

The Tokyo metropolitan area's 1989 population was 31.2 million—slightly more than 25% of Japan's total. Another 3 million people commuted into the city each day. Its 326 square miles contain about 8.6 million buildings, of which 7.2 million are made of wood.

In 1988, the National Land Agency produced a worst case projection of the likely effects of another Great Kanto Earthquake and concluded that between 83,000 and 151,000 people would be killed in Tokyo, depending upon when the quake struck. A quake that struck during rush hour or mealtimes, when gas stoves are in use, would be particularly lethal, the agency concluded. Dry weather would also increase the number of casualties due to fire.

Collapsing buildings would probably account for only a small portion of the property destruction from such a quake, seismologists conclude from recent quakes elsewhere in Japan. It's generally thought that, as with the 1923 quake, losses from fire and panic will be the main risks.

There is also a danger that underground gas lines may fracture or explode and that fires and oil spills may occur at the oil refineries, storage tanks and chemical plants around Tokyo Bay.

Quake damage is likely to affect up to 43% of the country's electricity supplies (up to 76% in the Tokyo Bay area), 15% of water systems (51% to 75% in the bay area), and many roads and railways, according to NLA estimates.

All these effects will be particularly severe in areas subject to liquefaction, the separation of sand and water that occurs in unsettled soils particularly found in reclaimed land, which results in a muddy slurry. Liquefaction causes structural supports to suddenly disappear and buildings to sink or topple, while roads, railways and underground pipes twist and crack.

Such effects were evident in the Marina district of San Francisco after the 1989 earthquake and in the Philippines after the 1990 quake.

Much of Tokyo, including the central business districts of Marunouchi and Ginza, lies on reclaimed land, with firm soil 18 to 37 miles below ground, according to the Institute of Civil Engineers in Tokyo. In fact, 90 square miles of the city and 79% of the waterfront redevelopment projects have been assessed by the ICE as vulnerable to liquefaction.

A quake would also be devastating to Corporate Japan.

More than 60% of the nation's major companies are headquartered in Tokyo. Together with the three neighboring prefectures likely to be devastated by a quake, the city accounts for about 30% of Japan's nominal gross national product.

A 1989 Tokai Bank report tries to assess the potential damage. Based on the National Land Agency projections, the report—"The Japanese Economy and the Great Kanto Earthquake"—estimated the total damage at 80 trillion yen ($590.4 billion) and that reconstruction costs would be as much as 119 trillion yen ($878.22 billion).

Of course, certain precautions are being taken. The Buildings Standards Law requires that "buildings shall be of structure safe from. . .earthquake or other vibration or shock" and that, especially in "areas where the ground is extremely soft," they must comply with the standards set by Japan's Ministry of Construction.

Since 1975, those standards have been strict and many Tokyo skyscrapers built since then are impressively quake-proof, with shock absorbers at their base and/or counterbalances at higher levels.

But problems arise with buildings constructed before 1975, said Tomoya Nagai of the National Land Agency.

"New buildings will probably be OK" in a severe quake, he said.

Tougher building codes alone, however, do not guarantee that buildings will not be damaged, an engineer cautions.

Especially on reclaimed land, where it is required that building foundations reach to solid bedrock or that the ground be strengthened, construction procedures may not have been properly carried out, as recent railway tunnel collapses demonstrate, said Professor Iemura, associate professor of earthquake engineering at Kyoto University. However, he added, those structures will not be tested until an earthquake actually strikes.

Whether they stand or fall, buildings can be made less susceptible to earthquake damage relatively easily, and some improvements are tax deductible, according to local tax codes.

"We advise people first to build balconies, which will catch falling glass or other objects, as well as provide an escape route if necessary. Second, we recommend covering glass windows with special adhesive plastic film so that if the glass breaks it won't fall," said Yuriko Kobori, fire prevention education officer with the Tokyo Fire Department.

The Tokyo Metropolitan Government is currently trying to improve facilities for issuing warnings, minimizing the effect of earthquakes and providing relief. A broadcast tower system for warnings is tested with an electronic jingle at 5 p.m. every day throughout Tokyo. Information centers have been established, where visitors can even experience simulated quakes in a special room. In addition, Sept. 1—the anniversary of the Great Kanto quake—has been declared "Disaster Day" in earthquake-prone areas of the country.

Emergency supplies of food, water, medicine and other staples have been stored and local volunteers have been taught to use street fire extinguishers. The Tokyo Fire Department is anticipating more than 750 fires in the event of a quake, although it has only 548 trucks and some roads may be impassable after a severe temblor.

"The city has a general plan and each sector (of government) has its own plan—road, rail, electricity, gas, NHK (Nippon Broadcasting Corp.) and NTT (Nippon Telegraph & Telephone), and so on," said Mr. Nagai of the National Land Agency.

Large companies also have their own plans.

"We follow the fire department's advice on safety and evacuation, and have a fire practice once a year," said a spokesman for a Tokyo-based affiliate of Matsushita Group.

Computer data gets special treatment, he said.

"At the end of each day, we send that day's work to our host computer at company headquarters in Kyoto. There they also duplicate the material and put it in a reinforced safe, so its doubly protected," the spokesman explained. "But I think it's a big problem for small companies that don't have their own host computers. They have to rent access to ones belonging to computer companies. . .and that's very expensive," he said.

Use of electronic data backup systems may not be very widespread, a government report suggests.

Although 94% of companies with a computer system felt some sort of backup system was necessary, only 9.5% had one in place, according to a 1988 survey by the Ministry of Posts and Communications.

The insurance industry, however, takes the matter of data backup more seriously.

"Insurance companies, of course, have dual systems, with computer centers in both Tokyo and Osaka or somewhere else, where they store copies of all data bases," according to Takashi Kumakiri, director of the Marine & Fire Insurance Assn. of Japan.

In addition, Japan's insurance industry has well-developed plans for operating a joint loss surveying system with uniform standards in the event of a quake, he said.

"We have a close relationship with seismologists, police stations, fire stations and other government agencies. And we often have drills. Although policies are issued by individual insurance companies, we share information so that we will be able to settle claims quickly. We have special emergency setups, local committees, always ready," Mr. Kumakiri said.

The Japanese system for earthquake insurance is divided into two completely separate sections: one for private dwellings and one for commercial risks.

There are some similarities between the two types of coverage. In both cases, policies are initially taken out with private insurance companies; applications for coverage are not accepted after an earthquake warning has been issued; and damage is interpreted to include fire damage resulting from an earthquake.

But there, the similarity ends.

In the case of private dwellings, including wooden structures, all earthquake insurance is incorporated into a special government-supported program set up in 1966. All policies are wholly reinsured with Japan Earthquake Reinsurance Co. Ltd., a pool of private insurers that is covered by excess-of-loss reinsurance provided by the government.

Although underwritten separately, these policies are only offered as voluntary endorsements on fire insurance policies. The amount of earthquake insurance is limited to 30% to 50% of the sum insured in the main insurance contract, with a per contract ceiling of 10 million yen ($73,800) for buildings and 5 million yen ($36,900) for contents.



A Tokai Bank report estimates that about half of all Japanese funds invested annually in the United States would be diverted to rebuild the Tokyo area after a quake, with devastating effects on U.S. stock and bond prices and interest rates.

Before 1980, only total losses qualified for payment; thereafter, a "half-loss" system was introduced in which 50% of the insured amount was paid on losses totaling 20% to 50% of value. And, this April a system was introduced to provide small payments on partial losses, like a payment of 5% of policy limits following a loss of 3% to 20% of value.

The aggregate limit payable by all insurers to all claimants for damage to dwellings caused by a single quake is decided by the Japanese parliament, the Diet.

In 1990, the ceiling was set at 1.5 trillion yen ($11.07 billion). To help cover such payments, funds are set aside in a catastrophe reserve fund. As of March 1990, the fund contained 591.9 billion yen ($4.37 billion).

The cost of insurance claims is divided between private insurers and the government according to the size of the claim. For claims up to 55 billion yen ($405.9 million), the cost is borne by private insurers, split between the JER pool, which would pay up to 40 billion yen ($295.2 million), and the primary insurer, which would pay up to 15 billion yen ($110.7 million).

For claims between 55 billion and 280 billion yen ($405.9 million and $2.07 billion), the government pays 50% and private insurers pay 50%. And, for claims between 280 billion and 1.5 trillion yen ($2.07 billion and $11.07 billion), the government pays 95% and private insurers pay the rest.

Even with government support, the insurance industry has problems. High- and low-risk areas can easily be distinguished, resulting in geographic adverse selection.

"Earthquake insurance is a big headache," said Mr. Kumakiri of the Marine & Fire Insurance Assn. "If it is sold only in earthquake areas, we can't make ends meet, so we're trying to sell it nationwide. If we could make it compulsory, we could get some balance."

Despite the industry's efforts, in 1988 only 8.3% of Japanese households had earthquake insurance, according to industry estimates. And in Tokyo, that figure rose only slightly to 15.2%.

In a 1990 poll by the prime minister's office, 60% of people living in the Kanto and Tokai regions said they didn't expect a major earthquake within 10 years.

One exception to the system for dwellings insurance is farmhouses. These are insured and reinsured privately, along with other farm buildings, through the agricultural cooperative Zenkyoren under a program that includes fire, liability and other coverages. The total amount insured under the scheme was 456.6 trillion yen ($3.369 trillion), of which about 6.3 trillion yen ($46.49 billion) was for risks in the south Kanto region, which is largely urban.

Industrial insurance schemes, like the agricultural system, are not subsidized by the government and are available only as an endorsement to ordinary fire policies, which is then reinsured by each insurer. The system is patterned on that of the United States.

Oil refineries are the main buyer of those policies, with an accumulation of risks on the Pacific coast. Adverse selection was so marked that, to make reinsurance easier, 12 zones have been introduced with indemnity limited in some zones to a certain percentage of the fire policy's limits. For example, in Zone 5—the highest-risk zone, which includes Tokyo—indemnity on existing risks is unchanged, but for new risks and increases in limits, it is limited to 15% (see chart) of policy limits.

Partial losses are covered, but coverage for damage from a quake-cased tsunami or explosion requires an extra premium.

The total amount of industrial earthquake coverage in Zone 5 is calculated to be around 350 billion yen ($2.58 billion).

For industrial and agricultural claims together, the probable maximum overall loss in the event of another Great Kanto Earthquake has been estimated at under 260 billion yen ($1.92 billion), a relatively small fraction of the overall cost.

For reinsurance, insurance companies have to canvass overseas markets. According to the Marine & Fire Insurance Assn., at least 80%—or more than 6 trillion yen ($44.28 billion) of Japanese industrial earthquake insurance is now reinsured overseas.

As the association's Mr. Kumakiri points out, "Overseas markets, particularly in London or the United States, are quite saturated with Japanese earthquake risks."

Age-old connections with the overseas markets, he added, means that some companies carry bigger shares.

For example, a large proportion of reinsurance is placed with syndicates at Lloyd's of London.

If another Great Kanto Earthquake struck the Tokyo area today, the maximum payable by Lloyd's would be about 1.2 trillion yen ($8.86 billion), according to the Insurance Daily.

But Lloyd's is not alone, as the spiral of retrocessions throughout the world means that many reinsurers are involved to some extent.

Meanwhile, the impact of a major Tokyo earthquake also would be felt in other global financial markets.

The Tokai Bank's report estimates that about half of all Japanese funds invested annually in the United States would be diverted to rebuild the Tokyo area, with devastating effects on U.S. stock and bond prices and interest rates. The repercussions of such an event could even lead to a world recession, the report speculates. ■

HMO costs

Continued from page 1

Thirty-eight percent of employers last year said HMOs are effective in controlling costs, up from 33% in 1989.

An even greater percentage of employers—68% in 1990 compared with 60% in 1989—believe PPOs are effective in controlling costs. But Mr. Erb believes employers' objectivity on PPOs' cost effectiveness may be clouded (see story, page 79).

And, plenty of employers do not believe their HMO premiums reflect their own employees' health care costs.

For example, while 30% of employers with HMOs said premiums fairly reflect the cost of providing health care to enrollees, 31% said premiums were not a fair reflection of costs and 39% were neutral.

In addition, 59% of employers thought that HMOs attract the better employee risks, while just 15% disagreed and 26% were neutral.

These and other trends in the HMO and PPO arenas are detailed in a new Foster Higgins report, "1990 Managed Care Survey," which is scheduled to be released today. The survey, the largest of its kind, is based on the responses of 1,962 employers.

An earlier segment of the report, dealing exclusively with indemnity plans, was published in January (*BI*, Jan. 28).

Other survey findings show the efforts employers have made to persuade their HMOs to: charge premiums based on individual company experience; reduce the number of HMOs they offer; and require employees to pay at least a portion of HMO premiums.

Mr. Erb cites several reasons why HMO costs are lower than indemnity plan costs.

Because HMOs agree to provide health care services for a fixed premium, they have a strong incentive to keep costs under control, he explained.

In addition, HMOs typically employ a gatekeeper, a primary care physician that employees first must consult to see if additional services are necessary, he noted.

By contrast, most PPOs "have no primary care physician gatekeeper —a key feature to the HMO concept. Unfortunately, the same lack of restriction that makes PPOs appealing to employees can limit cost-effectiveness," Mr. Erb said.

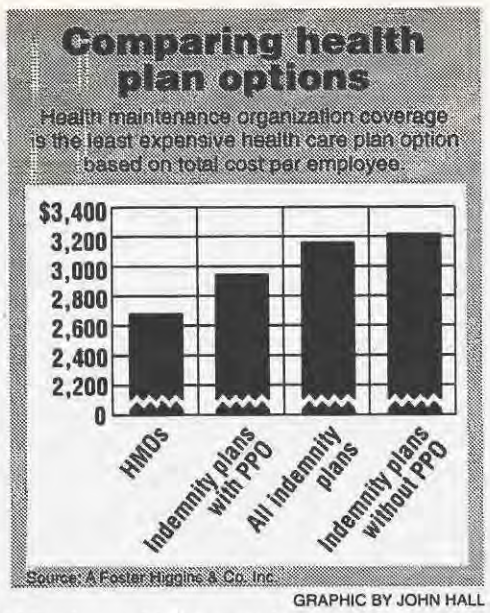
At the same time, the very nature of PPOs—giving employees the ability to decide on a service-by-service basis whether they want to use the PPO network or go outside the network—means that a substantial number of claims may be incurred in a non-managed care setting, Mr. Erb said. This is especially true if there is only a small financial incentive to employees—like in the form of lower deductibles and coinsurance requirements—to use the PPO.

The survey also found that more employers are persuading HMOs to set premiums based on individual companies' experience rather than the experience of the entire community for which an HMO provides coverage.

In 1990, 44% of employers said they offered an HMO that used experience rating, up sharply from 35% in 1989.

Employers whose HMOs experience-rate premiums are much more likely to agree that HMOs are cost-effective compared with employers whose HMOs use community rating, according to the survey.

For example, 46% of employers whose HMOs use experience rating said their HMOs are cost-effective, compared with just 31% of employers whose HMOs use community rating.



GRAPHIC BY JOHN HALL

At the same time, employer attitudes about the cost-effectiveness

Continued on next page

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Risk/Employee Benefits:
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Sub-total 24,591

Associations 488
Government, unions and Educational Institutions 1,275

Commercial Consumers

Sub-total 26,354

Insurance Agents and Brokers 9,651
Insurance Companies .. 8,074
Accountants, Actuaries, Attorneys & Consultants 3,438
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers 1,294
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★ Source Business/Occupational breakdown of qualified circulation, November 26, 1990 issue, as submitted to BPA for December 1990 BPA Publisher's Statement.

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Continued from previous page
of their HMOs varies by region.

For example, 57% of employers in Pacific Coast states said their HMOs are cost-effective, compared with 26% of employers in the Mid-Atlantic states.

Many HMCs with proven track records in helping control health care costs are located in Pacific Coast states. Mr. Erb said, explaining why employers in that region are the strongest believers in the cost-effectiveness of HMOs.

The survey also found that employers are cutting back on the number of HMOs they offer to employees. In 1990, employers offered an average of eight HMOs, down from an average of 10 in 1989.

The biggest HMO cutbacks were in New England, where employers last year offered an average of 10 HMOs, down from 14 in 1989, and in the Mid-Atlantic states, where companies offered an average of 11 HMOs, down from an average of 14 HMOs in 1989.

Employers' decision to reduce the number of HMOs they offer, a trend that began several years ago, may have been speeded up by the economic recession, according to Mr. Erb.

With many employee benefits departments being reduced in size, employers do not have the staff size to effectively manage a high number of HMOs, Mr. Erb said.

As has beer. the trend with indemnity plans, employers increasingly are requiring employees to pay at least a portion of the HMO premiums.

For example, 69% of employers said they required employees to pay a share of the HMO premium for individual coverage last year. In 1989, 56% of employers required employees opting for individual coverage to pay part of the HMO premium.

In addition, 85% of employers said they required employees to pay at least part of the HMO premium for family coverage last year, up from 80% in 1989.

Employees paid an average of $30 per month toward the HMO premium for individual coverage in 1990, while monthly employee premium contributions for family coverage averaged $89. Employees' premium contributions were not surveyed in 1989.

Employees' premium contributions—as a percent of total premiums—for individual coverage remained stable at 29% in both 1990 and 1989. However, employees' premium contributions for family coverage fell last year to 29% of the total premium from 32% in 1989.

Other survey findings include:

- HMO costs were lowest among employers in the Pacific Coast states, where HMO premiums in 1990 averaged $2,521 per employee, up 14.1% from $2,209 in 1989.
- HMO premiums were highest among employers in New England, where premiums last year averaged $2,864 per employee, up 17.6% from $2,435 in 1989.
- HMO premiums were highest among larger employers. For example, among employers with at least 40,000 employees, HMO premiums averaged $2,912 per employee in 1990, up 27.1% from $2,291 in 1989.

HMO premiums among employers with fewer than 500 employees averaged $2,602 per employee in 1990, an increase of 9.8% from $2,370 in 1989.

- Employers reported that 33% of eligible employees were enrolled in HMOs last year, the same percentage as in 1989.

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Copies of "1990 Managed Care Survey" are available for $100 from A. Foster Higgins & Co. Inc., Research and Survey Services, 212 Carnegie Center, CN 5323, Princeton, N.J. 08543-5323; 609-520-2441.

Employers cite PPO effectiveness

By JERRY GEISEL

NEW YORK—Employers are more convinced than ever that preferred provider organizations are cost-effective, even though many lack supporting data, a new survey shows.

Sixty-eight percent of employers with PPOs in 1990 agreed with the statement "PPOs are effective in controlling our costs," according to the survey by A. Foster Higgins & Co. Inc. of New York.

Just 7% of employers disagreed with the statement, while 27% were neutral.

In a similar survey Foster Higgins conducted in 1989, 60% of employers said they believed that PPOs were effective in controlling costs, while 8% disagreed and 33% were neutral.

Many of those employers, however, said they lack hard data to support their beliefs. In fact, 47% of those employers with PPOs were unable to quantify the effect of the PPO on their overall health plan costs.

While costs are significantly lower in indemnity plans with PPO options than in traditional indemnity plans, these costs on average are higher than the premiums employers pay to health maintenance organizations, according to the survey.

The cost of indemnity coverage with a PPO option, including services rendered inside and outside the network of preferred providers, averaged $2,952 per employee in 1989, according to the survey. That is 8.1% lower than the $3,214 average for traditional indemnity plan coverage, but 10% higher than HMO premiums, which averaged $2,683 (see story, page 1).

PPOs can produce meaningful savings when discounted prices are combined with provider-risk sharing through capitation or other types of utilization control, the survey notes.

"However, potential savings can be more than wiped out by lack of utilization controls, by over-generous incentives to use the provider network or by insufficient—or non-existent—price discounts," the survey reports.

47% of employers with PPOs were unable to quantify their PPO's cost effectiveness.

It is not surprising that such a high percentage of employers in the absence of hard data believe their PPOs are effective in controlling health care costs, said John Erb, a Foster Higgins managing consultant.

Many employers may feel that their PPOs are, in a sense, their own creation and that the PPO is something the employer is offering. That proprietary sense may actually cloud some employers' objectivity about cost-effectiveness, he said.

By contrast, many employers may view HMOs as a benefit program offered by an outside party—the HMO itself, according to Mr. Erb.

However, while employers offer employees financial incentives—typically lower deductibles and coinsurance requirements—to use a PPO, many seek care elsewhere.

In fact, only 57% of respondents reported that at least 50% of claims payments go through network providers. Twenty-one percent of employers with PPOs said less than 25% of claims payments flowed through the PPO, while another 21% reported that between 25% and 49% of claims payments went to network providers. The percentage of employer responses do not total 100% due to rounding.

Small incentives to use the PPO may explain the relatively high percentage of claims dollars that go outside the network, Mr. Erb observed.

For 23% of employers, there was a difference of only 10 percentage points between the coinsurance requirement on inpatient hospital care services performed through the PPO and the coinsurance employees have to pay for services obtained outside the PPO, according to the survey.

Another 6% of employers imposed the same coinsurance requirement—20%—for inpatient hospital care regardless of whether the employee used the PPO.

By contrast, 19% of employers said they imposed a 20% coinsurance requirement for inpatient hospital care performed outside the PPO but waived that requirement for services rendered in the PPO.

Similarly, 17% of employers imposed a 10% coinsurance requirement for inpatient hospital services in the PPO, raising it to 30% for non-network services.

Thirty-three percent of employers set other coinsurance differentials for inpatient hospital services.

Other survey findings include:

- The cost of indemnity plans with PPO options varied widely by size of employer. Those with 5,000 to 9,999 employees had the highest average per-employee PPO costs in 1990: $3,396. For employers with between 10,000 and 19,999 employees, the average was $2,714.
- Geographically, PPO costs were lowest among employers in the Mid-Atlantic states, where costs in 1990 averaged $2,745. Employers in the Mountain states had the highest per-employee average: $3,260.
- Forty-four percent of employers said their PPOs were organized by a commercial insurer, 17% said they were organized by a Blue Cross/Blue Shield plan and 15% said they were organized by a third-party claims administrator. In addition, 8% of employers said they directly contracted with the PPO and another 8% said their PPOs were organized by hospitals or physicians. Eleven percent reported other organizational arrangements. The percentages do not add to 100% because some employers offered multiple PPOs organized by different groups.
- The number of employers offering PPOs to employees remained virtually unchanged. Thirty-two percent reported offering them last year, up from 31% in 1989. ■

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Fear of voter action spurs health reform bills

By LOUISE KERTESZ

LOS ANGELES—Employers, insurers, regulators and others are scrambling to pass legislation guaranteeing small businesses in California access to health insurance—before voters decide to do it themselves.

The urgent need to push small business health care reform through the Legislature was expressed by several witnesses at an Insurance Department public hearing last week in Los Angeles.

Legislators and the Insurance Department hope to pass small business health care reform within six weeks—and a more comprehensive health care reform measure in six months—to ward off what they feel is an inevitable voter initiative, a la Proposition 103, to deal with the problem of the state's 6 million uninsured citizens.

Participants at the hearing called for underwriting and rate reforms to make it easier for small businesses to purchase group health care plans.

Los Angeles County has the highest percentage of uninsured people—25%—of any county in the United States, according to testimony at the hearing. At the same time, 95% of businesses in metropolitan Los Angeles employ 50 or fewer workers.

"All of the pending proposals" in the Legislature "would mandate that insurers of small groups offer to issue a policy to any group that requests one," said Insurance Commissioner John Garamendi.

"The proposals also mandate that insurance carriers be required to renew policies of their insureds," he said. "Our main concern here today is that some of the pending proposals do not go far enough toward restricting the use of health status and health experience in the rating of small groups."

The department has not formally endorsed any of the health care reform bills pending in the Legislature, said Walter Zelman, special deputy commissioner for health insurance, in an interview following the hearing. "There's going to be one compromise fashioned out of all of them," he predicted.

"The general consensus is that one huge initiative reform scheme is not the preferred way to go," Mr. Zelman said, noting that voter-sponsored initiatives to reform California health care are waiting in the wings.

For example, the California Medical Assn., a well-funded physicians' lobbying group, is contemplating proposing a "play-or-pay" employer mandate, Mr. Zelman noted.

"Reforming the small group market is an absolute precondition" to universal health care coverage, said Assemblyman Burt Margolin, D-Los Angeles, who presided with Mr. Garamendi and Mr. Zelman at the hearing.

Mr. Margolin is sponsoring a bill that would allow small businesses to band together to buy health insurance on a group basis.

The bill, A.B. 503, also calls for the Insurance Department to regulate multiple employer welfare arrangements doing business in California, no matter in which state they are located.

It also calls for guaranteed availability and renewal of coverage for small businesses as well as stabilized premium rates.

If "we don't act quickly" to implement "broad health care reform" by March of next year, "we're into the initiative battle," Mr. Margolin asserted.

Julia Thomas, chair of the Los Angeles Chamber of Commerce Health Issues Committee, who testified at the hearing, agreed that employers, legislators and insurers "have to work together to head off an initiative."

The Los Angeles Chamber, which represents 2,300 employers, "would like to see" small business health reform proposals on the governor's desk in six weeks, "with our input," Ms. Thomas said in an interview. More comprehensive reform within six months is "a little ambitious, but we'd love to see that happen."

Fear of a voter initiative on health reform "more than anything will drive health care reform in the Legislature," Ms. Thomas said.

The Chamber has not formally endorsed any of the current health care bills, though it agrees with provisions in several bills.

In her testimony, Ms. Thomas pointed out that the Chamber believes that small group health insurance reforms should apply to all entities that offer health insurance, including insurers, health maintenance organizations and MEWAs.

The Chamber also wants all entities offering health coverage to guarantee to issue and renew policies to any small business and to base premiums on community rating principles with rate bands no broader than 30%, she said.

Also, once an individual has obtained group insurance and met the requirements for pre-existing conditions, "coverage should be continuous and portable as long as employment with some company that offers insurance is continuous," Ms. Thomas said.

The Chamber also wants a basic health insurance package exempt from state-mandated coverage requirements to be available to employers with 50 or fewer employees and to individuals.

In addition, the Chamber advocates substantial provider reform, including "limits on physician referrals to entities in which they have a financial interest."

Large employers that are members of the Chamber "absolutely" support small group health insurance reform, said Frieda Gehlen, program director-health and education issues at the Chamber, in an interview.

Apart from larger employers' concerns about cost shifting, "when the infrastructure of the health system falls apart, if we don't do something, we risk losses for those who have the money to pay for health insurance," she explained.

Brad Wenger, testifying on behalf of the Assn. of California Life Insurance Cos. and the Health Insurance Assn. of America, pledged support for small group health insurance reform. The ACLIC "stands ready to assist (the Insurance Department) and the Legislature in forging a total solution" to health care in the state, Mr. Wenger said.

He conceded that the "practices of some insurers—such as arbitrary cancellations or non-renewal, shoddy claims processing and underwriting practices—have contributed to the situation small groups face today."

The ACLIC supports legislation, A.B. 2070, "which we hope will eliminate many of these practices," he said. The bill "guarantees the issuance of insurance to small groups, regardless of their claims experience or their health status."

And, amendments to the bill "will require insurers to renew coverage to small groups" and set limits on premiums insurers can charge initially and at renewal, Mr. Wenger said.

But Mr. Wenger cautioned against "constraining premium rates within too narrow a rate band."

A.B. 2070 also "would impose viable constraints on basic health care costs imposed by the provider community," he said.

The Kaiser Permanente Medical Care Program in California, represented at the hearing by Patricia Lynch, counsel to Kaiser Foundation Health Plan Inc., backs S.B. 1060, which would establish a pooling program for small employers that would be administered by a state Medical Insurance Board.

The board "would aggregate small groups into a purchasing program, acting as a sponsor on behalf of employers, employees and dependents, and would contract with health benefits carriers to provide coverage in designated geographic areas," Ms. Lynch said.

The bill also calls for "guaranteed issue and renewal of coverage within meaningful rate bands," she said.

But Dr. David Chernof, senior vp and corporate medical director of Blue Cross of California, who also testified at the hearing, opposes government-sponsored pooling. "We believe there is a private sector solution: small group carrier reform."

Blue Cross, the largest health insurer in California, believes that "strong, aggressive carrier reform should be allowed to demonstrate its effectiveness before government-directed pooling is introduced," he said. "Programs using pooling techniques for small groups already exist and offer access, affordability and choice," including Blue Cross of California's Small Group Access program, which now covers more than 200,000 individuals, he noted.

Other insurers also offer special packages to small employers, Dr. Chernof said.

Blue Cross wants to require all health care insurers to offer coverage to both large and small groups, and all insurers "should offer all of the plans on their menu" to all groups, Dr. Chernof said.

Blue Cross is also in favor of guaranteeing renewal of coverage and limiting pre-existing condition exclusion periods, he said.

And, the insurer advocates a system of "modified community rating" for small employers, with a band of 30% between the highest and lowest permissible rates.

Alan Katz, president-elect of the California Assn. of Health Underwriters, an association representing agents, brokers and other insurance industry professionals, testified that "in many areas, CAHU's proposed reforms go further than the carriers' proposals."

The CAHU believes that a basic benefit package should be guaranteed available to all individuals and to groups of up to 100 lives.

Other CAHU proposals, which Mr. Katz called "a first step toward comprehensive reform," include rate bands restricted to a 35% spread within industry classifications, no exclusion for pre-existing conditions if the covered individual maintains continuous coverage, and guaranteed renewals with premium increases capped at 15%.

The CAHU also maintains that "carriers should not be permitted to terminate small group plans without approval of the Department of Insurance," he said. ■

Workers at small firms receive fewer benefits

By CARY ROBERTS

WASHINGTON—Nearly seven of 10 full-time workers at small firms are covered by employer-sponsored health plans, but far more workers at larger firms are covered by such plans, a government survey says.

The survey also found that relatively few employees at small firms have employer-sponsored sickness and accident, long-term disability or dental care coverage.

And, employees at small firms are about half as likely to be covered by pension plans as employees at larger firms, according to the survey by the Labor Department's Bureau of Labor and Statistics.

The bureau surveyed about 2,000 businesses with fewer than 100 workers in 1990 to determine the types and levels of employee benefits they provide. The bureau recently released a preliminary report on the survey, its first on benefits at small companies.

"The incidence of health insurance coverage was higher than expected," a BLS spokesman said.

But, in many instances, medical coverage was the only benefit offered to employees, he pointed out.

The survey "confirms what we've known all along": that many small employers cannot afford to offer comprehensive health and welfare benefits to their workers, said William Custer, director of research at the Employee Benefit Research Institute, a Washington, D.C.-based benefits think tank.

"With fewer employees to help share the administrative cost of providing benefits and the cost of the benefits themselves steadily increasing, raising salaries is easier," he said.

Mr. Custer also noted that workers at small firms were far more likely to have employee-sponsored health insurance than other types of benefits. That difference, he said, is a reflection of a younger workforce more interested in health care benefits than in pension benefits.

Statistics from a 1989 bureau survey of larger firms were compared to the small company results.

For example, the preliminary report on small firms points out that 92% of full-time employees at medium and large firms were covered by employer-sponsored health plans. At small firms, the figure was only 69%.

Some types of employees at small firms, though, are more likely to be covered. Eighty-two percent of professional, technical and related employees are covered, as are 75% of clerical and sales employees.

Least likely to be covered—at only 60%—are production and service employees.

Only 6% of part-time workers at small firms are covered by medical plans, the survey found.

Among the workers at small firms covered by employer-sponsored plans, 75% are covered by traditional fee-for-service plans.

Of the remaining 25%, half participate in fee-for-service plans with preferred provider options and the other half in health maintenance organizations.

That 12.5% figure for HMOs is below the 14% to 15% national average, notes Mr. Custer, who said he was surprised that so few small employers with health care plans offered HMOs.

"I expected a larger percentage of employers using HMOs because of the lower administrative costs associated with these organizations," he said.

About two-fifths of small-firm employees who receive individual health insurance contribute toward the cost. They pay $25 per month on average. And two-thirds of those who receive family coverage contribute. That average is $110 per month.

The survey also shows that only 26% of full-time workers at small firms are covered by sickness and accident plans, compared with 43% of workers at large firms.

All types of full-time employees at small firms have nearly an equal chance of being covered.

Only 10% of part-time employees at small firms are covered by sickness and accident plans.

Only 19% of full-time employees at small firms are covered by long-term disability plans, according to the survey.

Again, that figure varies among different classes of employees. Thirty-six percent of professional, technical and related employees and 25% of clerical and sales employees at small firms are covered by LTD plans, compared with only 9% of production and service employees.

For about 75% of full-time employees covered by LTD plans, the coverage was fully paid by their employers.

Most of the plans provide benefits equal to 60% of pre-disability pay.

Less than 0.5% of part-time employees at small firms are covered by LTD plans, the survey says.

Thirty percent of employees at small firms receive employer-sponsored dental coverage, compared with 66% of employees at larger firms, according to the survey.

Again, more professional, technical and related employees—38%—and clerical and sales employees—35%—are covered than production and service employees—24%.

The small employer survey also found that 64% of employees were covered by employer-sponsored life insurance plans, compared with 94% of workers at larger firms.

About three of five employees at small firms had $15,000 in coverage on average. Benefits for the rest are based on salary.

One-fifth of the employees were in plans that continued benefits after retirement, but nearly all plans reduced the benefit after retirement.

And, about 25% of employees already covered by group life plans can purchase additional coverage at group rates, the survey found.

The BLS survey found that 42% of employees at small firms are covered by pension plans. At larger firms, the figure was 81%.

Forty-nine percent of professional, technical and related employees and 47% of clerical and sales employees were covered by pension plans, while 37% of production and service employees are covered, the survey found.

Specifically, 20% of all full-time employees at small firms participate in defined benefit plans and 31% in defined contribution plans, the survey says, noting that some employees participate in both types of plans.

Small employers offered several types of defined contribution plans, according to BLS. For example, about 17% of the defined contribution plan participants are enrolled in 401(k) plans, 14% in deferred profit-sharing plans and 10% in savings and thrift plans.

Other survey findings include:

- Seventeen percent of new mothers at small firms are offered unpaid maternity leave, compared with 37% of those at larger firms.
- Eight percent of new fathers at small firms are offered unpaid paternity leave, compared with 18% of those at larger firms.
- Few small firms subsidize child care benefits. Only 1% of full-time employees at small firms are eligible for such benefits.

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Copies of the preliminary report on "Employee Benefits in Small Establishments, 1990," are available at no charge from the Bureau of Labor Statistics, Section of Inquiries, 441 G Street N.W., Washington, D.C. 20212; 202-523-9446.

Executive Life

Continued from page 1

lien against the insurer by the Internal Revenue Service.

And, the Insurance Department will entertain any better offers until the sale and rehabilitation plan receives final court approval, Mr. Garamendi said.

Concerned about its soured junk bond portfolio, regulators seized Executive Life on April 11 and placed it into court-supervised conservatorship (*BI*, April 15).

At the time it was seized, Executive Life had 208,000 life insurance policyholders and 164,000 annuity holders in 50 states.

The tentative agreement to sell Executive Life does not include its sister company, Executive Life Insurance Co. of New York, or its parent, First Executive Corp. of Los Angeles.

Mr. Garamendi said the tentative deal, which regulators had negotiated over 90 days, meets the three goals he set at the time Executive Life was seized. The proposal ensures the maximum financial value for policyholders and GIC contract holders; it initiates a revitalization strategy to make the company a viable and ongoing concern; and it avoids a "fire sale" liquidation "that would take much of the savings out of the pockets of policyholders and put it into the hands of competing battalions of lawyers."

"We have structured this agreement to give policyholders the greatest value as well as the highest degree of certainty as to their future of their investments," Mr. Garamendi said.

"Our experts have spent thousands of hours poring over the records of Executive Life to make sure they will get the best deal possible," he said. "We think it is unique in the annals of insurance conservation."

Under the agreement, the assets and liabilities of Los Angeles-based Executive Life will be split among three entities, the commissioner explained.

Altus Finance, a division of state-controlled bank Credit Lyonnais in Paris, would purchase $2.7 billion in junk bonds now held by the defunct insurer. That portfolio would be controlled by a new investment management company.

Altus has tentatively agreed to buy the junk bond portfolio even if the remainder of the deal collapses, Mr. Garamendi said.

In addition, Paris-based life insurer Mutuelle Assurance Artisanale de France would pay $300 million to finance a new, yet-unnamed California-based stock life insurance company, which would be managed by the investor group. This company, which would also receive the $2.7 billion from the junk bond sale, would take over Executive Life's operations.

The newly created insurance company would be limited to investing 10% of its admitted assets in junk bonds, as opposed to the more than 50% currently held as assets by Executive Life.

The National Assn. of Insurance Commissioners by year-end is expected to require states seeking NAIC accreditation to adopt its junk bond model law limiting U.S. life/health and property/casualty insurers' holdings to 20% of admitted assets (*BI*, June 17).

The new company also would not be allowed to invest in real estate.

Current Executive Life real estate holdings, along with other assets, valued at a total of $680 million, would be disposed of by a proposed liquidating trust operated by the Conservation and Liquidation Division of the Insurance Department. These funds also would be transferred to the new company.

The agreement will be submitted to Judge Lewin within 20 days. Other potential buyers then will have 60 days to competitively bid for the company. At the end of that period, the court could approve the agreement.

If the sale is approved, group and individual annuity holders would receive payments equaling approximately 81% of the value of their policies and 100% of death benefits.

Policyholders—including group annuity holders—may receive 100% of what they were promised if guaranty funds agree to make payments, Mr. Garamendi said.

The transaction would be structured so that Executive Life is technically liquidated. The California Insurance Department is negotiating with guaranty funds in 38 states to provide funding to make Executive Life policyholders whole, Mr. Garamendi said.

"Now that we have an agreement that gives policyholders a fixed percentage of their contract values, I urge these guaranty funds around the nation to work quickly with us to provide that additional funding," he said.

As an incentive for policyholders to remain with the new insurance company, they also may receive a portion of increased penalties imposed on policy surrenders, according to Mr. Garamendi.

Pension plans that purchased Executive Life GICs will not be able to cash out for five years. At that time, they would have the option to cash out at the contracts' face value, according to Insurance Department attorney Carl Rubinstein of Rubinstein & Perry in San Francisco.

Meanwhile, full death benefits will be paid on behalf of pension plan participants who die, and pension plan participants who retire will be given single-premium annuities insured by the newly created insurer, Mr. Rubinstein said.

Interest earned on GICs during the moratorium will be calculated using a formula tied to five-year U.S. Treasury bond rates, less 100 basis points. The minimum rate would be 4%.

Mr. Garamendi stressed that "there are three critical areas" that must be handled before the court can be expected to confirm the agreement.

"Our biggest concern is the $643 million lien by the Internal Revenue Service for taxes, interest and penalties that it believes is due from the company for three tax years in the early 1980s," he said.

The IRS, in a letter sent in April to Executive Life's headquarters, demanded "immediate payment" of $249 million in back taxes and $394 million in interest and penalties (*BI*, April 29).

"We are continuing our discussions with the IRS, the Department of Treasury and other relevant officials in Washington regarding this tax liability. Now that we have a deal in hand, it is more important than ever to reach a satisfactory conclusion."

Mr. Garamendi estimated that annuity payments would be reduced 8 cents on the dollar if the new insurer must pay the tax lien. Payments would thus be cut from a proposed 81 cents on the dollar to 73 cents, only slightly more than the 70% payments that annuitants have been receiving under the conservation order.

The tax treatment of the transaction also could reduce ultimate payments to annuity contract holders, according to Mr. Garamendi.

"The tax code does not appear to contemplate the kind of rehabilitation plan that we have agreed to. The way in which the IRS may treat this agreement could very well affect its chances for success," he said.

A second issue that could jeopardize the agreement is a lawsuit brought by several bond-issuing municipal entities that purchased GICs from Executive Life to guarantee payments, according to Mr. Garamendi.

"These muni-GICs are not covered by the provisions of the state guaranty fund and we do not recognize them as Class 5 claims under the insurance code," he said.

Thus far, only claims from so-called Class 5 policyholders—like annuitants and life insurance policyholders—have been honored under the conservation order.

"While my original request for (purchase) proposals contemplated that muni-GICs should receive 30% of the value received by regular policyholders, today's agreement does not include such a provision," Mr. Garamendi pointed out.

Because negotiations between muni-GIC holders and the Insurance Department have broken down, "we'll see them in court," he said. A Sept. 30 date has been set to determine whether muni-GICs are a form of insurance.

Another factor that could affect the ultimate fate of the rehabilitation plan could be the U.S. economy.

"The investment group and Altus are content with the prospect of finalizing this agreement in the current economic climate. However, should there be a drastic decline in the stock and bond markets, the agreement would be seriously jeopardized," said Mr. Garamendi.

Although the Insurance Department forged this purchase agreement with the French investment group, it also is encouraging other offers for the company, according to Mr. Garamendi.

"While we believe this to be an excellent deal for policyholders, the only way to truly know that it is the best one possible is to subject it to the rigors of the competitive marketplace," he said.

"The French investment group has cleared the bar with an impressive opening height. I now encourage others to get into the competition and outleap their performance."

Employers that purchased GICs from Executive Life generally are pleased with the purchase agreement.

"I think the members of the Group Annuity Participant Protection Assn. ought to be very pleased that we are included in this rehabilitation plan because that has been a question to this point," said Robert R. Evans, chairman of GAPPA's steering committee and assistant treasurer of Xerox Corp. in Stamford, Conn.

Members of the group hold more than $540 million invested in GICs issued by Executive Life.

Before the announcement of the agreement, it was unclear whether GIC holders were considered policyholders eligible for payment under the conservatorship order.

"It sounds encouraging to us," said a spokesman for Maxxam Inc., the parent company of Scotia, Calif.-based Pacific Lumber Co., which has been paying the difference between what Executive Life has been paying retiree with annuities and what they were promised.

"We're encouraged by the 81% figure and the thought that the guaranty funds may provide 100%," he said.

One area that will not be affected by the sale: suits charging that employers violated the Employee Retirement Income Security Act of 1974 by purchasing Executive Life annuities to pay pension benefits.

The Labor Department does not plan to drop litigation it has filed against Maxxam and MagneTek Inc. of Los Angeles, a spokeswoman confirmed.

Those suits charge that the companies failed to act in the best interests of plan participants by selecting Executive Life as the annuity provider. Indeed, consultant Conning & Co. warned Maxxam that the insurer's junk bond holdings were "highly controversial," the department asserts (*BI*, June 17).

Employers, as pension plan fiduciaries, have a responsibility to buy the safest annuities, said Assistant Labor Secretary David Ball. "We are concerned that plan fiduciaries live up to that responsibility," Mr. Ball said. "The fiduciary liability will remain."

Employees that have sued employers that purchased Executive Life annuities also plan to continue to their efforts, their attorneys say.

"If the commissioner can put together this deal, it's great for the policyholders," said Lucia Savage, an attorney with Sigman & Lewis in San Francisco, who is representing Pacific Lumber retirees in their suit against Maxxam and Executive Life (*BI*, April 22).

However, "the lawsuit pre-exists Executive Life's downfall," Ms. Savage said.

Another lawyer, who represents employees that are suing MagneTek, agreed.

"Even if the policyholders are made whole, it doesn't obviate the necessity of a lawsuit," said Charles Both of the Washington, D.C., firm of Yablonski, Both & Edelman. "It was still a prohibited transaction, and the lawsuit was filed before Executive Life was placed into conservatorship."

ERISA experts agree that the ERISA litigation should be continued.

"In the absolute, the Labor Department should review the methodology used by plan trustees to select investments," said Daniel G. Brown, an attorney with Williams, Kelly, Romanski, Polverari & Skelton in Redwood City, Calif.

"These are two separate issues," said Michael S. Gordon, a Washington, D.C., attorney who helped draft ERISA.

"Whether Executive Life is bailed out has nothing to do with whether the plan trustees violated their fiduciary responsibility by selecting Executive Life," he said.

Mr. Gordon also pointed out that the suits may trigger subrogation by guaranty funds against employees that recover from their employers, Mr. Gordon pointed out.

"The question is, 'Who's going to bear the risk of this loss? The plan trustees or the insurance industry?' " he asked.

Besides MAAF and Altus, other investors involved in the transaction are:

- Pallas, a Paris-based holding company with investments in various financial service operations, principally in Europe.
- Euris S.A., a 4-year-old Paris-based investment company controlled by Jean-Charles Naouri with 3 billion French francs ($589.4 million) in assets in France, Great Britain, Morocco, Spain and the United States at year-end 1990. Its U.S. holdings were valued at 241 million French francs ($47.3 million) on Dec. 31, 1990.
- SDI Vendome, a Paris-based holding company controlled by Alain Mallart, who also has investments in companies engaged in logistical services, real estate services, specialized packaging and distribution and turnkey assembly operations.
- Marceau Investissements, a Paris-based diversified investment company with holdings in a variety of industrial services, technology, food and banking companies. It has total assets of 2 billion francs ($393.9 million) at year-end 1990.
- Eurofinac S.A., a Paris-based holding company with investments in a variety of industrial sectors. Eurofinac had total assets of 1.3 billion francs ($255.4 million) at year-end 1990.
- Omnium Geneve Group, an international investment firm based in Zurich, Switzerland, with operations in Britain, France, Germany, The Netherlands and Switzerland. ■

Met Life to manage Mutual Benefit

NEWARK, N.J.—Metropolitan Life Insurance Co. will manage Mutual Benefit Life Insurance Co. and will jointly develop with Prudential Life Insurance Co. a long-range plan for the seized insurer.

However, Met Life and Prudential will assume none of the insurer's assets or liabilities under the deal worked out with New Jersey regulators.

Mutual Benefit Life was placed in rehabilitation last month after thousands of individual annuity holders cashed in their policies or transferred funds, fearing the insurer's solvency was in jeopardy (*BI*, July 22). The insurer's problems have been blamed largely on poorly performing real estate investments.

Earlier this month, Mutual Benefit Life agreed to sell its group health, accident and life business to New York-based AMEV Holdings Inc., which is owned by Dutch and Belgian insurers (*BI*, Aug. 5).

The sale, however, does not affect Mutual Benefit Life's remaining operations, including its annuity and guaranteed investment contract businesses, which remain in rehabilitation.

A Met Life spokesman said management of the company by Met Life will help retain Mutual Benefit Life's remaining sales force, which will now also sell Met Life products.

He noted that the insurer's sales force, which once numbered about 1,200 agents, is now "well under" 1,000, and that the exodus began even before the insurer was put into rehabilitation.

"There has been a significant loss of the sales force," said the spokesman. "Obviously the field force is a major asset."

The objective of the Met Life plan, he said, is to gain time to stabilize Mutual Benefit Life and to allow its real estate portfolio to regain some of its basic value.

Meanwhile, the rehabilitation is continuing, with cash surrenders and withdrawals limited to hardship cases.

The Met Life spokesman said that while only Met Life and Prudential are involved in Mutual Benefit's rehabilitation, other insurers may also become involved as the rehabilitation goes forward.

"You'll see more insurers involved" and hopefully, the effort will be broad-based, he said. Although discussions so far have largely involved just Met Life and Prudential, there is "sort of a feeling it's time for the industry to pull together" and to begin to operate jointly in its own best interests, he said.

In an implicit reference to the fear of federal regulation, the spokesman said Met Life and others feel that state regulation has worked well.

The spokesman pointed to the involvement of other insurers including Met Life after state regulators in 1983 took control of life insurance units of Baldwin-United Corp., which wrote single-premium deferred annuity products.

While there are differences in the products sold by the two insurers, he said, "at least there's a track record there. It's been done before."

Both Met Life and Prudential had already agreed to reinsure new individual business written by Mutual Benefit Life.

Spokesmen for both Met Life and Prudential said no details of a long-range rehabilitation plan have been developed.

Among the possibilities are Mutual Benefit's acquisition, merger or consolidation with other insurers, the Met Life spokesman said. "It won't exist in the same form."

A Mutual Benefit spokeswoman said it is still too early to conclude that the insurer will cease to exist as an independent entity. There are still a lot of possibilities to explore, she said.

—By Judy Greenwald

Regulation

Continued from page 1

mittee last week approved a banking reform bill that calls for the creation of a presidential commission to examine insurance issues.

The presidential commission, proposed by Sen. Christopher J. Dodd, D-Conn., would report to Congress by January 1993 on topics like insurer solvency, the effectiveness of state guaranty funds, insurance industry antitrust issues and health insurance for the uninsured (*BI*, June 17).

Industry observers are uncertain what impact such a commission would have on efforts to enact federal insurance solvency legislation.

Some say these efforts could be slowed if lawmakers decide to wait for the commission's findings before acting on a solvency regulation bill. Others, however, expressed doubts that a presidential commission would stall efforts already under way in the House and Senate, and particularly those by Rep. Dingell.

"I think Dingell is pretty well committed to doing something," said Robert B. Shapiro, a Washington lawyer familiar with the legislative action.

"My impression is he's intent on moving," added Peter Lefkin, vp-government and industry affairs with Fireman's Fund Insurance Co. in Washington, D.C.

Rep. Dingell's legislative outline, released Aug. 1 by the Oversight and Investigations Subcommittee, follows a shorter discussion outline circulated informally earlier this year (*BI*, March 25).

The latest outline calls for:

- Creation of a Federal Insurer Solvency Corp., funded by insurance company fees and assessments, to develop and enforce solvency standards for multistate property/casualty and life/health insurers. The FISC would also oversee regulation of risk retention groups and multiple employer welfare arrangements.

The federal agency would not directly regulate multistate insurers, but would issue certificates of approval to state-licensed insurers and oversee state regulatory efforts. However, it would directly regulate professional reinsurers.

The FISC—whose five-member board of directors would be appointed by the president subject to confirmation by the Senate—would have authority to issue orders restricting insurance activities of specific companies and individuals and also would have special examination powers.

- Establishment by the FISC of minimum solvency standards for insurers in interstate or foreign commerce.

Standards would include minimum capital and surplus requirements; limits on the use of reinsurance; standards for investments, reserves and asset valuation; requirements for independent audits and actuarial certification of loss reserves; national standards for state guaranty funds; procedures for determining when an insurer is insolvent or impaired; and national liquidation procedures for insolvent companies.

- Accreditation by the FISC of state insurance departments or industry self-regulatory bodies that meet the federal minimum solvency standards.

The FISC would have the authority "to recognize any regulatory organization that it determines will successfully implement the corporation's solvency standards."

The FISC also could suspend or revoke accreditation of any body that does not continue to meet the standards. Any insurer licensed in a state whose accreditation is revoked would have to withdraw from interstate commerce or redomicile to an accredited state.

- FISC approval of coverage placed with any alien insurer or reinsurer.

Insurance buyers would be required to provide the FISC with information about the proposed coverage and show that the insurer or reinsurer has had at least three years of successful operation; agreed to submit to the jurisdiction of U.S. courts; and established a trust fund in the U.S. under guidelines established by the FISC.

The FISC would have the authority to reject any alien insurance or reinsurance arrangement that does not meet its standards.

- Establishment of federal civil and criminal penalties for insurance fraud, which would include filing false financial statements, self-dealing, theft and reckless management.

- Investigation by the FISC of multistate insurer insolvencies to update and improve solvency standards, make referrals to regulatory and law enforcement officials, and maintain a data base of information on individuals and companies involved in the insolvencies.

The FISC would also be authorized to research and report to Congress on any issue affecting insurer solvency.

Sen. Metzenbaum's bill, the Insurance Protection Act of 1991, introduced Aug. 2, is in many ways similar to the Dingell outline.

Unlike the Dingell proposal, though, the Metzenbaum bill would create a National Insurance Guaranty Corp., a national guaranty fund superseding state funds and covering claims against all insolvent interstate property/casualty and life/health insurers.

The NIGC would be pre-funded with assessments against insurers and would not be supported with any federal funds or guarantees.

Industry groups said they were still studying the proposals last week, but initial reactions ranged from severely critical to supportive.

The NAIC's Mr. Long voiced several general objections, noting that the history of dual federal/state regulation in other areas is "replete" with regulatory breakdowns.

Federal involvement in insurance matters has often caused more problems than it has solved, Mr. Long added, pointing to regulatory problems caused by the federal Risk Retention Act and by MEWAs formed under the Employee Retirement Income Security Act of 1974.

Mr. Long also said the proposals could jeopardize states' ability to levy premium taxes—a major source of state revenue—and charged that they would place regulation in the hands of government officials with "virtually no experience" in insurance.

"Both proposals raise the very real specter of regulation by federal amateurs," Mr. Long charged.

Insurance industry and risk management groups' initial reactions to the proposals were mixed.

Tough federal solvency standards and other provisions of the proposals could hamper corporations' use of captive insurers, observed Paul Brown, director of governmental affairs for the Risk & Insurance Management Society Inc. in New York.

He suggested that separate rules within a federal regulatory scheme should apply to captives.

Mr. Brown and others expressed support, however, for federal regulation of reinsurers.

"To the extent that it will, in effect, make a one-stop licensing procedure for reinsurers, I think we would support that," Mr. Brown said.

Several observers contended that the proposals would create another layer of oversight without actually improving solvency regulation.

"It's no surprise" that Sen. Metzenbaum and Rep. Dingell "would add another layer of federal regulation instead of trying to fine-tune the existing system of state insurance regulation," said Lowell R. Beck, president of the National Assn. of Independent Insurers of Des Plaines, Ill.

Mr. Beck called instead for state legislatures to adopt the solvency standards that the NAIC has developed as part of its solvency policing agenda.

"We were struck by how similar (the Dingell) proposal is to what the NAIC already has in place" through its solvency policing agenda, observed Greg Heidrich, vp-research with the Alliance of American Insurers in Schaumburg, Ill. "In a sense, it's the sincerest form of flattery."

"We do feel strongly that the state system is capable of doing an excellent job of regulating solvency," Mr. Heidrich added.

Mr. Shapiro noted that many large insolvencies have occurred not because state regulators lacked the authority to forestall them, but because regulators didn't act on the authority they had.

"What we need is someone to make sure regulators use the tools that are available to them," Mr. Shapiro said, expressing doubts that the federal proposals would accomplish this.

"I don't think we need the federal government to tell us what standards (regulators) ought to hold insurers to," he said.

Mr. Shapiro also worried that the Dingell proposal's restrictions on alien insurance and reinsurance could "kill the market," severely limiting capacity for U.S. risks.

"Offshore companies are not going to want to go through that," he said of the demands FISC would put on alien insurance and reinsurance placements.

"If the market hardens and this proposal is in place, I really do see a capacity problem," he predicted.

While Mr. Shapiro said he was expressing his own opinions, he represents a coalition of brokers, insurers and policyholders now being formed to address regulatory issues.

The coalition—which so far includes Marsh & McLennan Cos. Inc., Alexander & Alexander Services Inc., Sedgwick James Inc., American International Group Inc. and Dow Chemical Co.—favors a "two-tier" regulatory system in which commercial insurance would be regulated for solvency by the federal government but would be free of rate and form regulation. Personal lines insurance would still be subject to state regulation and to rate and form rules.

"The most positive thing" about the Dingell proposal is that it's still a discussion draft," AIA's Mr. Wright said of the Dingell proposal, which he said the AIA is reviewing before submitting comments to the House subcommittee.

Fireman's Fund's Mr. Lefkin, meanwhile, expressed support for the Dingell proposal. "It's a good proposal. We like it."

While conceding that the Dingell proposal presents the risk of duplicate regulation, Mr. Lefkin pointed out that with the current state-by-state system, "we are doing 51 sets of regulations right now."

Having a federal agency involved in solvency regulation could also "sensitize" the federal government to problems affecting the insurance industry, including tort reform and liabilities arising from the federal Superfund law.

Meanwhile, observers agree that the Metzenbaum bill could face problems in the Senate because of its national guaranty fund provision, even though no federal money would be used to back up the fund.

"I don't think a national guaranty fund has a snowball's chance," Mr. Shapiro said, explaining the huge losses hitting the Federal Savings & Loan Insurance Corp. and the Federal Deposit Insurance Corp. will undermine any guaranty fund proposal.

Even if insurers are responsible for financing the fund, lawmakers may worry that policyholders would look to the federal government for payment if the fund ever fell short, he observed.

"Given those problems, it's unlikely that the federal government will want to get involved, even to the extent of administering something funded by the insurance industry," Mr. Shapiro said.

Observers also put Rep. Dingell's proposal on a faster track because he heads the House committee and subcommittee with jurisdiction over insurance regulatory matters.

Sen. Metzenbaum's bill is likely to be referred to the Senate Commerce, Science and Transportation Committee, where the Consumer Subcommittee, headed by Sen. Richard H. Bryan, D-Nev., has already held insurance hearings and may be developing a regulatory proposal of its own, observers say.

No one is underestimating Sen. Metzenbaum, however: He pushed for seven years, ultimately successfully, to restrict employers' ability to recapture surplus assets from terminated defined benefit pension plans. ■

New firm to administer AIG pollution policy

New York-based Commerce & Industry Insurance Co., a unit of American International Group Inc., has appointed a new company to serve as program administrator for its environmental remediation insurance policy.

New York-based AIG, General Reinsurance Corp. of Stamford, Conn. and Chicago-based Aon Corp. jointly own the new company—General Environmental Management Corp.

Chicago-based GEM was created to market and issue environmental remediation insurance policies, which provide first-party coverage that protects property owners and their creditors from losses resulting from existing environmental damage that is undiscovered prior to a real estate purchase.

The Commerce & Industry Insurance program has been designed for commercial real estate—like office buildings, shopping centers, apartment buildings and undeveloped land—with values in excess of $7.5 million. The coverage generally attaches at the time of the property sale, foreclosure, merger or acquisition.

Currently, limits of $5 million are available, but increased limits may become available in the future, said Mark Snow, president of GEM. Mr. Snow said the product is available in all states on a surplus lines basis, underwritten by American International Surplus Lines Insurance Co. of Jersey City, N.J. General Re will provide some reinsurance coverage, he said.

GEM will coordinate the policy submission process with AIG member company underwriters and also will provide policy support services to customers.

For more information, contact Mark Snow, President, General Environmental Management Corp., 300 S. Riverside Plaza, Suite 2000 North, Chicago, Ill. 60606; 312-207-2200.

Markets

Surplus lines insurer

Underwriting manager Shand, Morahan Services Inc. has launched a new surplus lines insurer that will specialize in medical malpractice products.

National Specialty Insurance Co. is domiciled in Colorado and will operate as a surplus lines insurer in Illinois.

"Our immediate plans call for expanding the availability of medical malpractice products," which is a market Shand, Morahan has always been interested in cultivating, said Joseph J. Prochaska Jr., chairman and chief executive at the Evanston, Ill.-based company.

National Speciality now offers professional liability coverage for physicians, surgeons, overnight care facilities and hospitals in Illinois, he said.

Shand, Morahan operates through a network of independent agents and brokers to offer specialty lines of insurance on behalf of lead insurer Evanston Insurance Co., the Insurance Co. of Evanston and now National Specialty (see story, page 33).

As of March 31, 1991, National Specialty's capital and surplus was approximately $4.8 million.

For more information, contact Hedda Ritter, Senior Vp, Shand Morahan & Co. Inc., Shand Morahan Plaza, Evanston, Ill. 60201; 708-866-0864.

PPO agency

Preferred Health Network, a Los Angeles-based managed care company, has formed a general insurance agency to help market its preferred provider network.

The agency, PHN Insurance Marketing Services Inc., is designed to serve the agents and brokers who represent the 12,000 groups covered under Preferred Health's PPO.

Coverage will be available for Preferred Health's own managed care products and selected ancillary products, including dental, vision, prescription drug and life coverage. The coverage is offered to associations and employer groups, including self-insured employers.

"The real benefit is that both PPO health coverage and related needs can be obtained from a single source," which should save both time and money, said Richard Hersey, vp of sales.

For more information, contact Richard Hersey, Vp of Sales, Preferred Health Network, P.O. Box 60308 GMF, Los Angeles, Calif. 90060-0308; 213-938-1616.

ConFed unit expands

Confederation Life Insurance & Annuity Co., an Atlanta-based subsidiary of Confederation Life Insurance Co. of Toronto, has received regulatory approval to enter the group insured products market in New York.

CLIAC has offered a variety of individual, pension and group products elsewhere in the United States and Puerto Rico since 1983. Now, the company will begin marketing group coverages in New York, including a capital management account that establishes a money market fund for the beneficiary of employee and dependent life insurance.

For information, contact Pat Murphy, Group Sales Manager, Confederation Life Insurance & Annuity Co., 260 Interstate North, Marietta, Ga. 30339; 404-859-3370. ■

401(k) restructuring

Continued from page 1

Under the 1990 IRS proposal, employers running the 401(k) non-discrimination tests no longer had to compare on a plan-wide basis the average deferrals by higher-paid employees—generally those earning at least $60,535 in 1991—with all other employees.

Instead, a plan could be restructured—solely for testing purposes—into separate components or groups of participants. A 401(k) plan could be broken down into separate plans covering employees at different locations or those in separate job categories. These components would then be tested separately.

Restructuring was allowed under the 1990 rules as long as the percentage of lower-paid employees covered by a component plan was at least 70% of the percentage of the higher-paid employees covered by the plan.

For example, a component plan covering 80% of higher-paid employees also would have to cover 56% of lower-paid employees.

Benefit experts earlier said that the key to successful restructuring was to identify an average of how much salary is deferred to the 401(k) plan by employees—an amount known as the average actual deferral percentage, or ADP—based on job classifications or locations.

Once that was done and component plans were established, higher-paid employees could be shifted into a component plan that covered the lower-paid employees with the highest ADP (see related story).

While the IRS ban on 401(k) restructuring is not a complete surprise—the agency had warned last September that it might ban the practice—its decision still is certain to anger employers, benefit experts say.

"Employers will be disappointed, especially since it was only a little more than a year ago that the IRS gave the go-ahead on restructuring," said Frederick Rumack, director of taxes and legal services at Buck Consultants Inc. in New York.

"It is a big disappointment, and it may result in a lot less respect for the regulatory process" with the IRS jumping from one position to the next, said Gary Blank, a consultant in The Wyatt Co.'s San Francisco office.

"It's regrettable," said John Schroeder, senior corporate counsel at Advanced Micro Devices Inc. in Sunnyvale, Calif., which has used restructuring since last year. Changing rules make "it very difficult for employers to reasonably plan for the future," he said.

Employers welcomed the chance to restructure 401(k) plans when the IRS proposed—possibly inadvertently—the technique last year.

Employers have been struggling to modify their 401(k) plans to pass the non-discrimination tests, which compare the contributions of higher-paid and lower-paid employees, ever since those tests were toughened in 1986.

Many employers have been forced to cap contributions by higher-paid employees. Other companies have had to return contributions to higher-paid employees to pass the tests, which is an administrative hassle.

As a result, any technique like restructuring that would allow higher-paid employees to contribute more to 401(k) plans without violating the non-discrimination tests was welcomed by those employees and by their employers, which have to run the tests.

Employers restructuring their 401(k) plans faced little extra work: The component plans still could be administered as if they were one plan; employees could continue to receive uniform benefit booklets; and employers could continue to file one Form 5500—the annual report of a plan's financial operations—with the federal government.

In the final regulations, the IRS said it now concluded that it was "inappropriate" for 401(k) plans to use restructuring.

The IRS also said that restructuring "dilutes employer incentives to encourage participation by non-highly compensated employees," an argument that benefit experts say is specious.

"Employers have made big investments, through communications materials and matching contributions, to get their employees to participate in 401(k) plans. The IRS announcement suggests that employers would cut back on that commitment if restructuring was allowed. I don't see any basis for that position," said Mr. Butterworth of Hewitt Associates.

"I entirely disagree with the IRS's reasoning," said Buck's Mr. Rumack.

The only good news in the IRS ban on 401(k) restructuring is that the ban is prospective. Restructuring will be allowed through the end of the 1991 plan year, the IRS said.

"At least they are allowing employers to use restructuring for 1991. Therefore, they are not upsetting restructuring arrangements that employers have put in place for this year," said Henry Saveth, a principal at A. Foster Higgins & Co. Inc. in New York. ■

401(k) restructuring can boost higher-paid workers' deferrals

WASHINGTON—An example of 401(k) restructuring, provided by Hewitt Associates last year when the Internal Revenue Service approved the technique, illustrates how it works.

In this example, a bank divides its 401(k) plan into different component plans on the basis of job classifications.

The bank has 100 highly paid employees, generally defined as those earning at least $60,535 in 1991, and 1,000 lower-paid employees. The lower-paid employees contribute an average of 2% of their pay to the 401(k) plan.

Under the most widely used IRS 401(k) non-discrimination test, the average actual deferral percentage for highly paid employees cannot exceed the lesser of:

- 200% of that for lower-paid employees.
- The ADP for lower-paid employees plus two percentage points.

Therefore, before restructuring, highly paid employees at the bank could not on average defer more than 4% of their annual compensation to the 401(k) plan.

But the bank—for purposes of 401(k) non-discrimination testing—could break down its 1,000 lower-paid employees into three components.

- 300 salaried employees whose ADP is 4%.
- 300 hourly guards whose ADP is1%.
- 400 hourly tellers with an ADP of 1.25%.

The 300 hourly security guards would be placed into one component plan. The remaining 700 lower-paid employees—the 300 salaried employees with an ADP of 4% and the 400 hourly bank tellers with an ADP of 1.25%—as well as the 100 higher-paid employees would be placed into a second 401(k) component plan.

Determining the ADP of the lower-paid employees in the second component plan involves several steps. First, the ADPs of the two groups of lower-paid employees in the second component plan—the salaried employees and the bank tellers—would be multiplied by the number of employees belonging to each group. That result would be added together, and that sum would be divided by the total number of lower-paid employees in the second component plan.

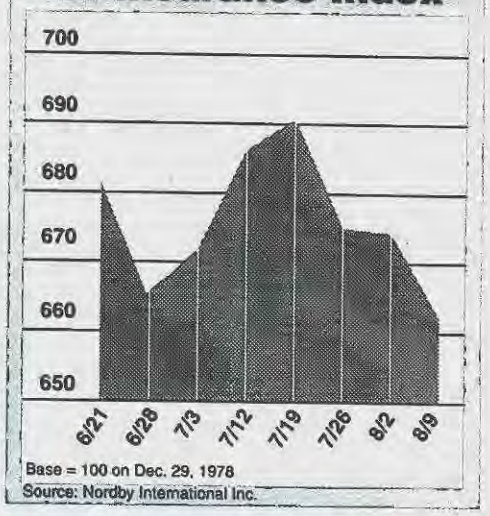
The 4% ADP of salaried employees multiplied by 300 equals 1,200 and the 1.25% ADP of bank tellers multiplied by 400 equals 500. The total—1,700—would be divided by 700, the total number of these lower-paid employees. That would produce an ADP of 2.43% for these lower-paid employees.

As a result, the maximum average ADP for the bank's highly paid employees could be 4.43% without violating the ADP non-discrimination test, compared with an average ADP of 4% without restructuring. Following restructuring, workers earning $75,000 a year could contribute on average an additional $322.50 per year to their 401(k) plans than they could if the plan had not been restructured.

While the IRS says restructuring will be permitted this year, the final IRS rules ban the practice beginning next year.

—By Jerry Geisel

BI Insurance Index



Insurance industry stocks slid last week as the *Business Insurance* Index dropped 12.1 points to 662.1 on August 9, from 674.2 on August 2. Advancing issues for the week were led by Protective Life Corp., up 7.7%; AVEMCO Corp., up 7.2%; and Re Capital Corp., up 6.2%. Declining insurance issues for the week followed FHP International, down 23.3%; Sierra Health Services, down 17.9%; and Seibels Bruce Group, down 9.4%. The most active insurance issue for the period was U.S. Healthcare, with 9.3 million shares traded. The *BI* Index was down 1.8%; the Standard & Poor's 500 dropped 0.02%; the Dow Jones 30 Industrials were down 0.3%; and the New York Stock Exchange Composite fell 0.07%.

British Issues

August 8 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Commi Union	545	N/M	30.7	5.6	545	527
Genl Accident	568	N/M	35.7	6.3	570	563
Gdn Royal Exch	184	N/M	15.9	8.6	184	179
Royal	403	N/M	34.7	8.6	410	403
Sun Alliance	394	N/M	18.7	4.7	394	375
Brokers						
Bradstock	150	17.1	6.0	4.0	150	150
CE Heath	456	15.9	34.5	7.6	458	456
Hogg Group	206	12.3	10.7	5.2	206	205
Lloyd Thompson	381	25.3	10.0	2.6	381	381
PWS Holdings	79	9.7	4.7	5.9	79	79
Sedgwick Grp	268	25.6	16.0	6.0	268	263
Steel Birl Jones	301	15.9	16.3	5.4	301	300
Willis Corroon	322	17.1	17.6	5.5	322	314

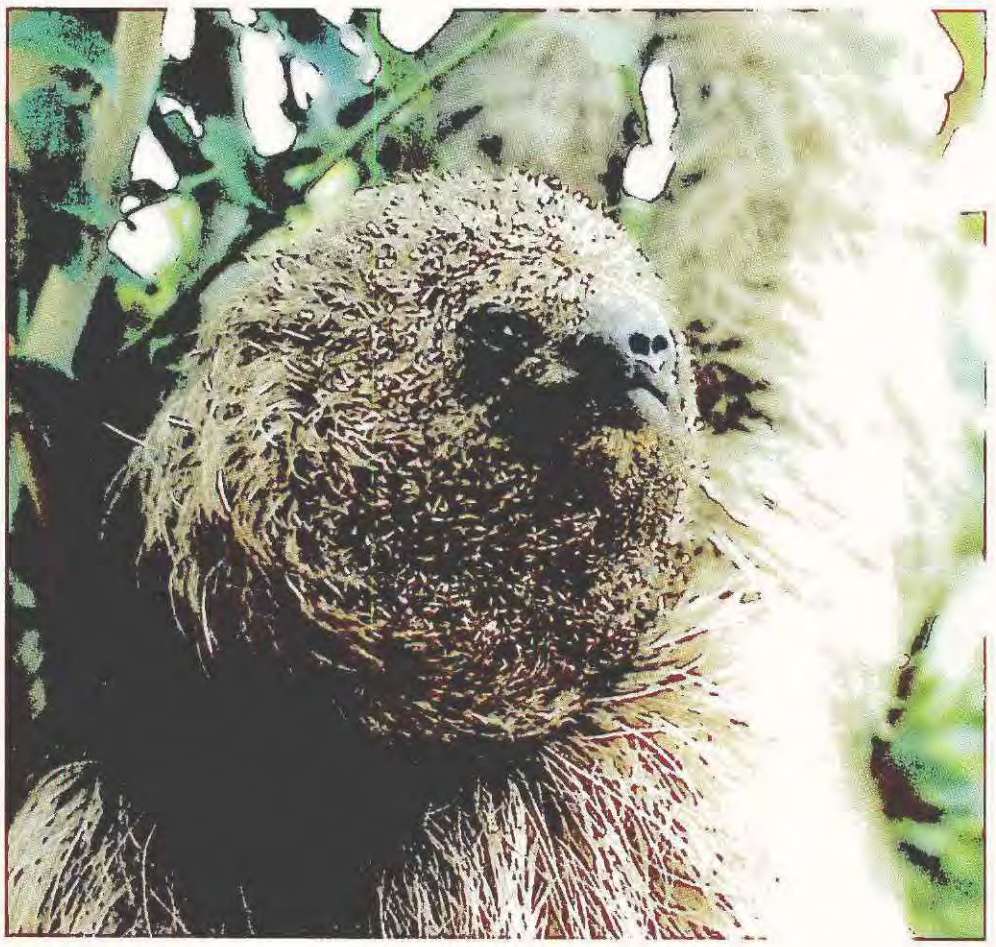
Source: Philip Olsen, Insurance Industry Analyst London

BI Industry Stock Report

AUGUST 5, 1991 THROUGH AUGUST 9, 1991

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
BROKERS												
Alexander & Alexander	NYS	21.75	-1.69	-5.95	27.63	16.13	332	1.00	4.60	18	9.77	2.23
Gallagher Arthur J. & Co.	NYS	20.50	1.23	-11.83	28.38	19.50	31	0.64	3.12	16	5.88	3.49
Frank B. Hall	NYS	3.63	-3.33	0.00	4.13	2.00	127	0.00	0.00	-8	-5.24	-0.69
Hilb, Rogal & Hamilton	OTC	14.00	1.82	-5.08	17.50	11.25	55	0.36	2.57	22	3.56	3.93
Marsh & McLennan	NYS	76.13	-2.87	-2.40	87.25	59.75	421	2.60	3.42	18	14.77	5.15
Poe & Associates	OTC	11.50	0.00	79.69	12.50	6.25	76	0.32	2.78	14	2.09	5.50
BROKERS	AVERAGE		-0.7	7.8					2.4	11		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	27.38	-0.90	-27.00	32.25	19.00	310	0.32	1.17	15	23.89	1.15
Berkshire Hathaway inc.	NYS	8810.00	2.44	31.99	8810.00	171.88	0	0.00	0.00	-28	4612.00	1.91
ITT (Hartford Group)	NYS	59.75	2.14	24.48	63.00	40.25	1557	1.72	2.88	9	64.01	0.93
Sears (Allstate)	NYS	41.63	1.83	64.04	41.63	22.00	3523	2.00	4.80	14	37.38	1.11
CONGLOMERATES	AVERAGE		1.4	23.4					2.2	3		
INSURERS/REINSURERS												
Aetna Life & Casualty	NYS	36.13	-5.25	-7.37	49.13	29.00	2347	2.76	7.64	8	64.23	0.56
American General	NYS	39.25	-0.95	27.64	45.25	23.50	519	2.00	5.10	9	37.14	1.06
American Heritage	NYS	27.88	0.90	32.74	32.25	19.63	1	1.08	3.87	12	19.25	1.45
American Indemnity/Fin'l	OTC	7.00	0.00	115.38	7.75	2.75	1	0.08	1.14	4	12.93	0.54
American International	NYS	81.88	-5.48	6.50	102.00	57.00	2021	0.48	0.59	12	45.34	1.81
Aon Corp.	NYS	37.50	-2.91	7.91	41.75	26.75	154	1.60	4.27	10	18.50	2.03
Argonaut Group	OTC	26.00	-1.89	21.88	33.38	17.75	104	0.68	2.62	8	48.26	0.54
AVEMCO Corp.	NYS	22.25	7.23	32.18	22.88	14.13	50	0.40	1.80	17	9.55	2.33
Baldwin & Lyons Inc.	OTC	23.50	2.17	25.33	25.25	17.00	1	0.28	1.19	8	24.29	0.97
Belvedere Corp.	ASE	3.13	-3.85	25.00	3.75	1.75	6	0.04	1.28	21	7.65	0.41
Chandler Insurance	OTC	2.88	-4.17	-58.18	7.25	2.75	11	0.00	0.00	-2	5.95	0.48
Chubb Corp.	NYS	69.38	-4.31	27.88	75.25	34.63	883	1.48	2.13	11	35.19	1.97
CIGNA Corp.	NYS	44.25	-3.54	8.26	56.75	33.25	654	3.04	6.87	11	73.15	0.60
CNA Financial Corp.	NYS	77.75	-1.74	13.30	92.50	49.50	140	0.00	0.00	13	70.23	1.11
Continental Corp.	NYS	27.88	-5.51	12.06	30.63	15.75	650	2.60	9.33	11	37.83	0.74
Durham Corp.	OTC	30.50	-4.69	8.93	34.13	23.00	32	0.92	3.02	15	28.04	1.09
Fund American Corp.	NYS	64.13	-0.58	23.61	65.25	41.63	113	0.68	1.06	19	36.11	1.78
Fremont General Corp.	OTC	23.00	-2.13	58.62	25.25	10.13	112	0.88	3.83	7	19.13	1.20
Frontier Insurance Group	NYS	24.38	-1.02	28.29	26.38	15.38	14	0.00	0.00	10	11.20	2.18
General RE Corp.	NYS	86.25	-2.40	-7.26	102.50	69.00	1851	1.68	1.95	12	37.50	2.30
Hanover Insurance Co.	OTC	28.75	2.68	8.49	30.75	21.00	81	0.44	1.53	10	37.44	0.77
Harleysville Group	OTC	29.00	-3.33	26.78	32.00	13.50	16	0.64	2.21	9	22.99	1.26
Hartford Steam Boiler	NYS	55.25	0.68	13.33	63.75	43.50	110	1.80	3.26	15	17.05	3.24
Kansas City Life Ins.	OTC	35.25	0.00	14.17	36.50	30.00	2	1.20	3.40	9	39.22	0.90
Kemper Corp.	NYS	32.00	-3.76	34.74	39.25	17.13	259	0.92	2.88	8	34.20	0.94
Lawrence Insurance Group	ASE	9.00	-2.70	28.57	9.50	6.38	2	0.48	5.33	14	4.71	1.91
Liberty Corp.	NYS	39.88	-0.62	-3.04	48.50	39.00	27	0.92	2.31	13	23.86	1.67
Lincoln National	NYS	45.50	-1.36	5.81	55.25	30.75	205	2.72	5.98	9	45.16	1.01
Markel Corp.	OTC	18.50	-1.33	57.45	19.25	10.25	148	0.00	0.00	10	3.56	5.20
NAC Re Corp.	OTC	39.88	0.31	20.83	42.50	25.50	70	0.20	0.50	14	18.90	2.11
Navigators Group	OTC	30.25	-3.97	38.55	34.50	16.50	3	0.00	0.00	17	13.52	2.24
Nobel Insurance LTD.	OTC	3.75	3.45	25.00	4.38	2.50	18	0.00	0.00	5	7.76	0.48
NWNL Companies	NYS	20.13	-2.42	19.26	32.88	11.75	677	1.40	6.96	4	42.73	0.47
Ohio Casualty Corp.	OTC	45.50	-3.19	10.98	50.25	26.75	243	2.48	5.45	9	36.38	1.25
Old Republic Int'l	NYS	30.75	1.23	34.43	31.13	17.38	53	0.72	2.34	7	33.09	0.93
Orion Capital Corp.	NYS	28.75	-1.71	64.29	29.63	13.00	84	0.92	3.20	9	20.42	1.41
Phoenix RE Corp.	OTC	9.38	1.35	20.97	10.00	5.00	57	0.20	2.13	12	13.30	0.70
Protective Life Corp.	OTC	21.00	7.69	41.18	22.50	10.25	313	0.84	4.00	9	16.29	1.29
Provident Life	OTC	19.00	0.00	8.57	24.50	12.00	87	1.00	5.26	5	25.88	0.73
Re Capital Corp.	ASE	17.00	6.25	32.04	18.63	11.75	24	0.20	1.18	12	15.05	1.13
RLI Insurance Corp.	NYS	13.63	4.81	-6.03	16.38	9.63	52	0.48	3.52	7	14.41	0.95
St. Paul Companies	OTC	64.00	2.40	1.99	74.25	47.00	1442	2.60	4.06	7	52.00	1.23
SAFECO Corp.	OTC	38.50	-2.84	17.11	44.75	25.13	705	1.48	3.84	10	31.50	1.22
SCOR U.S. Corp.	NYS	13.25	0.00	7.07	15.25	8.38	4	0.24	1.81	8	11.19	1.18
Seibels Bruce Group	OTC	7.25	-9.38	70.59	8.88	4.25	112	0.36	4.97	-145	7.35	0.99
Selective Ins. Group	OTC	15.25	-3.17	15.09	18.00	12.50	32	1.04	6.82	8	18.91	0.81
Statesman Group Inc.	OTC	4.63	-7.50	195.91	5.13	1.25	242	0.00	0.00	-231	2.48	1.86
Tokio Marine & Fire	OTC	47.00	0.53	-0.53	56.50	34.50	5	0.00	0.00	-	70.93	0.66
Torchmark Corp.	NYS	50.00	-2.44	2.30	58.50	38.00	311	1.60	3.20	12	16.70	2.99
Transamerica	NYS	32.88	1.54	0.77	38.38	23.25	627	1.96	5.96	12	36.56	0.90
Transatlantic Holdings	NYS	34.63	-0.36	26.48	39.38	18.88	117	0.20	0.58	12	36.56	0.95
Travelers Corp.	NYS	19.88	-1.85	19.55	26.38	11.50	1056	1.60	8.05	-10	41.44	0.48
Trenwick Group Inc.	OTC	27.00	-3.57	16.76	30.00	16.25	165	0.60	2.22	10	21.71	1.24
United Fire & Casualty	OTC	45.50	-2.15	29.54	58.00	28.75	4	1.32	2.90	11	35.39	1.29
USF&G Corp.	NYS	6.88	-8.33	-8.33	23.50	6.88	2698	0.20	2.91	-1	11.96	0.57
UNUM Corp.	NYS	63.75	-1.54	36.73	70.25	32.13	131	1.04	1.63	11	37.25	1.71
USLIFE Corp.	NYS	41.00	1.55	46.43	42.75	23.25	65	1.64	4.00	9	60.34	0.68
Unitrin	OTC	37.88	0.33	23.17	41.50	24.50	1182	1.00	2.64	14	30.70	1.23
Washington National	NYS	13.63	-2.68	25.29	19.38	9.38	60	1.08	7.93	-5	26.86	0.51
USLICO Corp.	NYS	20.50	0.00	29.13	21.75	14.75	52	1.00	4.88	11	29.44	0.70
Zenith National Ins.	NYS	17.25	-0.72	26.61	18.50	9.88	81	1.00	5.80	-91	13.14	1.31
INSURERS/REINSURERS	AVERAGE		-1.3	26.0					3.4	1.3		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	OTC	20.50	-23.36	34.43	29.75	8.88	3443	0.00	0.00	18	5.44	3.77
HMO America Inc.	OTC	12.75	-5.56	96.15	17.13	4.25	1236	0.00	0.00	14	0.61	20.90
Pacificare Health Sys.	OTC	32.25	-7.86	98.46	42.50	12.00	879	0.00	0.00	16	6.55	4.92
Safeguard Health Enter.	OTC	5.75	4.55	21.05	7.25	4.00	49	0.00	0.00	20	3.53	1.63
Sierra Health Services	ASE	18.88	-17.93	37.27	29.50	5.50	220	0.00	0.00	9	1.78	10.60
United Healthcare Corp.	OTC	48.50	-3.96	108.60	54.63	13.13	5532	0.06	0.12	27	3.76	12.90
United Medical Corp.	ASE	7.50	-1.64	-6.25	10.88	6.63	7	0.00	0.00	11	8.79	0.85
U.S. Healthcare	OTC	29.25	-7.87	-0.43	38.00	10.00	9306	0.32	1.09	18	3.38	8.65
HMOs	AVERAGE		-8.0	48.7					0.2	17		
ALL COMPANIES	AVERAGE		-1.8	25.9					2.8	4		

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Conservation International's Rapid Assessment Program sends teams of top scientists into the wilds of the Amazon and surrounding tropical rain forests to assess conservation priorities. Their work helps insure that species like this endangered Maned Three-toed Sloth have a future. These RAP teams require special medical and medical evacuation coverage.

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