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Update

Investor offers $955 million in second bid for The Home

NEW YORK—A Menlo Park, Calif.-based investment firm has offered $955 million to buy The Home Insurance Co. from AmBase Corp.

But, officials of the firm, Sequoia Associates, and AmBase officials refused to return phone calls as to whether the offer, which had an Aug. 3 deadline, was accepted.

The offer was made in a confidential July 30 letter, a copy of which *Business Insurance* obtained. The letter, written

Continued on next page

Purchasing group insurers subject to all states' rules, 11th Circuit says

By JERRY GEISEL

ATLANTA—State insurance regulators can require a risk purchasing group insurer that is domiciled in another state to be licensed in their states before the purchasing group can do business, another appeals court has ruled.

The 11th U.S. Circuit Court of Appeals in Atlanta said the pre-emption provisions in the federal Risk Retention Act do not bar states from imposing licensing requirements on purchasing group insurers domiciled in another state.

"The court rejects the argument that the (Risk Retention) Act exempts insurers of purchasing groups from the licensing and regulatory laws of non-domiciliary states," the appeals court said.

The appeals court also said that deference should not be given to a 1989 U.S. Department of Commerce report recommending that one state—the state that a purchasing group declares as its principal place of business—have primary regulatory authority over risk purchasing group insurers and the groups. The appeals court noted that the department is only an agency charged with reporting on how the Risk Retention Act is being implemented and 'not with the administration or implementation of the act."

The decision upholds the authority of the Florida Insurance Department to stop Bel-Aire Insurance Co., a Missouri-domiciled insurer, from providing coverage to Florida policyholders of the National Amusement Purchasing Group.

The decision by the 11th Circuit last month marks the second time in a year that a federal appeals court has ruled that non-domiciliary states can require risk purchasing group insurers to meet their own licensing requirements.

Last year, in a case involving purchasing group insurer Swanco Insurance Co. of Phoenix, Ariz., the 8th U.S. Circuit

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Political risk insurers fear crisis escalation

Brokers prepare notice of Iraqi claims

Political risk underwriters, already assessing their exposure to losses from Iraq's invasion of Kuwait, nervously waited last week to see if the conflict would widen to include Saudi Arabia.

Brokers in London last week began notifying insurers of potential political risk insurance claims involving Iraq following the U.N. Security Council's approval of a worldwide trade embargo on Iraq until it withdraws from Kuwait.

Although payment of these claims may be delayed for more than a year —if they are paid at all—the cost to the worldwide private insurance market could total more than $100 million to $200 million, while claims against state-owned credit insurance companies could total in the billions.

However, most U.S. and European losses related directly to Kuwait may turn out to be uninsured, several brokers agree. Many companies doing business with Kuwait did not buy political risk coverage, believing the Persian Gulf state to be stable and capable of paying its debts.

But, insured losses could rise dramatically if Iraqi forces push into Saudi Arabia, where—unlike Kuwait —U.S. companies have substantial insured investments, political risk sources say.

"If Iraq moves south into Saudi Arabia, the political risk exposure on a worldwide basis would increase by at least (a factor of) 10," said Jack Willyard, a political risk specialist with Sedgwick James Inc. in New York.



Political risk insurers worldwide are watching what Iraqi President Saddam Hussein does next.

• Middle Eastern insurers face uncertain future. Page 93.

• Aviation, marine war risk rates rising. Page 101

While political risk insurers around the world last week were receiving notice of potential claims, they could not predict accurately how many claims would eventually arise from the current Middle East crisis.

"We are waiting to see what will happen," said Louis Habib-Deloncle, president and director general of Paris-based political risk insurer Pool d'Assurance des Risques Internationaux & Speciaux, better known as P.A.R.I.S.

"No doubt the market will suffer losses," added Diedre Green, executive director of Investment Insurance International, a subsidiary of London-based broker Hogg Group P.L.C. in London. However, "there are no claims in as yet. We'll have to wait."

"We don't know what the next step is," added Anthony Howland-Jackson, managing director of Hogg Group, which is 5.3% owned by the London-based Kuwait Investment Office. The KIO's investment in Hogg is currently frozen by the Bank of England along with the rest of the KIO's $60 billion in foreign assets (*BI*, Aug. 6).

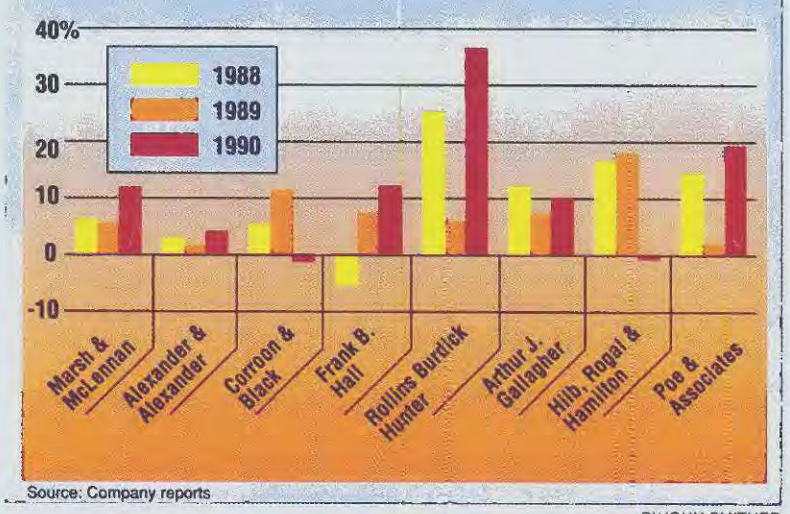
However, the frozen investment will not hurt Hogg's operations because it is so small.

"A lot is going on, but nothing is happening," said Jonathan Palmer-Brown, chairman of the aviation division of Lloyd's of London brokerage Nicholson, Chamberlain Colls Ltd. "But a lot will be happening in the near future."

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Broker growth rebounds

Despite the soft market, major insurance brokers' revenue growth, helped by acquisitions, is rebounding. Figures are for the first halves of 1988, 1989 and 1990.



Source: Company reports

BI/JOHN SMITHER

Brokers' results reflect ongoing rate competition

By LINDA J. COLLINS

The soft commercial property/casualty insurance market still has not abated, as reflected in the modest second-quarter revenue gains of publicly-traded insurance brokers.

Retail brokerage executives say results varied little between the first and second quarters. And they still see no imminent signs of an upward swing in rates.

Many brokers—aided in some cases by aggressive acquisition programs and improved reinsurance brokerage and benefit consulting results—are reporting improved revenue growth compared with the first half of 1989. But observers agree that this growth is not fueled by rising property/casualty insurance rates.

Even during the July renewal season, "rates were flat to down slightly—5% to 10%," said Frank R. Wieczynski, corporate secretary with Alexander & Alexander Services Inc. in Baltimore.

"The market is still very, very competitive," said John R. Lamberson, executive vp and chief operating officer of Corroon & Black Corp. in New York. "We don't see a strong upkick in premiums for the near term."

In the first half, New York-based Marsh & McLennan Cos. Inc. saw "slight (rate) reductions, in aggregate, in the property/casualty market, principally in North America," said J. Michael Bischoff, vp of corporate development.

John A. Addeo, senior vp and treasurer of Frank B. Hall & Co. Inc. of New York, agreed there was "a slight decline in rates" across the board in the second quarter.

And William F. Poe, chairman of Poe & Associates Inc. in Tampa, Fla., said rates were flat for Main Street accounts, but there was still "a slight movement downward on some specialty items, such as medical malpractice business." Insurers, he said, "still had a very ag-

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Update

Home Insurance purchase offer

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by William D. Walsh of Sequoia Associates, an investment firm that specializes in leveraged buyouts, was addressed to AmBase Chairman George T. Scharffenberg.

Thomas S. Swain, an investment banker with First Boston Corp. in New York, to whom a copy of the letter was sent, said he had "absolutely no comment whatsoever."

The Home and two affiliates have been for sale since February (*BI*, Feb. 26).

The July 30 letter notes that the $955 million offer superseded an earlier $906 million offer from the group.

The letter states that "although the original offer has never been rejected, we understand through informal conversations that the price proposed fell outside the range of AmBase's requirements. In an effort to bridge the apparent dollar gap, we are prepared to increase the value of our offer to $955 million."

The letter also states: "We have invested a great deal of time and money in reviewing Home's history and prospects. We have invited recognized industry experts, such as Hermitage Capital, to participate in the equity portion of the transaction."

Hermitage Capital is an investment firm with offices in Nashville, Tenn., and New York. Last year, the firm made "an indication of interest" in buying Los Angeles-based Fremont Compensation Insurance Co., a subsidiary of Fremont Indemnity Co., but the offer was not accepted, said James A. McIntyre, chief executive officer of parent company Fremont General Corp.

Hermitage officials could not be reached for comment.

Single asbestos facility eyed

CLEVELAND—A federal judge has proposed combining the Manville Personal Injury Trust Fund with the Center For Claims Resolution, an asbestos claims-handling facility consisting of 21 former asbestos producers, to form a single, nationwide asbestos claims-handling facility.

U.S. District Judge Thomas D. Lambros also suggested last week that all other asbestos producers and their insurers join the new facility.

A single asbestos claims-handling facility would give an ad hoc committee of federal judges more time to develop long-term solutions to litigating thousands of asbestos cases.

The judge set a Nov. 1 hearing date to discuss both the formation of a claims-handling facility and an earlier suggestion to consolidate all asbestos claims into a nationwide class-action lawsuit.

Health plan delays vetoed

BOSTON—Massachusetts Gov. Michael Dukakis has vetoed amendments approved by the Legislature that would have delayed key provisions of the state's landmark 1988 universal health care statute.

One amendment would have delayed until 1994 a provision—now set to go into effect in 1992—that will impose on employers with at least six employees a new "medical security contribution tax" that could total as much as $1,680 per employee.

An employer with a health care plan can offset the tax by each dollar spent on its plan. Employers whose annual health care expenses exceed $1,680 per worker will be exempt from the tax.

The other amendment would have stopped and delayed until 1992 a provision that requires all companies with at least six employees to pay an unemployment health insurance tax equal to 0.12% of the first $14,000 of each employee's wages, up to an annual per-employee maximum of $16.80. This tax, used to finance coverage for the unemployed, went into effect on Jan. 1.

The amendments to delay the new taxes were attached to broader budget legislation. In Massachusetts, the governor has the power to veto amendments attached to legislation.

Massachusetts legislators are expected to try to overturn the vetoes when they return next month.

N.Y. work comp rates up 29.4%

NEW YORK—New York employers face an overall 29.4% increase in workers comp insurance rates after the Insurance Department last week approved the second of two increases within about a month.

The 19.2% average rate increase approved last week, plus a 10.2% rate hike approved last month, will cost employers an additional $486 million in premiums within 12 months (*BI*, July 16).

The 19.2% rate increase, which was recommended by the New York Compensation Rating Board, is retroactive to July 1.

The latest hike was needed as a result of a workers comp law that the Legislature approved in July and Gov. Mario Cuomo subsequently signed into law. The law raises maximum workers comp benefits to $280 per week from $150 for partially disabled workers and to $340 per week from $300 for totally disabled workers.

The law also calls for increasing maximum partial and total disability payments to $400 per week by July 1, 1992.

Alteration of benefits upheld

ATLANTA—Employers can reduce or modify retiree health benefits if they reserve the right to do so in plan documents, another federal appeals court has ruled.

The 11th U.S Circuit Court of Appeals in Atlanta ruled July 24 that Container Corp. of America in St. Louis did not violate the Employee Retirement Income Security Act of 1974 when it sharply raised retiree premium contributions in 1987.

The court said the summary plan description Container Corp. distributed to employees clearly stated that the company, now controlled by Jefferson Smurfit Corp. of St. Louis, reserved the right to terminate or modify the retiree health plan at any time.

As a plan document required under ERISA, the terms of the SPD "are controlling," and any other more informal documents or communications must be ignored in determining employer intent, the appeals court wrote in affirming a lower court decision.

In late 1988, in a case involving American General Corp. of Houston,

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Court sets tough test for fetal protection rule

By MEG FLETCHER

CINCINNATI—A federal appellate court decision allows an employer to impose a fetal protection policy, but it holds the employer to a higher standard of proof that such a policy is necessary than the standard applied by another court in a case headed to the U.S. Supreme Court.

An employer must be able to prove that infertility is "a bona fide occupational qualification" rather than a "business necessity" in justifying a policy that restricts the right of women to hold jobs that pose significant risks to the health of unborn children, a three-judge panel of the 6th U.S. Circuit Court of Appeals in Cincinnati ruled July 20.

The 6th Circuit borrowed language to define its bona fide occupational qualification standard from a dissenting opinion in a 7th Circuit ruling last fall on a similar policy imposed by Johnson Controls Inc.

In that case, the 7th Circuit upheld the legality of a policy imposed by the Milwaukee-based manufacturer of lead-filled batteries to restrict fertile female auto workers—whether they plan to have children or not—from higher-paying jobs in a hazardous environment (*BI*, Oct. 16, 1989).

The U.S. Supreme Court has agreed to review the 7th Circuit's decision.

An attorney for Johnson Controls said the 6th Circuit's ruling is just one more federal appellate court decision upholding the right of employers to impose fetal protection policies under appropriate circumstances.

But, an attorney with the American Civil Liberties Union says the standard applied by the 6th Circuit makes imposing such policies extremely difficult.

The 6th Circuit case involves the fetal protection policy of General Motors Corp. of Dearborn, Mich.

Under the policy, which GM implemented in 1952 with periodic revisions, women are prohibited from working in foundry areas with air lead levels in excess of 30 micrograms of lead per cubic meter of air, unless they have proven they are sterile, court papers say.

In addition, the policy requires fertile women who want to work in foundry areas where airborne lead levels are 10 to 30 micrograms per cubic meter to wear respirators and to submit to bimonthly tests to determine that they have not been exposed to unsafe levels of lead.

In December 1983, GM removed Pat L. Grant, a 12-year employee at a GM foundry in Defiance, Ohio, from her position as an iron pourer and reassigned her to a lower-paying job in the foundry, citing its fetal protection policy.

In addition, GM—again citing its fetal protection policy—denied Ms. Grant's request for licensure as a hot metal crane operator, according to the 6th Circuit's 17-page decision.

Ms. Grant lodged several admin-

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Reinsurers, safety firms to be listed in *BI* soon

Deadlines are rapidly approaching for companies to return questionnaires to be listed in two *Business Insurance* directories: the directory of international reinsurance companies and the directory of safety consultants.

The directory of international reinsurers will appear in the Sept. 3 issue, which will also feature a report on trends in the worldwide insurance marketplace and on Lloyd's of London.

The directory of safety consultants will appear in the Sept. 10 issue, which will contain a spotlight report on workers compensation topics.

If your company is a reinsurer with consolidated worldwide net reinsurance premiums of more than $300 million (substantially property/casualty but including life premiums) or if your company offers safety consulting services and you have not yet received the appropriate questionnaire, please request one immediately by calling Sara Harty at 312-280-3195.

Companies located outside the United States are urged to fax their requests. The *BI* fax number is 312-280-3174. Please include your company's fax number.

The deadline for international reinsurers to return completed questionnaires is Aug. 17; safety consultants have until Aug. 24 to submit completed questionnaires to *Business Insurance*.

U.K. government favors dismissal of antitrust suit

By JUDY GREENWALD

SAN FRANCISCO—U.S. courts have no business interfering with the British insurance business, says the British government in a friend of the court brief submitted in connection with the insurance antitrust litigation filed by state attorneys general.

British defendants are among those named in the litigation, whose dismissal by U.S. District Court Judge William Schwarzer last year is now being appealed before an appellate court in San Francisco by the attorneys general and private plaintiffs (*BI*, Sept. 25, 1989).

Judge Schwarzer had dismissed foreign defendants on the basis of "comity," which is a reciprocal respect for foreign law. "I think it would be totally wrong for an American court to tell the London reinsurance market how to run their business. That's the bottom line," said Judge Schwarzer in his decision.

A 15-page brief filed with the 9th U.S. Circuit Court of Appeals on behalf of the British government agrees with Judge Schwarzer's decision.

". . .An assertion of jurisdiction by the U.S. courts would constitute an offensive interference with the

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✔ Pension simplification legislation introduced in Congress last week is a good first step toward reducing the complexity of the nation's pension laws, says this week's editorial. **PAGE 8**

✔ In Perspectives, Tony Gajda of William M. Mercer Inc. suggests several questions employers should review before adopting a managed care plan. **PAGE 55**

✔ Canada has enacted new rules limiting contributions to tax-deferred retirement plans. **PAGE 93**

✔ Stock analyst Myron Picoult says a meaningful turn in insurance pricing may not occur until 1991. **PAGE 103**

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Surplus lines exodus continues

By LINDA J. COLLINS

While most surplus lines insurers continued to lose premium volume in 1989, primarily to capacity-rich admitted markets hungry for new business, rates for surplus and specialty lines coverages did not undergo the freefall that characterized 1988.

Surplus lines rate reductions were far more modest in 1989 for both property and casualty risks than during the previous year, executives of the nation's largest surplus lines insurers and insurance wholesalers report.

Rates this year are mainly flat and sometimes up slightly, the executives say.

In addition, all of the Top 10 surplus lines insurers—which are ranked by *Business Insurance* according to direct, non-admitted premium volume—have either maintained or increased their capacity for property and casualty risks, and several are offering new products to attract new business.

However, these moves have not stopped the exodus of premiums from the non-admitted marketplace, as admitted insurers increasingly are willing to write classes of business traditionally viewed as non-standard risks, surplus lines insurers and wholesalers note.

Largely as a result of rate reductions and competition from admitted insurers, six of the nation's 10-largest surplus lines insurers reported declines in direct, non-admitted premium volume ranging from 3.9% to 25.5%, compared with 1988.

However, four of the Top 10 surplus lines insurers were able to post increases in direct non-admitted premiums last year, ranging from 2.5% to 24.5%.

This performance is a substantial improvement from 1988, when direct non-admitted premium volume for nine of the Top 10 insurers dropped, with the declines ranging between 3.3% and 39.4%. Only second-ranked Scottsdale Insurance Co. of Scottsdale, Ariz., a unit of Nationwide Mutual Insurance Co., reported a modest surplus lines premium gain of 4.3% in 1988.

Total gross premiums fell in 1989 for only five of the Top 10 surplus lines insurers—with the declines ranging between 7.3% and 24.1%—while five of the insurers reported gross premium gains ranging from 0.2% to 31%.

In 1988, total gross premiums fell for nine of the 10 insurers, compared with 1987. Only Scottsdale reported a 9% gain.

The performance of the surplus lines market as a whole mirrored the performance of the Top 10 insurers: Surplus lines premium volume fell in 1989, but not as sharply as in 1988.

The nation's surplus lines premium volume declined 0.2% in 1989 to $6.5 billion from $6.51 billion in 1988, according to statistics compiled by *Business Insurance* from state insurance departments (see chart, page 11). However, that was an improvement over the 5.1% decline in 1988 from $6.9 billion in 1987.

The growing appetite of admitted insurers for non-standard business also contributed to drops in premium volume reported by eight of the Top 10 insurance wholesalers.

Tri-City Insurance Brokers Inc., the eighth-largest wholesaler and fourth-largest wholesale broker in 1989, reported an 8.9% gain in premium volume, moving it up one position among wholesalers from ninth-largest in 1988.

Los Angeles-based wholesale broker Swett & Crawford, a subsidiary of The St. Paul Cos. Inc., reported an 11.3% gain in premium volume in 1989 to $557.8 million from $501.1 million in 1988, helping it regain its position as the largest wholesaler as well as remain the largest wholesale broker.

Following a 22% drop in premium volume in 1988, Swett & Crawford was displaced from its traditional spot as the No. 1 ranked wholesaler by Chevy Chase, Md.-based The Schinnerer Group Inc., a subsidiary of Marsh & McLennan Cos. Inc., the

Continued on next page

Ten largest surplus lines insurers

Insurers Parent company	Non-admitted direct premiums 1989	1988	% change	Total gross premiums 1989	1988	% change	Statutory combined ratio 1989	1988
Lexington Insurance Co. American International Group Inc.	$851,801,154	$886,457,838	-3.9%	$884,955,216	$955,059,674	-7.3%	87.7%	84.8%
Scottsdale Insurance Co. Nationwide Mutual Insurance Co.	493,690,291	416,085,563	18.7	802,295,784	612,211,890	31.0	105.7	103.6
International Surplus Lines Insurance Co. Crum & Forster/Xerox Corp.	174,064,645	169,763,049	2.5	184,867,150	181,508,321	1.9	—	—
Illinois Insurance Exchange	136,031,602	113,647,000	19.7	204,777,463	188,345,000	8.7	99.2	98.9
General Star Indemnity Co. General Reinsurance Corp.	130,744,958	105,010,571	24.5	134,629,769	104,971,197	28.3	99.6	97.8
First State Insurance Co. Hartford Insurance Group/ITT Corp.	119,704,008	137,284,728	-12.8	304,362,679	380,779,702	-20.1	105.6	101.7
St. Paul Surplus Lines Insurance Co. The St. Paul Cos. Inc.	112,827,537	134,287,302	-16.0	138,709,196	159,376,077	-13.0	105.6	103.7
Admiral Insurance Co. W.R. Berkley Corp.	99,224,537	104,867,768	-5.4	122,920,475	122,636,769	0.2	105.2	106.6
United National Insurance Co. American Manufacturing Corp.	90,971,397	100,410,228	-9.4	128,619,727	138,325,449	-7.0	97.9	97.4
American Empire Surplus Lines Insurance Co. Great American Insurance Co.	89,842,524	120,624,380	-25.5	108,127,118	142,518,213	-24.1	90.8	72.5

Source: *BI* Survey

BI/CYNTHIA WATSON

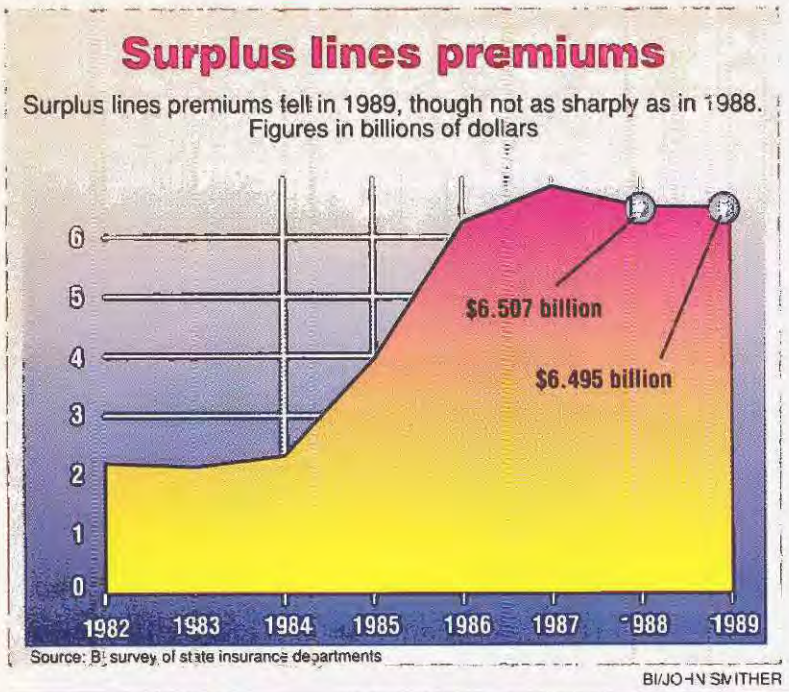
Ten largest insurance wholesalers

Brokers Parent company	Premium volume 1989	1988	% change	Gross revenues 1989	1988	% change	Percent surplus lines[1] 1989	1988
Swett & Crawford The St. Paul Cos. Inc.	$557,815,000	$501,138,000	11.3%	$53,777,000	$46,966,000	14.5%	65.0%	40.0%
Alexander Howden North America Inc. Alexander & Alexander Services Inc.	272,000,000	308,513,000	-11.8	16,590,000	18,411,000[2]	-9.9	25.0	35.0
Willis Faber Holdings Inc. Willis Faber P.L.C.	257,255,000	282,000,000	-8.9	20,376,000	21,186,000	-3.8	64.0	64.0
Tri-City Insurance Brokers Inc. Privately held	248,800,000	228,500,000	8.9	15,000,000[E]	11,630,000[E]	–	30.0	35.0
Montgomery & Collins CIGNA Corp.	182,888,664	199,453,594	-8.3	15,834,423	16,947,468	-6.6	30.0	30.0
MGAs/Underwriting managers Parent company	Premium volume 1989	1988	% change	Gross revenues 1989	1988	% change	Percent surplus lines[1] 1989	1988
The Schinnerer Group Inc. Marsh & McLennan Cos. Inc.	548,000,000	569,000,000	-3.7%	47,413,000[E]	49,895,000[E]	-5.0%	5.0%	5.0%
The London Agency Inc. Crum & Forster/Xerox Corp.	412,418,000	455,560,000	-9.5	N/M	N/M	–	6.0	5.0
Price Forbes North America Sedgwick Group P.L.C.	356,000,000	362,500,000[2]	-1.8	32,000,000	32,900,000[2]	-2.7	75.0	75.0
Crum & Forster Managers Group Crum & Forster/Xerox Corp.	299,205,000	318,779,000	-6.1	N/M	N/M	–	62.0	51.0
Cameron & Colby Co. Inc Hartford Insurance Group/ITT Corp.	232,000,000[3]	282,570,000[3]	-17.9	N/M	N/M	–	52.0	49.0

1 Percent placed with non-admitted markets 2 Restated 3 Direct writings only, excludes reinsurance N/M Not meaningful E Estimates based on 8.5% for Schinnerer, 6% for Tri-City

Source: *BI* Survey

BI/CYNTHIA WATSON



Surplus lines

Continued from previous page

nation's largest underwriting manager/managing general agent.

However, Schinnerer's premium volume fell 3.7% last year to $548 million from $569 million in 1988, dropping it to second-place among wholesalers of any type in 1989.

Surplus lines insurers and wholesalers note that admitted insurers are particularly interested in writing umbrella/excess liability, property and some directors and officers liability exposures that typically have been categorized as non-standard.

Janet R. Nelson, president and chief executive officer of St. Paul Surplus Lines Insurance Co. in St. Paul, Minn., said the major contributor to the 13% drop in gross premium volume in 1989 at the No. 7-ranked surplus lines insurer was a significant reduction in its casualty umbrella book of business.

"We've lost a lot of accounts based on pricing, and it's difficult for us to maintain renewals," she explained.

"A lot of the time we don't even see the renewal because the broker is able to place the program effectively with markets available directly to him," she added.

Standard markets also are more willing to write coverage for large, high-hazard exposures to capture their sizable premium dollars, wholesalers and insurers observed.

Rolland L. Wiegers, president of Scottsdale Insurance Co., said that as standard markets have become hungrier for large commercial risks, small to medium-sized risks continue to make up the greater part of Scottsdale's book of business. "I think there's a lot more of the bigger risks being shopped" around, he said.

So much capacity is available in the market that "a lot of" surplus lines business—particularly larger accounts—"is being absorbed by the admitted market," agreed Robert P. Keul, president of Los Angeles-based Montgomery & Collins Inc., the fifth-largest wholesale broker and 10th-largest wholesaler overall..

Mr. Keul said that not only is Montgomery & Collins losing umbrella liability business to standard insurers, but "those bigger accounts are attractive to insurers of any size, shape or description."

He added that small to medium-size accounts "are showing more signs of stability."

"We continue to lose umbrella business, what little we had left, because the standard markets are just very aggressive in that area," said Thomas S. Bloom, president of Grand Rapids, Mich.-based Willis Faber Holdings Inc., the third-largest wholesale broker and sixth-ranked wholesaler.

"The admitted market has decided that they want to write umbrellas above their own primary in some cases or in general in other cases. Not only have they gotten more aggressive in that area, but the companies that used to offer $1 million (in limits) are now offering $5 million, and the ones that used to offer $5 million are now offering $10 million," Mr. Bloom said.

Because property insurance prices have been cut sharply in recent years, "I'm not sure there's any property risk anymore that's really surplus lines," Mr. Bloom added.

In fact, "last year and this year, in terms of our ability to place (large) capacity business, it's as close to unlimited as it can be. Given the softness of the market, the number of players and the amount of overall capacity in the business, there's virtually no amount of coverage we can't place if it's a class or type of coverage that's placeable at all," Mr. Bloom said.

Capacity problems only arise in placing traditionally problem lines like financial institution directors and officers liability and environmental impairment liability, he noted.

Capacity for financial institutions D&O coverage—particularly for savings and loans—has hardened somewhat in the past year in light of the nation's savings and loan crisis, agreed John R. Hartman, executive vp and chief operating officer of Swett & Crawford.

Prices also are rising for D&O coverage for high-tech firms, aerospace contractors and some other companies, said Nancy L. Oblinger, a senior vp at Swett & Crawford.

She added that the wholesaler also has seen some restrictions in capacity in the California earthquake insurance market.

But elsewhere, capacity remains plentiful, surplus lines executives agree.

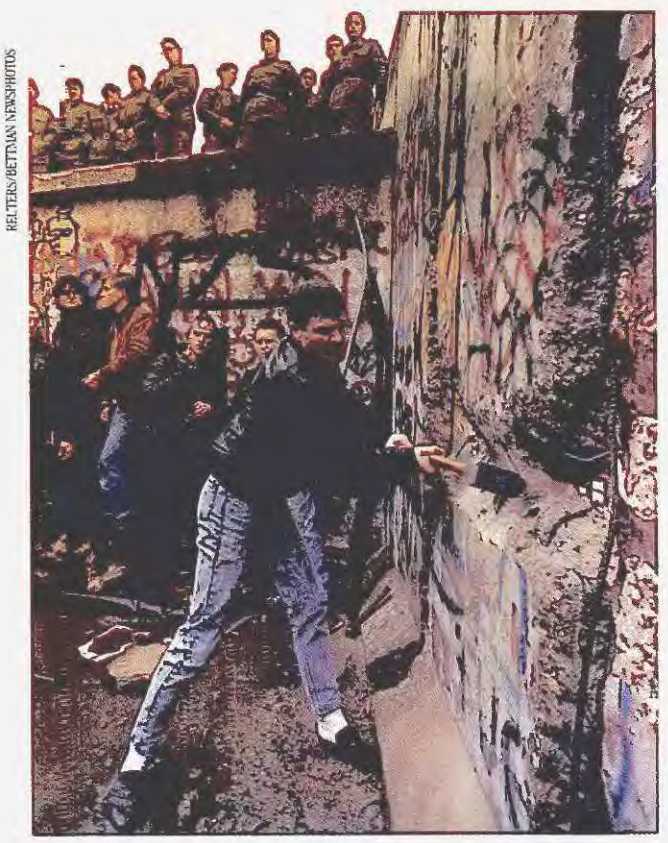
One of the reasons that standard insurers may be seeking more hazardous commercial property/casualty risks is that some major insurers have recently pulled out of the private passenger automobile market and "are trying to replace that loss with commercial risks," speculated Robert B. Spanfelner, executive vp and chief operating officer of Admiral Insurance Co. in Cherry Hill, N.J., the eighth-largest surplus lines insurer.

Orville D. Jones, president and chief executive officer of Crump E&S Group Inc., a unit of No. 4-ranked wholesaler Price Forbes North America of Dallas, agreed. Admitted insurers that have decided to withdraw partially or totally from the personal lines market "have even more capacity for commercial business," he said.

But, competition has not only come from admitted insurers, according to Warren S. Stanley, president and chief executive officer of Swett & Crawford.

Alternative risk financing mechanisms—including captives, risk retention groups and policyholder-owned facilities like A.C.E. Insurance Co. Ltd. and X.L. Insurance Co. Ltd. —also have put pressure on the brokerage, he said.

Continued on page 6


REUTERS/BETTMAN NEWSPHOTOS

Destruction of the Berlin Wall. 1989.

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INTRACORP

Surplus lines

Continued from page 4

Wholesalers stress that most surplus lines insurers are smart to avoid price competition.

In fact, many surplus lines insurers have seen premium volume drop over the last three years because their "managements have been reluctant to trade common sense for market share," said Kevin P. Brooks, president of Stamford, Conn.-based General Star Indemnity Co. and president of the National Assn. of Surplus Lines Offices Ltd.

While General Star jumped to fifth-largest among surplus lines insurers in 1989 from eighth-largest in 1988, Mr. Brooks explained that its 24.5% growth in non-admitted direct premiums resulted from its acquisition of the surplus lines business of Constitution State Management Co.

Admiral President Michael Snead said that some admitted insurers are charging 50% to 60% less than Admiral would for some hazardous classes of business.

"They shouldn't even be writing this business. They don't have the expertise," he stressed.

But, if admitted insurers decide to write a particular line of business, "they'll write everything in the class—the least to the most hazardous," Mr. Snead said.

None of the executives sees an imminent significant upturn in the property/casualty insurance rates, though most characterize the majority of rates as stabilizing.

"We're seeing now, pretty generally, that you can renew a policy at the same expiring premium, assuming the same exposures," said John M. Griffin, chairman, president and chief executive officer of The London Agency Inc. in Atlanta, the second-largest underwriting manager/MGA and the third-largest wholesaler.

Although some insurers are "still aggressively going down. . .5% to 10%" on rates for larger accounts, "some of our carriers who by definition are the true E&S insurers have definitely drawn the line and backed off," said Montgomery & Collins' Mr. Keul.

'Some of our carriers who. . .are the true E&S insurers have definitely drawn the line and backed off' cutting rates, says Mr. Keul. 'I have the ultimate respect for those companies, because there is a point where common sense has to prevail.'

"I have the ultimate respect for those companies, because there is a point where common sense has to prevail," Mr. Keul stressed.

"The results from the insurer standpoint have not reached the level where action is dictated. I subscribe to the theory that probably is at the 115%-plus combined ratio level, and we're nowhere near that yet," Mr. Keul said. "That usually has been the bellwether."

"It amazes me" that the market hasn't begun to tighten, said James Skelton, chairman and chief executive officer of the Illinois Insurance Exchange in Chicago, which is ranked as the fourth-largest surplus lines insurer. However, he predicted that the market may begin to tighten by the beginning of next year.

"I thought we would see something in 1990," Mr. Wiegers said. "But now I don't really see any upward trend until beyond 1991."

Kevin H. Kelley, president of Boston-based Lexington Insurance Co., the nation's largest surplus lines insurer, said he is hesitant to predict when the market may begin to turn. "Most of us are tired of talking about it" and are just waiting for it to happen, he said.

There was little change in the *BI* ranking of both the largest surplus lines insurers and the largest insurance wholesalers.

Nine out of last year's Top 10 surplus lines insurers remain in this year's Top 10.

Absent from this year's ranking is California Union Insurance Co., the seventh-ranked surplus lines insurer based on 1988 results. The Los Angeles-based insurer's direct, non-admitted premiums fell 24.6% to $80.3 million in 1989 from $106.5 million in 1988.

New to the Top 10 ranks is the fourth-ranked IIE, which reported a 19.7% gain in non-admitted direct premiums in 1989 to $136 million from $113.6 million in 1988.

The IIE has not been ranked in the past by *Business Insurance* among the Top 10 surplus lines insurers. Had it been included in 1988's ranking, the IIE would have ranked as the seventh-largest surplus lines insurer.

All but one of the Top 10 surplus lines insurers increased their surplus last year, with the increases ranging from 8% to 60.1%.

Only Cincinnati-based American Empire Surplus Lines Insurance Co., the 10th-largest surplus lines insurer, reported a 9.9% drop in surplus. American Empire President Joseph M. Walsh attributed the surplus reduction to a $34.4 million dividend it paid to parent Great American Insurance Co.

"During a time when writings fall, we don't really need that extra surplus. We have already upstreamed $28 million this year" in surplus, Mr. Walsh noted.

In 1989, combined ratios for the 10 largest surplus lines insurers ranged from a low of 87.7% reported by Lexington to a high of 105.7% for No. 2-ranked Scottsdale. However, Scottsdale's combined ratio also reflects business assumed from other Nationwide Insurance Group units through a reinsurance pooling arrangement.

Considering that surplus lines insurers write tough classes of business, those combined ratios compare very favorably with an average combined ratio for all U.S. insurers in 1989 of 109.7%, according to statistics compiled by the Insurance Services Office Inc. and the National Assn. of Independent Insurers (*BI*, April 2).

In 1988, the combined ratios for the same 10 surplus lines insurers ranged from a low of 72.5% at American Empire to a high of 106.6% reported by Admiral.

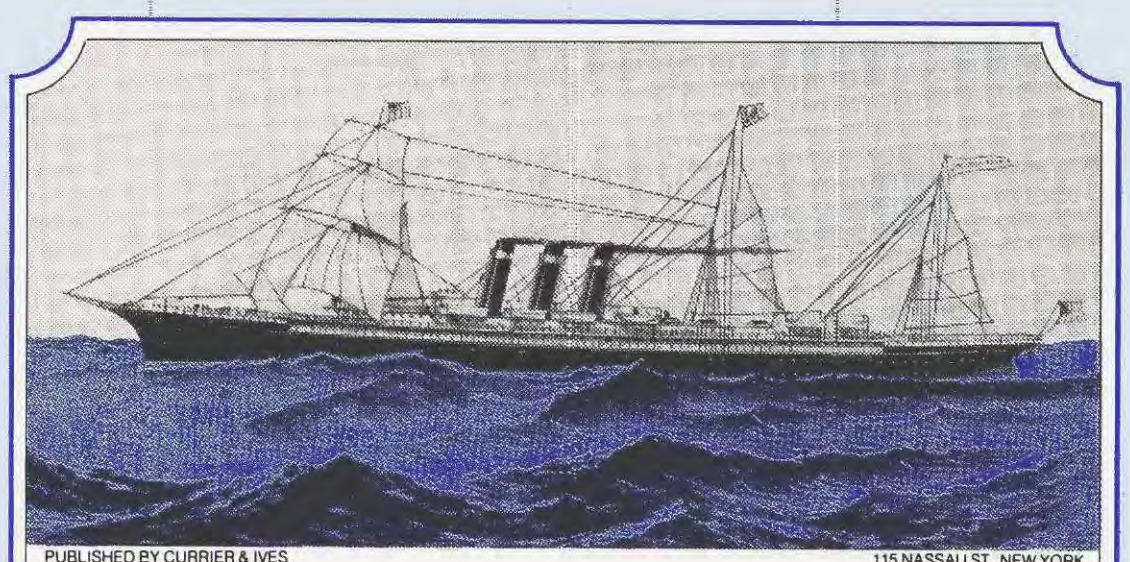
The combined ratio for all U.S. insurers in 1988 was 105.5%, according to ISO and the NAII.

Meanwhile, there is only one new name in *Business Insurance*'s ranking of the Top 10 wholesalers in 1989: fourth-ranked Price Forbes North America, a unit of Sedgwick Group P.L.C. However, while the name may be new, the face is familiar.

Dallas-based wholesaler Crump E&S Group, which ranked last year as the eight-largest wholesaler and fourth-largest wholesale broker based on 1988 results, now reports as one of the two primary operating units of Price Forbes North America, following the restructuring of Sedgwick's worldwide operations earlier this year (*BI*, June 18; Jan. 15).

Price Forbes also reports the premiums generated by its other chief operating unit, New Orleans-based wholesaler Southern Marine & Aviation Underwriters Inc. ■

1887: a year for successful beginnings



PUBLISHED BY CURRIER & IVES 115 NASSAU ST., NEW YORK

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Courtesy of The Mariners Museum of Newport News, Va.

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Opinions

Simplify pension rules

PENSION SIMPLIFICATION legislation introduced by Sen. David Pryor, D-Ark., and Reps. Rod Chandler, R-Wash., and William Archer, R-Texas, is a good first step toward reducing the complexity of the nation's pension laws.

Under the legislation, employers with 401(k) salary reduction plans that provide generous matching contributions and immediate vesting on company contributions no longer would have to run the complex 401(k) non-discrimination tests (see story, page 99).

In addition, the legislation would eliminate certain quirks in pension law that serve no useful purpose and only increase complexity.

For example, the legislation would eliminate current half-year requirements that apply to pension programs. While workers generally now must be at least 59½ to collect a pension distribution without being hit with special taxes, the legislation would round off the age requirement to 59.

In addition, the Internal Revenue Service would have to publish each October—for the next plan year—annual cost-of-living adjustments in the maximum benefits that can be funded through qualified defined benefit plans and the maximum deferrals that can be made to 401(k) plans.

The IRS now publishes this information in late January for the current plan year. The unnecessary delay makes it more difficult for firms and employees to make pension funding and contribution decisions.

And, the legislation contains provisions specially aimed at increasing the attractiveness of pension programs for smaller companies. For example, the legislation would allow employees working at firms with up to 100 employees to make pretax contributions to Simplified Employee Pension plans. Currently, only employees working at companies with fewer than 25 workers can make pretax contributions to an SEP.



Regrettably, the legislation doesn't go far enough. For example, it would make more sense, as some benefit lobbying groups originally wanted, to eliminate non-discrimination tests, which compare contributions of highly paid employees with all other workers, for all 401(k) plans. With a cap on 401(k) plan deferrals by employees of less than $8,000, just how much discrimination in favor of the highly paid can there be?

There probably isn't sufficient time in the remaining weeks of the legislative session to enact the pension simplification legislation. But active business support of the legislation could set the stage for congressional consideration and passage during the next session.

Letters

Futures contracts raise disquieting questions

I have been reading with interest the reports on the new futures contracts to be offered by the Chicago Board of Trade dealing with reinsurance of certain lines of coverage (*BI*, July 2; May 21).

Like most in the business, I am somewhat confused by the whole concept. It may be a great idea, but it strikes me as having about as much to be said for it as Napoleon's decision to visit Moscow in the winter. I do not have any answers, just questions. To wit:

- It would seem that the situation is fraught with the perils of adverse selection and outright manipulation.

How can either a broker or a buyer price these contracts with no expertise in the field? The only party to the transaction that will have any real idea of ultimate loss cost is the insurer. It would seem that most insurers would attempt to lay off the suspicious part of their book and retain the more profitable.

- Insurers and reinsurers bargain as equal parties knowing that they will do business again. Is there any chance of equal knowledge? Will insurers hesitate to take advantage of a gullible buyer with whom they will never deal again?
- Companies settle their own losses. What will prevent an insurer that has already given up any chance of profit on a contract from settling all claims at whatever price is necessary to close the books, given that some outside investor will pay the freight?
- Even first-party claims can sometimes drag on for years. How will the settlement of the contract be made when there are open claims in the books? What happens to the claim that pops up the day after the contract is settled?
- If this financial device takes the form of reinsurance, does someone have to be licensed as an insurer to sell it?
- How will the regulators treat these contracts? Will monies due under such a contract be an admitted asset?
- In all other commodity sales, a free market ultimately sets prices for both parties. Is there any free market here?
- Is the investor's exposure open-ended? Who guarantees the investor's ability to pay when the bill comes due?
- How will the sale of these futures certificates by insurers affect their relationship with existing treaty reinsurers, particularly when the existing treaty requires all business in certain classes to be ceded?

Perhaps someone more wise than I could educate me on this matter.

Thomas S. Bloom
President
Willis Faber Holdings Inc.
Grand Rapids, Mich.

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NCCI trying to fight 'garden-variety' fraud

To the editor: I am writing to answer the question posed by Eric S. Tachau's July 23 letter: "Why is it fraudulent for an employer to take advantage of the National Council on Compensation Insurance?"

The NCCI has not sued employers—and agents—that have merely taken advantage of technical loopholes. The defendants we have targeted have actively misrepresented material facts. Some have claimed to be an employer when they do not hire, fire, direct or control workers. Most have vastly understated their annual payroll. This is not sophisticated manipulation of the system—this is garden-variety fraud.

Blaming the NCCI for "employers who take advantage of the system" is not like blaming the victims of a mugger for being out on the streets. The NCCI is not alone in tightening up its rules to deal with employee leasing operations. The Internal Revenue Service, state insurance departments and unemployment compensation divisions are all engaged in a similar process.

The kind of fraud related to employee leasing that the NCCI is confronting is neither clever nor victimless. While Mr. Tachau suggests that the NCCI should not be taken seriously when it applies the word "fraudulent," many courts have already taken the NCCI's allegations most seriously. More than $9 million has been recovered as a result of the NCCI's fraud litigation. This kind of fraud should not be trivialized.

William D. Hager
President
National Council
on Compensation Insurance
New York

* * *

To the editor: I heartily endorse Eric Tachau's July 23 letter, "Leasing Firms Take Advantage of NCCI Mistake," if from a slightly different perspective.

Following our 1988 leveraged buyout, the NCCI decreed our experience rating was abolished and we had to revert to unity. If anything, loss control became more important, but I now am penalized, including higher premium taxes and residual market loadings.

Bruce C. Wilson
Director-Corporate Insurance
Bell & Howell Co.
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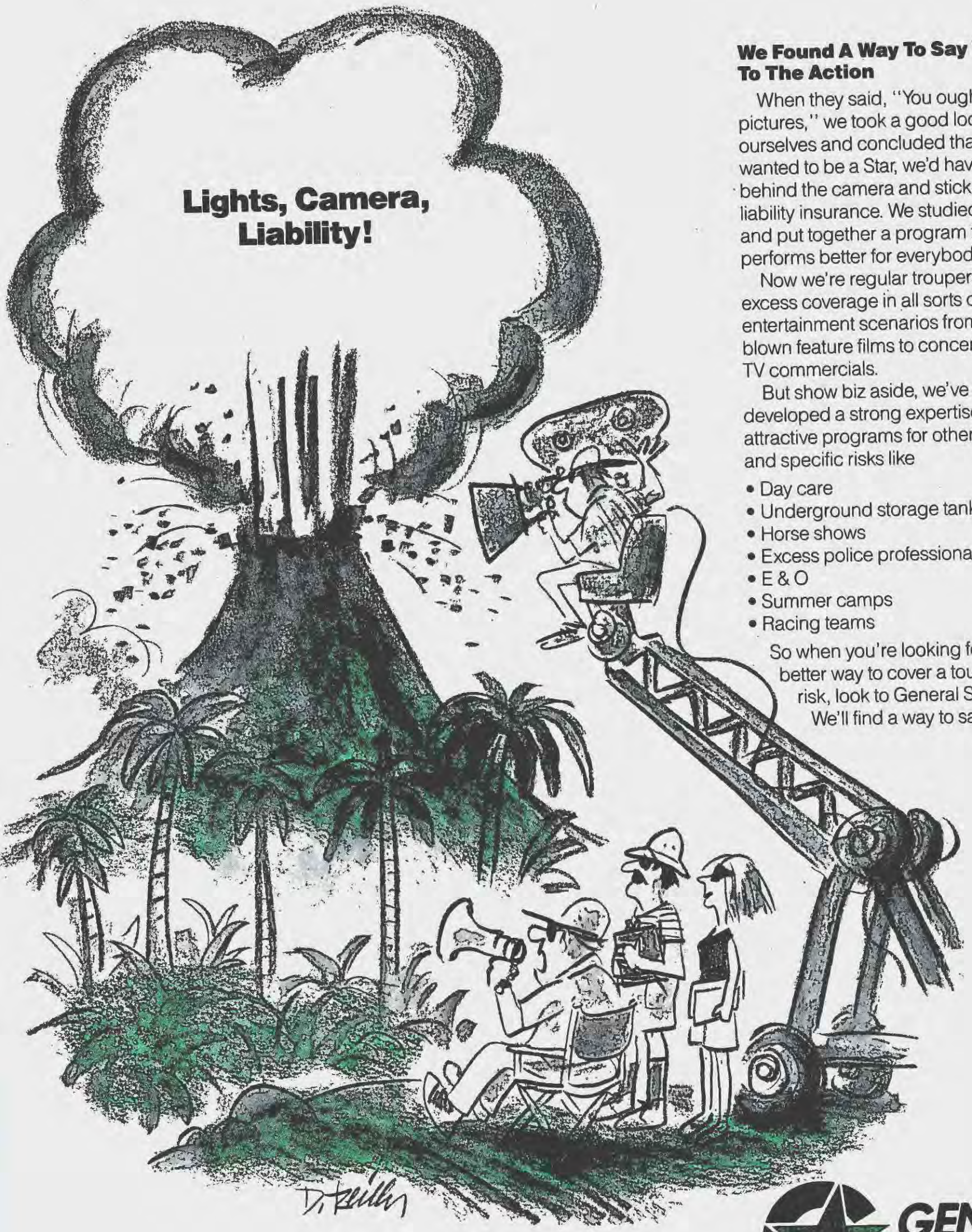
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Surplus lines volume stabilizes

Premiums fall by only 0.2%

Surplus lines premium volume fell in 1989 for the second year in a row, although the drop slowed to a trickle, perhaps indicating rate stability is returning to the market.

State insurance departments reported that nationwide surplus lines premium volume totaled $6.496 billion in 1989, down 0.2% from a restated $6.507 billion in 1988. Surplus lines volume in 1988 was down 5.1% from 1987, the first time surplus lines premium volume had dropped since 1983.

The 1988 premium figures reported this year by state insurance departments total about 2.6% less than the $6.685 billion reported last year (*BI*, Aug. 14, 1989), which was restated by state regulators to more accurately reflect surplus lines premiums written.

Premium taxes collected by the states also decreased only slightly last year, down 0.4% to $213.6 million from a restated $214.4 million in 1988. Surplus lines premium tax revenues in 1988 fell 4.4% from 1987 levels.

The number of states reporting gains in surplus lines premium volume more than doubled last year to 22, including the District of Columbia. Only 10 states reported an increase in volume in 1988.

The five largest increases in premium volume last year were recorded in:

- New York, which saw surplus lines premium volume increase 27.2% to $517.4 million in 1989, from $406.8 million the previous year.
- Ohio, up 25.6% to $131 million from $104.3 million.
- Georgia, up 25.5% to $159.5 million from $127.1 million.
- District of Columbia, up 24.9% to $54.5 million from $43.6 million.
- South Carolina, up 24.5% to $52.4 million from $42 million.

Twenty-nine states posted declines in surplus lines premium volume in 1989, which, while surpassing the number of states with gains, is lower than the 40 states recording declines in 1988.

The five largest declines last year were in:

- Minnesota, where surplus lines premiums fell 33.3% to $69.8 million, from $104.6 million in 1988.
- Maryland, down 33.1% to $58.1 million, from $86.8 million.
- Pennsylvania, down 23.3% to $230 million from $300 million.
- Oklahoma, down 18.9% to $56.9 million from $70.2 million.
- Indiana and Missouri, each down 17.3%. Indiana volume dropped to $74.9 million from $90.6 million, while Missouri volume fell to $117.9 million from $142.6 million. ■

Surplus lines premiums & taxes by state

	Surplus lines premiums			89-88	89-87	Surplus lines taxes			
	1989	1988	1987	% change	% change	1989	1988	1987	% tax rate
Alabama	$102,066,206	$98,669,150	$108,812,625	3.4%	-6.2%	$4,082,648	$4,049,738	$4,352,505	4.00%
Alaska	$49,508,531	$51,312,242	$70,583,980	-3.5%	-29.9%	$1,064,212	$911,254	$1,289,021	2.70%
Arizona	$56,457,248	$52,248,474	$70,239,168	8.1%	-19.6%	$1,693,717	$1,567,454	$2,107,175	3.00%
Arkansas	$42,712,380	$39,216,678	$46,718,467	8.9%	-8.6%	$1,708,495	$1,568,667	$1,868,739	4.00%
California	$1,284,481,667	$1,322,666,127	$1,114,939,281	-2.9%	15.2%	$38,534,450	$39,679,984	$33,448,236	3.00%
Colorado	$89,393,950	$78,042,199	$91,000,000	14.5%	-1.8%	$1,802,334	$1,572,730	$1,832,000	2.00%
Connecticut	$68,068,150	$65,503,926	$76,620,824	3.9%	-11.2%	$2,681,967	$2,604,552	$2,904,833	4.00%
Delaware	$10,336,890	$9,868,577	$8,675,407	4.7%	19.2%	$206,738	$197,372	$192,656	2.00%
District of Columbia [1]	$54,446,300	$43,575,950	$38,983,500	24.9%	39.7%	$1,088,926	$871,519	$779,670	2.00%
Florida	$507,925,483	$466,807,017	$469,647,589	8.8%	8.2%	$13,444,125	$12,820,624	$12,605,566	3.00%
Georgia	$159,446,156	$127,047,157	$169,085,756	25.5%	-5.7%	$6,377,846	$5,075,249	$6,635,467	4.00%
Hawaii	$43,750,334	$44,343,232	$45,739,506	-1.3%	-4.3%	$2,047,515	$2,075,766	$2,140,638	4.68%
Idaho	$14,974,721	$15,894,010	$21,557,277	-5.8%	-30.5%	$454,002	$558,834	$672,768	3.00% [2]
Illinois	$300,513,098	$338,035,825	$346,646,405	-11.1%	-13.3%	$9,015,393	$10,168,066	$10,399,392	3.00%
Indiana	$74,912,432	$90,597,057	$107,999,137	-17.3%	-30.6%	$1,872,811	$2,264,926	$2,699,978	2.50%
Iowa	$31,820,890	$33,603,753	$31,766,123	-5.3%	0.2%	$636,418	$672,075	$635,322	2.00%
Kansas [3]	$37,279,063	$38,090,081	$42,916,365	-2.1%	-13.1%	$1,491,133	$1,523,603	$1,716,673	4.00%
Kentucky	$39,243,416	$37,308,250	$43,270,065	5.2%	-9.3%	$1,177,302	$1,119,247	$1,298,102	3.00%
Louisiana	$253,407,000 [4]	$254,680,000	$287,808,571	-0.5%	-12.0%	$12,670,350 [4]	$12,734,000	$14,167,892	5.00%
Maine	$15,059,331	$15,704,210	$15,775,924	-4.1%	-4.5%	$451,780	$412,127	$473,277	3.00%
Maryland	$58,087,323	$86,830,217	$101,083,446	-33.1%	-42.5%	$1,742,620	$2,576,686	$2,965,293	3.00%
Massachusetts	$176,070,775	$174,592,500	$175,698,725	0.8%	0.2%	$7,040,831	$6,983,700	$7,027,949	4.00%
Michigan	$309,468,186 [4]	$333,146,483	$355,468,543	-7.1%	-12.9%	$6,211,655	$6,662,930	$7,436,241	2.00% [5]
Minnesota	$69,792,911	$104,594,481	$124,008,126	-33.3%	-43.7%	$2,093,787	$3,137,834	$3,720,244	3.00%
Mississippi	$45,870,729	$45,268,306	$49,576,170	1.3%	-7.5%	$1,777,685	$1,855,731	$1,970,949	4.00%
Missouri	$117,872,259	$142,592,505	$149,595,559	-17.3%	-21.2%	$5,893,613	$7,129,625	$7,479,778	5.00%
Montana	$10,333,692	$11,434,805	$13,194,263	-9.6%	-21.7%	$325,239	$358,084	$410,506	2.75%
Nebraska	$19,675,433 [4]	$20,828,371	$23,065,435	-5.5%	-14.7%	$590,264	$630,793	$816,445	3.00%
Nevada [3]	$24,923,076	$26,992,360	$35,532,799	-7.7%	-29.9%	$809,702	$809,770	$1,069,856	3.50% [6]
New Hampshire	$23,223,970	$23,902,184	$22,988,367	-2.8%	1.0%	$465,312	$478,044	$460,590	2.00%
New Jersey	$194,507,281	$202,051,176	$223,047,740	-3.7%	-12.8%	$5,802,329	$6,061,535	$6,691,432	3.00%
New Mexico	$18,045,237	$20,761,848	$22,024,399	-13.1%	-18.1%	$541,357	$622,855	$660,732	3.00%
New York	$517,414,888	$406,805,500	$498,151,667	27.2%	3.9%	$18,626,935	$14,644,998	$17,933,460	3.60%
North Carolina	$75,112,210	$71,987,389	$70,566,898	4.3%	6.4%	$3,755,611	$3,599,368	$3,528,345	5.00%
North Dakota	$7,905,152	$6,509,053	$4,833,509	21.4%	63.5%	$137,014	$81,006	$52,089	1.75% [7]
Ohio	$131,003,355	$104,293,198	$86,379,373	25.6%	51.7%	$1,267,846	$1,322,765	$1,577,080	5.00%
Oklahoma [3]	$56,881,666	$70,145,461	$77,348,356	-18.9%	-26.5%	$3,412,900	$4,208,728	$4,604,901	6.00%
Oregon	$79,429,616	$71,274,154	$81,292,039	11.4%	-2.3%	$1,787,179	$1,603,681	$1,829,085	2.25%
Pennsylvania	$230,000,000	$300,000,000	$270,000,000	-23.3%	-14.8%	$6,838,069	$8,908,064	$7,816,345	3.00%
Rhode Island [8]	$75,561,500 [4]	$70,843,600	$20,455,700	6.7%	269.4%	$2,266,844	$2,125,000	$613,670	3.00%
South Carolina	$52,354,175	$42,044,675	$43,899,007	24.5%	19.3%	$2,094,167	$1,681,787	$1,755,560	4.00%
South Dakota	$5,742,417	$6,373,960	$9,212,012	-9.9%	-37.7%	$237,070	$162,633	$237,070	2.50% [9]
Tennessee	$60,657,133 [4]	$63,025,566	$65,601,400	-3.8%	-7.5%	$1,819,714	$1,890,767	$1,968,043	2.50% [10]
Texas	$592,322,889	$546,570,476	$740,411,971	8.4%	-20.0%	$27,234,499	$25,251,556	$28,505,861	3.85%
Utah	$28,311,530	$29,856,686	$37,270,215	-5.2%	-24.0%	$1,203,240	$1,268,909	$1,583,984	4.25%
Vermont	$13,313,585	$14,370,804	$20,000,000	-7.4%	-33.4%	$399,407	$431,124	$600,000	3.00%
Virginia	$69,000,000 [4]	$60,270,672	$62,035,050	14.5%	11.2%	$1,552,500	$1,655,744	$1,690,861	2.25% [11]
Washington	$97,472,889	$116,174,310	$137,175,759	-16.1%	-28.9%	$1,951,175	$2,313,561	$2,753,989	2.00%
West Virginia	$22,200,000	$21,400,000	$20,500,000	3.7%	8.3%	$880,000	$850,000	$1,200,000	4.00%
Wisconsin	$69,142,668	$80,584,436	$95,993,891	-14.2%	-28.0%	$2,073,855	$2,408,980	$2,877,637	3.00% [12]
Wyoming	$8,410,960	$8,675,281	$9,707,300	-3.0%	-13.4%	$259,899	$268,067	$291,219	3.00%
TOTALS/AVERAGES	$6,495,910,751	$6,507,414,372	$6,854,903,689	-0.2%	-5.2%	$213,594,480	$214,432,112	$224,349,124	3.26%

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 and 1988 4. State Insurance Department estimate/preliminary figure 5. 3% on fire before Jan. 1, 1988 6. 3% before Jan. 1, 1989 7. 1% before July 1, 1987; 1.25% before Jan. 1, 1989 8. Fiscal years ended June 30 1989, 1988 and 1987 9. 0.5% on fire, 2.5% on all others 10. 2.5% on liability, 3.25% on fire 11. 2.75% before Jan. 1, 1989 12. 0.5% on ocean marine

Source: *BI* survey

Spotlight report

Weavers' loss is Lexington's gain

Lexington Insurance Co.

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

	1989	1988
Gross premiums	**$884,955,216**	$955,059,674
Non-admitted	**$851,801,154**	$886,457,838
Net premiums	**$281,822,168**	$297,452,647
Paid-in capital	**$4,100,000**	$4,100,000
Capital & Surplus	**$247,136,522**	$186,405,562
Employees	**227**	212
Combined ratio	**87.7%**	84.8%
Commercial risks	**96%**	92%
Net income	**$63,426,501**	$50,716,766
Best's rating	**A+(g)**	A+(g)

If the H.S. Weavers (Underwriting) Agencies Ltd. line slip had not collapsed in March, casualty premium volume at Lexington Insurance Co. would have dropped substantially in the first six months of 1990, the insurer's president says.

However, the suspension of underwriting by Weavers in late March allowed Lexington to pick up a large amount of new business, offsetting business lost to price competition from other markets.

"In the first quarter, we were pretty well-disciplined and lost about 50% of our casualty business," said President Kevin H. Kelley, referring to North American casualty business written predominantly on a claims-made form.

Competition for casualty risks was "kind of like a feeding frenzy before the (Weavers) suspension," he said.

Following the shutdown at Weavers—which underwrote a casualty line slip that included Walbrook Insurance Co. Ltd.—Lexington picked up a "broad spectrum of accounts," including professional liability, hospital and medical malpractice risks, Mr. Kelley said (*BI,* April 2).

Lexington took over all of this business on a claims-made basis, he added, noting that 60% to 70% of Lexington's non-transportation casualty business is written on a claims-made form.

Rate increases were negotiated on some former Weavers business. And the insurer also turned away business where "the price (and) the attachment point were so far out of line with what we wanted," he said.

While volume had been down for the first quarter, the surge of Weavers business left Lexington's first-half volume up about 1% to $453.2 million from $449.1 million in 1989 Mr. Kelley said.

Growth may continue throughout the year, though not at the second-quarter pace, he added.

The effects of the soft market were evident in Lexington's 1989 results: Gross written premium volume dropped 7.3% to $885 million from $955.1 million in 1988.

Lexington—which operates on a surplus lines basis in all states except Delaware—also saw its nonadmitted direct premium volume fall 3.9% to $851.8 million last year from $886.5 million in 1988.

This slight decline still leaves Lexington—a unit of American International Group Inc.—far and away the largest surplus lines insurer in the *Business Insurance* rankings.

Liability premiums—the bulk of Lexington's business—slid 5.6% last year to $745.5 million from $790 million in 1988, according to the insurer's annual statement.

About 65% of Lexington's casualty book consists of excess and umbrella liability risks, up from about 60% a year ago, according to Mr. Kelley. Transportation risks—written on an occurrence form—account for another 25% of the book, down from about 30% a year ago, while primary liability business makes up the remaining 10%, unchanged from a year ago.

Competition was 'like a feeding frenzy before the (Weavers) suspension,' says Mr. Kelley.

In April, Lexington increased its maximum gross limit for claims-made casualty coverage to $15 million from $10 million, Mr. Kelley said. The maximum limit for occurrence-based casualty coverage remains $10 million.

The coverage typically attaches above $5 million in underlying coverage and can be extended to a maximum limit of $25 million with facultative reinsurance.

Lexington's property premiums, meanwhile, dropped 15.5% to $139.4 million last year from $165 million the previous year. Property and liability combined lines fell off to $7.4 million from $40.1 million in 1988.

Lexington can write a net line of up to $20 million on property risks and a gross limit of up to $50 million, though the actual limits provided are typically much smaller.

"The property side really saw some erosion," Mr. Kelley observed, noting that catastrophe losses from Hurricane Hugo, the California earthquake and winter freezes "really cut into our margins."

Lexington suffered about $34 million to $35 million in gross catastrophe losses last year, he said.

The property business started to improve slightly during the second quarter of this year, with Lexington managing to hold the line on rates, he said.

"The rate of return is so low on it right now for most people that it's got to get better," he observed.

Mr. Kelley hesitates to predict when the market may actually begin to turn, which many expected following the spate of catastrophes last year.

"Most of us are tired of talking about it" and are just waiting for it to happen, he said.

Lexington breaks its business down among several divisions, and the results of these divisions varied last year. In addition to the casualty and property divisions—to which Lexington attributed roughly $400 million and $125 million of its 1989 gross premiums, respectively—the insurer maintains:

- A special accident division, which offers stop-loss coverages to employers that self-insure employee benefit exposures. Gross written premiums in the special accident division hit about $44 million last year, up markedly from about $25 million in 1988, according to Mr. Kelley, who attributed the increase to higher rates and new business.
- An international division, which handles the exposures of non-North American multinational corporations. As part of this operation, Lexington's London office manages U.S. and international risks of foreign-based multinationals.

International division premiums were off by almost a third to about $10.5 million last year from $15 million in 1988, largely because of softening property insurance rates, Mr. Kelley said.

- A program division, which writes primary and excess property and casualty coverages for trade groups and professional organizations. Program business includes coverages written for mental health clinics, social service agencies and health maintenance organizations; liquor law liability coverage; and errors and omissions coverages for insurance agents and brokers.

The division's gross premium volume declined about 10% to $103 million in 1989 from $115 million the previous year, Mr. Kelley reported.

Separately, Lexington handles fronting and excess insurance programs for captive insurance companies. Captive-related business generated $204 million in gross premiums last year, up a marginal 2% from $200 million in 1988.

To maintain its volume, Lexing-

Continued on page 14

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Continued from page 12
ton is continuing business development efforts it has undertaken in recent years.

These efforts include the formation of "working groups" to cross-market property and casualty coverages to existing clients and employee benefit stop-loss coverage to clients that self-insure their benefits exposures.

The insurer formed a new working group last year to focus on marketing property and casualty coverages to clients in the energy and chemical fields, Mr. Kelley said.

Other working groups formed by Lexington target clients in the health care, transportation and financial services fields.

In addition, Lexington maintains a research and development working group, responsible for devising new revenue-generating products and services.

The insurer is aiming to have 10% of its revenues produced by new product lines this year, he said.

"We're going to need to think like this and be creative and innovative in order to grow," Mr. Kelley observed.

Lexington has also added an in-house actuary to review its product lines and programs, Mr. Kelley said.

While the insurer has previously had actuarial services available to it through American International Group Inc. in New York, this is the first time the company has had an actuary in its Boston office, he said.

Lexington's staff expanded by about 7% to 227 employees last year from 212 in 1988, and the insurer plans to add several more people—mainly in the claims department—this year, according to Mr. Kelley.

Plans are to expand the 60-person claims staff to 72 by year-end, he said.

Lexington's loss experience deteriorated only slightly last year while its bottom-line profits showed the same healthy increase they have for several years running.

Of Lexington's direct written premium volume of $853.8 million in 1989, all was non-admitted except $2 million written in Delaware, the only jurisdiction where the insurer is licensed.

In addition to its direct written volume, Lexington assumed $31.2 million of reinsurance premiums, mainly from other AIG companies. The insurer's reinsurance writings last year were less than half the $65.8 million assumed in 1988, explaining part of the decline in overall gross written premium volume for 1989.

After ceding $603.1 million to dozens of mainly unaffiliated reinsurers, Lexington finished 1989 with net written premiums of $281.8 million, up 5.3% from $297.5 million in 1988.

As in previous years, Lexington last year reported impressive operating results, including rising underwriting and investment gains, expanding net income and growing policyholder surplus.

Earned premiums expanded 14.3% last year to $303.7 million from $265.8 million in 1988.

Losses and loss adjustment expenses, meanwhile, rose 18.8% to $247.5 million from $208.4 million in 1988.

This translated to a loss ratio of 81.5%, a slight deterioration from 78.4% in 1988.

For the second year in a row, Lexington also reported a positive expense ratio, something the insurer had not experienced for several years before 1988.

For many years, Lexington has collected huge ceding commissions on reinsurance it buys from scores of authorized and unauthorized reinsurers.

Before 1988, these ceding commissions were large enough to offset all of the insurer's other underwriting expenses and produce a negative expense ratio.

During the early 1980s, these ceding commissions were so large they actually offset Lexington's losses and loss adjustment expenses and resulted in a negative combined ratio.

As Lexington's retentions have increased over the last few years, however, these ceding commissions have fallen to the point where—in 1988—the commissions were not quite enough to offset other underwriting expenses.

After deducting ceding commissions of $111.7 million in 1988, Lexington had net underwriting expenses of $19.1 million. This translated to a 1988 expense ratio of 6.4%.

Similarly, in 1989, ceding commissions of $105.9 million were not quite enough to offset all other costs and Lexington finished the year with net underwriting expenses of $17.5 million and an expense ratio of 6.2%.

Overall, Lexington reported a 1989 combined ratio of 87.7%, a slight deterioration from 84.8% in 1988.

However, the insurer's operations produced an underwriting gain of $38.7 million, a slight increase from the $38.3 million reported in 1988.

Investment income, meanwhile, jumped 50.2% to $59.9 million last year from $39.9 million in 1988, partly on the strength of capital gains on common stock investments.

After deducting $35.2 million in federal and foreign taxes paid last year, Lexington finished the year with net income of $63.4 million, up 25.1% from $50.7 million in 1988.

Policyholder surplus rose 32.6% to $247.1 million at year-end 1989 from $186.4 million a year earlier.

Surplus was boosted not only by Lexington's net income but also by a $17.7 million contribution from AIG.

However, these additions were partially offset by $8.5 million in dividends paid to AIG and a $9.1 million charge for overdue reinsurance balances.

Under National Assn. of Insurance Commissioners rules effective with the 1989 annual statement, insurers are required to take a penalty equal to 20% of undisputed reinsurance balances more than 90 days past due.

Mr. Kelley suggested that growth in capital and surplus is a key ingredient for success in the surplus lines market and that the larger companies will attract more business in coming years.

Like many other insurance industry observers, Mr. Kelley also predicted further consolidations of the type most recently seen in Allianz A.G. Holding's proposal to acquire Fireman's Fund Insurance Co. (*BI*, Aug. 6).

"The big will get bigger. There is no doubt in my mind about that," he observed. "The need for capital in this business is very, very strong."

Return on capital in the insurance industry has been relatively poor, however, and the challenge to surplus lines companies will be to run their businesses to generate and appropriate return on investment for stockholders.

"That's going to be the trick of the 1990s," Mr. Kelley said.

In addition to Mr. Kelley, top Lexington officers include Nicholas E. Anselmo, Richard H. Bucilla, Richard E. Jodoin, Walter L. Mooney and Michael Rogers, senior vps.

Lexington, founded in 1965, carries the AIG group rating o A+ from A.M. Best Co.

—By Douglas McLeod

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Scottsdale Insurance Co.

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

	1989	1988
Gross premiums	**$802,295,784**	$612,211,890
Non-admitted	**$493,690,291**	$416,085,563
Net premiums	**$106,210,226**	$21,846,932
Paid-in capital	**$6,013,200**	$6,006,200
Capital & Surplus	**$76,720,144**	$47,913,941
Employees	**575**	464
Combined ratio	**105.7%**	103.6%
Commercial risks	**95.4%**	95.3%
Net income	**($607,642)**	$9,606,961
Best's rating	**A+(p)**	A+(p)

Scottsdale Insurance Co.'s management knows better than to mess with a good thing.

"We haven't changed our approach," said Scottsdale President Rolland L. Wiegers, pointing out that small to medium-sized risks continue to make up a major part of the insurer's book of business.

By not changing its formula, Scottsdale's business continues to boom during the soft market.

The Scottsdale, Ariz.-based subsidiary of Nationwide Insurance Co. wrote $493.7 million in gross premiums on a direct non-admitted basis in 1989, an 18.7% increase from $416.1 million the year before.

That increase comes on top of a 4.3% jump in 1988 premiums from $399.1 million in 1987, which itself represented a 29.4% increase from $308.5 million in 1986.

Total 1989 gross premium volume, which includes premiums assumed from Scottsdale's participation in Nationwide's intercompany reinsurance pool, leaped 31% to $802.3 million from $612.2 million in 1988.

Net premiums also jumped nearly fivefold last year to $106.2 million from $21.8 million in 1988.

On a stand-alone basis, Scottsdale recorded $66.4 million in net income, including investment income. But after pooling, Scottsdale reported a $607,642 net loss in 1989, compared with a $9.6 million net gain in 1988.

Despite the loss shown after pooling, Scottsdale officials are enthusiastic about its performance last year.

"1989 turned out to be a real good year," Mr. Wiegers emphasized.

For example, he pointed out that while Scottsdale's combined ratio on a pooled basis was 105.7% last year, compared with 103.6% in 1988, the insurer's combined ratio before pooling was 98.3%. However, that represented a slight deterioration from 95.1% in 1988 and 89.2% in 1987.

"The market was a little bit better than we thought it would be," Mr. Wiegers said, commenting on Scottsdale's overall results. "We specialized in the areas we thought had the most potential for profit."

Scottsdale's book is separated into "general business" largely written by managing general agents and coverage that is handled by its specialty underwriting division.

The specialty underwriting division, which is growing more quickly than the general business unit, was formed because Scottsdale's MGAs in the past have been forced to use brokerage markets—rather than Scottsdale—for some business. The business either required higher limits than the MGAs were authorized to write or was part of a class the agents were restricted from writing for Scottsdale.

Mr. Wiegers explained that the specialty division is "strictly a brokerage-type operation. It's non-binding, and everything is on a submit basis, rated and bound out of the company."

Business written by the specialty underwriting division is reinsured under treaties that are separate from Scottsdale's general business operation.

In 1989, the specialty underwriting division reported $189 million in gross premiums, up 44.7% from $130.6 million in 1988. By comparison, gross premiums for Scottsdale's general underwriting operations rose only 10.3% to $507 million from $459.8 million the previous year.

However, both specialty and general business volume is up only slightly so far this year and likely will not reach projections for 1990, Mr. Wiegers said.

"We projected $770 million this year, and we think it will come in closer to $750 million," he said.

That would represent about a 7.8% increase from $696 million in gross premiums written by both the general and specialty divisions in 1989.

However, Mr. Wiegers pointed out that regarding the specialty division's 1989 performance: "The percentage (increase) is higher because it's a new division. You're still working on a smaller premium base."

In addition, there "seems to be a lot more activity in (the specialty division). I think there's a lot more of the bigger risks being shopped," he said.

The specialty division's property department, established earlier this year, handles larger risks than Scottsdale's property operations on the general business side.

Through the first half of this year, the specialty division had written $105 million in premiums, up 20.7% from $87 million for the same period last year. Scottsdale projects the unit will end 1990 with $229 million in gross premiums, about a 20.5% gain from 1989.

The property business written by the specialty division is "more of the gray-area business than what we see in the excess and surplus lines business," such as retail shopping centers, some hotels and owners, landlords and tenants coverage for apartments, Mr. Wiegers said.

Most of the property coverage written by the division "to round out the programs" of clients that also buy casualty coverage from the division, said Vickie F. Kartchner, vp-specialty underwriting.

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

"We're still finding our rates firmest in the Southwest and California," said Martha Lynch, director of the specialty underwriting division.

Meanwhile, the specialty division also can offer $5 million in casualty limits. It usually writes $1 million in primary coverage and $1 million to $2 million on an excess basis.

"We will write lower than $1 million," on a primary basis, "but most of the accounts that we write need the $1 million limit," she explained.

Casualty accounts include umbrella coverage and professional liability insurance for police officers, public officials, nurses, school board members and orthodontists.

Rates for umbrella liability coverages are still soft, Ms. Lynch said. In fact, they are "still dropping in certain areas and in certain classes," she said.

"You're going to find that changing on an almost monthly basis as new players come in and old players elect to step back. We have definitely, over the past year, seen an increase in the number of standard markets that are electing to write excess and umbrella coverages over primary that they do not write," she said.

The property and casualty departments within the specialty division "pick and choose the different classes of business where they think we have the most expertise and where the rates seem to be more sensible," Mr. Wiegers said.

"We don't jump in and out of classes, but we kind of put more emphasis on certain areas depending on the market conditions," he explained.

Most of the business written in the specialty division is reinsured through intermediary Aon Reinsurance Agency Inc. of Chicago, a unit of Aon Corp.

The amount of risk the specialty division retains depends on the risk and line of business, according to Ms. Kartchner. However, Scottsdale gen-

Continued on next page



Continued from previous page
erally retains about $250,000 of the limits it writes, she said.

The specialty division's workforce has grown to 63 this year from around 50 a year ago.

Besides property and casualty risks, the specialty division also has begun writing automobile warranty programs, though this segment is "a very small segment of our business," Ms. Kartchner said.

"It extends the manufacturer's warranty" on an automobile and is sold through car dealers, she said.

Outside the specialty division, limits written for small commercial property accounts—its bread-and-butter business—range from $200,000 to $500,000, though Scottsdale can provide as much as $1.5 million in capacity for this business.

Reinsurance intermediary E.W. Blanch Co. in Minneapolis handles Scottsdale's reinsurance placements for general property business.

Scottsdale generally retains $250,000 per risk on its commercial property business.

After what appeared to be a firming of property rates throughout the marketplace in 1988, Scottsdale last year watched competition heat up for that business.

"Property rates have really gone to thunder in the general underwriting area," Mr. Wiegers said.

Property rates are falling between 5% and 25%, depending on the territory and class of business, according to Thomas D. Stamm, vp of underwriting/marketing for Scottsdale.

Mr. Wiegers called the falling property rates the result of "companies who like to see a little balance in their books and (business) that's more predictable than casualty business. But it comes to a point where you have to decide whether you can gamble on that short-term business at lower rates, or do you take on the casualty business at the better rate."

Scottsdale also offers up to $1 million in primary general liability limits for general business, but can provide as much as $5 million in primary and excess limits.

The insurer retains up to $250,000 of each risk. Reinsurance is placed by Aon Reinsurance Agency in Chicago.

Mr. Stamm pointed out that rates for general liability coverages "are a little more sensible than in the property lines."

Mr. Stamm said rates for casualty coverages are softest in California, a complete turnabout from a year ago, because of the entrance of new players in the market.

"We find that rates are soft in certain parts of the country and that can tend to change," Ms. Lynch said. "You'll find rates firming and softening across the nation, but the mix will change on an annual basis.

On the personal lines side, Scottsdale's book of property insurance for low-value dwellings increased about 15% last year, and Mr. Stamm said growth in that area has been flat this year.

Scottsdale, which can write about $100,000 in personal lines property limits, last year generated $30 million in premiums from this type of cover.

But, "the market has gotten softer in personal lines property business," Mr. Stamm said.

"We're seeing more standard companies writing non-standard personal lines," he said. "Our competitors are not other surplus lines carriers in personal lines. It's standard lines companies."

Scottsdale still writes up to $1 million in liability coverage for commercial vehicles, except long-haul trucking risks.

It retains up to $500,000 of each risk.

Scottsdale does not write personal automobile insurance.

In 1989, about 25%, or $200 million, of Scottsdale's gross premiums were written by National Casualty Co., an admitted Nationwide affiliate that cedes business to Scottsdale.

"Most of that 25% is in personal lines," Mr. Wiegers noted.

That percentage is unchanged from 1987, when National Casualty accounted for about $153 million of Scottsdale's premium. The percentage of premiums National Casualty will contribute to Scottsdale's total volume probably will not change this year, according to Mr. Wiegers.

Scottsdale uses National Casualty when it needs an admitted insurer to write business.

Mr. Wiegers said he expects Scottsdale to have another good year in 1990.

"Like I said, we're doing the same thing we did last year. We're working harder to show some growth. That's not our primary objective, but I think if you're not aggressive in this market you won't find the good opportunities."

"Even though the combined ratio is creeping up," that's to be expected in a soft market, he said.

Even so, this year's combined ratio still should be less than 100% before pooling, Mr. Wiegers predicted. And, that would mean a "substantial year for us."

That is good news in an insurance market that Scottsdale forecasts will not harden for a while.

"I thought we would see something in 1990," Mr. Wiegers said. "But, now I don't really see any upward trend until beyond 1991."

The three major catastrophes of 1989— Hurricane Hugo, the San Francisco earthquake and the explosion at the Phillips Petroleum Co. plant in Texas—had little effect on the availability and price of insurance, Mr. Wiegers said.

The catastrophes did not spark a tighter property/casualty insurance market "because surplus has increased so much," Mr. Stamm explained. "Within this industry, surplus has increased around three-fold since the last tight market. And because of that increase in surplus, the three major catastrophes that we had last year had no effect at all on the market," he said.

"It's really a complete opposite from where it was five years ago in the tight market of '85," he observed.

Mr. Stamm also noted that insurers' investment income continues to "more than outweigh underwriting losses."

But, when the next tight market hits, it probably will not be as severe as the last, Mr. Wiegers predicted. "I think any change will be gradual. It would have to a take a real crisis in the economy and some real big disasters to tighten the market up to where it was in '85 and '86."

As 1990 winds down, Scottsdale prepares to make its fourth headquarters move within the city since the insurer was formed in 1982. An expanding workforce—which grew to 575 employees at year-end 1989, up from 464 employees a year earlier, and now stands at around 640—will relocate about a mile from the current offices. The move is slated for October.

The new 200,000 square-foot complex brings together all the Scottsdale offices that are currently scattered throughout five locations at the present complex. "We'll get all our departments under one roof again," Mr. Wiegers said. The insurer currently occupies 120,000 square feet of space.

Scottsdale is approved as a non-admitted 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 and Ms. Kartchner, principal officers at Scottsdale are: Jack A. King, vp-legal; William D. DeMoss, vp-claims; James R. Kapeller, vp/treasurer; Ronald L. Pieper, vp-data processing and Barbara D. Nasworthy, vp-administrative services.

Scottsdale has an A+ (pooled) rating from A.M. Best Co.

—By Michael Bradford

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	1989	1988
Gross premiums	$184,867,150	$181,508,321
Non-admitted	$174,064,645	$169,763,049
Net premiums	NA	NA
Paid-in capital	$5,000,000	$5,000,000
Capital & Surplus	$31,905,762	$26,375,806
Employees	0	0
Combined ratio	NA	NA
Commercial risks	100%	100%
Net income	$2,121,011	$6,947,146
Best's rating	A-(e)	A(c)(r)

A 2.5% growth in surplus lines premium volume last year kept Chicago-based International Surplus Lines Insurance Co. in third place in the *Business Insurance* ranking of the nation's 10 largest surplus lines insurers.

Gross premiums written on a direct, non-admitted basis increased to $174.1 million last year, up from $169.8 million in 1988. ISLIC's overall gross premium volume also increased 1.9% to $184.9 million in 1989 compared with $181.5 million the previous year.

"The good news is, we've got relatively substantial policyholder surplus available and a nice growth between 1988 and 1989," said Robert E. Stalker, ISLIC's vp-marketing.

ISLIC, a subsidiary of Basking Ridge, N.J.-based Crum & Forster Inc., entered into a new reinsurance arrangement on Jan. 1, said Chairman David N. Thompson.

ISLIC no longer is ceding 100% of its business to International Insurance Co., another Chicago-based Crum & Forster unit, as it has for the past several years. Instead, it is now purchasing reinsurance from non-Crum & Forster units, such as Stamford, Conn.-based Transamerica Reinsurance Co. and Long Grove, Ill.-based Kemper Reinsurance Co., and underwriters at Lloyd's of London, Mr. Stalker said.

Dennis C. Gibbs, ISLIC's executive vp and chief financial officer, noted that ISLIC has always indirectly purchased reinsurance from non-Crum & Forster units because these companies had reinsured International after ISLIC's business was ceded to that firm.

Mr. Thompson said that the termination of ISLIC's reinsurance agreement with International will allow the insurer to continue building surplus. Previously, since ISLIC had ceded all of its business to a pool of Crum & Forster Inc. insurers, ISLIC reported neither underwriting gains nor losses. It reported no combined ratio for the same reason.

Now, under the new arrangement, ISLIC will have direct income from underwriting operations that can be used to increase surplus.

However, even before the change in the reinsurance program, ISLIC reported a 20.8% increase in surplus last year to $31.9 million, compared with $26.4 million a year earlier. The surplus increase is attributable to $2.1 million in net income and a $3.4 million unrealized capital gain.

ISLIC has no employees and its daily operations are managed by CFM, of which Mr. Thompson is also chairman (see story, page 68).

However, while ISLIC's surplus climbed, its net income dropped 69.9% in 1989 to $2.1 million from $6.9 million the previous year.

Mr. Gibbs said ISLIC's 1989 income reflected a net investment income of $2.4 million, a $1.8 million ceding commission from International and a federal income tax benefit of $1.5 million under an intracompany tax allocation agreement.

A realized capital loss played a key role in the decline in ISLIC's profitability compared with 1988. ISLIC last year took a $3.4 investment write-down on its investment in LWB Syndicate on the Illinois Insurance Exchange. The investment had been carried on the books for several years as an unrealized capital loss and, thus, had already been charged against surplus, he said.

ISLIC's specialty products include professional liability coverage for accountants, architects and engineers, insurance agents and real estate brokers; directors and officers liability coverages for profit and non-profit organizations; and excess liability insurance.

Mr. Thompson said ISLIC increased the limits available for corporate D&O coverage to $5 million this April from $2 million. For most other lines of coverage, ISLIC can provide $10 million in capacity.

—By Mark A. Hofmann

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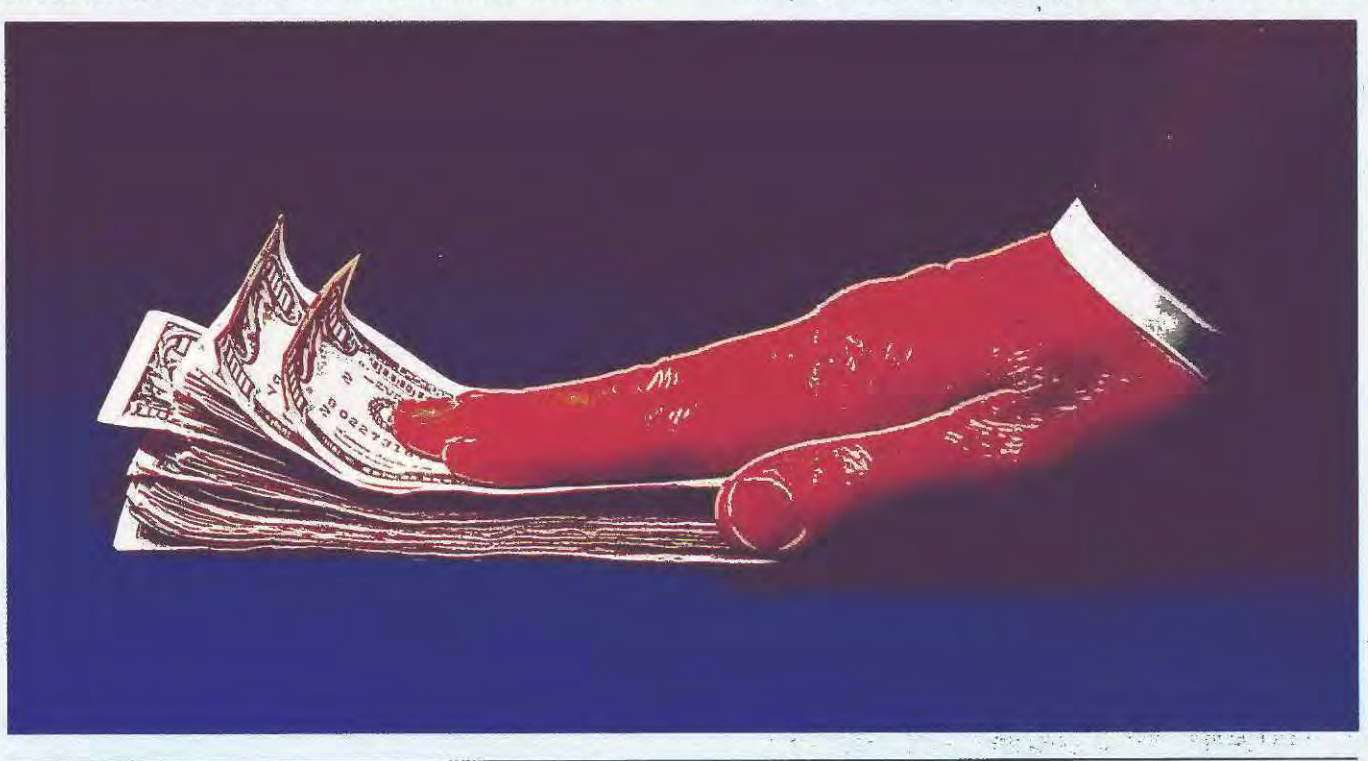
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Illinois Insurance Exchange syndicates

(Ranked by gross premium volume in thousands of dollars)

Syndicate	Gross premiums written 1989	Gross premiums written 1988[3]	Net premiums written 1989	Net premiums written 1988	Policyholder surplus 1989	Policyholder surplus 1988	Net premium to surplus ratio 1989	Net premium to surplus ratio 1988	Combined ratio 1989	Combined ratio 1988	Net investment income 1989	Net investment income 1988	Net income (loss) 1989	Net income (loss) 1988
Transco Syndicate #1 Ltd.	$51,613	35,837	36,759	21,762	15,858	11,958	2.32:1	1.82:1	94.3	97.5	6,041	3,598	4,663	1,921
Britamco Underwriters Inc.	31,333	36,468	30,829	35,929	14,062	14,199	2.19:1	2.53:1	107.9	98.7	5,545	3,859	2,501	1,835
Classic Syndicate Inc.	23,832	26,034	20,422	15,285	8,369	6,483	2.44:1	2.36:1	101.3	101.1	5,382	1,908	3,423	898
Geneva Assurance Syndicate Inc.[1]	19,552	15,536	14,042	11,303	13,545	11,428	1.04:1	0.99:1	93.3	103.3	3,390	2,314	2,082	661
Geneva Underwriters Syndicate Inc.[2]	18,330	15,643	13,312	11,310	11,574	10,033	1.15:1	1.13:1	98.9	107.9	3,145	2,099	1,418	117
First Mercury Syndicate Inc.	17,138	19,833	14,518	17,338	18,021	16,951	0.81:1	1.02:1	104.5	100.1	4,050	2,772	2,079	1,727
Alliance Syndicate Inc.	9,415	13,732	4,131	4,752	4,166	3,555	0.99:1	1.34:1	96.9	99.2	877	674	912	644
First Oak Brook Corp. Syndicate	15,596	11,408	8,558	5,942	4,038	3,721	2.12:1	1.60:1	97.5	95.5	250	180	210	501
AAI Syndicate #1 Ltd.	5,397	3,659	5,188	3,345	5,001	4,968	1.04:1	0.67:1	98.0	91.4	514	189	(141)	105
Comprehensive Ensurers Market Syndicate	4,877	4,961	4,303	4,443	3,783	4,264	1.14:1	1.04:1	102.3	83.6	619	372	477	1,141
Resure Inc.	4,744	5,238	4,585	4,427	5,753	4,611	0.80:1	0.96:1	87.4	97.8	593	534	1,166	409
Agora Syndicate Inc.	2,952	NA	2,952	NA	4,312	NA	0.68:1	NA	102.4	NA	123	NA	(653)	NA
Total active syndicates	**204,777**	**188,345**	**159,600**	**135,880**	**111,786**	**95,277**	**1.43:1**	**1.43:1**	**99.8**	**99.0**	**30,529**	**18,499**	**18,137**	**9,959**

1 Formerly LUI Insurance Syndicate Inc. 2 Formerly LUI Insurance Syndicate Number Two Inc. 3 Restated

Source: Illinois Insurance Exchange

BI/CYNTHIA WATSON

Illinois Insurance Exchange

175 W. Jackson Blvd., Suite 1234, Chicago, Ill. 60604; 312-939-2400; fax: 312-939-2927

	1989	1988*
Gross premiums	$204,777,463	$188,345,000
Non-admitted	$136,031,602	$113,647,000
Net premiums	$159,599,699	$135,880,000
Paid-in capital	$17,859,844	$17,734,929
Capital & Surplus	$111,778,028	$95,277,000
Employees	45	47
Combined ratio	99.2%	98.9%
Commercial risks	66%	73%
Net income	$18,325,625	$10,118,000
Best's rating	NA	NA

* Restated.

Officials of the Illinois Insurance Exchange are taking regulatory and organizational steps to respond to policyholder concerns and needs.

The staff and board of trustees of the 7-year old IIE, which consists of 12 operational syndicates, have twice in the past year demonstrated their commitment to strict oversight in connection with LUI Insurance Syndicate Inc. and LUI Insurance Syndicate Number Two Inc., two syndicates that until recently were owned by financially troubled London United Investments P.L.C.

In November 1989, the IIE board followed a recommendation of its regulatory staff and terminated a large book of auto physical-damage business written by the LUI syndicates because of excessive consumer and regulatory complaints about delays in the issuance of policies (*BI*, July 9).

"Because this book of business was producing several million dollars a year in premium, it was not a decision taken lightly; however, our primary commitment to the integrity of our insurance products prevailed," the IIE said at the time in a statement.

All of the policies that were sold now have been issued, said James M. Skelton, the IIE's president and chief executive officer.

In addition, LUI Management Inc., the former manager of the LUI syndicates, is suing broker National Underwriters of Boca Raton, Fla., for failing to remit as much as $800,000 in premiums connected with the program and for failing to issue policies on a timely basis. National Underwriter, in turn, has filed suit denying mismanagement of the program and charging LUI Management with defamation.

In addition to this regulatory action, IIE and syndicate officials this spring helped soothe the buyers' jitters that the financial woes of London United Investments, parent of Walbrook Insurance Co. and H.S. Weavers (Underwriting) Agencies Ltd., might pose problems for the two IIE syndicates owned by LUI.

LUI earlier this year was placed in court-ordered administration—the British equivalent of U.S. Chapter 11 reorganization—after attempts to raise new capital failed. In March, LUI announced that Walbrook Insurance Co. Ltd. —one of the underwriters of the Weavers slip—had stopped underwriting and that six other insurance units had stopped paying claims (*BI*, April 2).

Six executives of other IIE syndicates subsequently formed Geneva International Management Inc. and purchased both of the LUI syndicates, including all their liabilities and assets as well as LUI Management.

The LUI syndicates' manager, Richard E. Foss, a member of the IIE board of trustees, is president of Geneva Underwriting Management Co., which has taken over management of the syndicates. Mr. Foss will continue to underwrite on behalf of the new syndicates, but will no longer be responsible for claims, he said.

IIE executives point out that the cloud of concern was more imagined then real because the LUI syndicates were isolated from the parent company's financial problems and policies written by the syndicates are backed by the IIE's guaranty fund.

"The sale of the LUI syndicates emphasizes the stability of these entities and illustrates they will continue as an integral part" of the exchange, said Mr. Foss and Jeffery W. Beresford-Wood, a Geneva International principal, in a joint statement.

Mr. Foss also has come under fire from a different source.

Transit Casualty Co.'s receiver claimed earlier this year that a managing general agency headed by Mr. Foss was partially responsible for the insurer's insolvency by allegedly binding Transit as a fronting insurer on huge amounts of loss-plagued liability insurance business (*BI*, March 19).

Mr. Foss denies the allegations (*BI*, July 30).

However, the LUI-related developments contributed to a 60% drop in the LUI syndicates' gross written premium in the first six months of this year to $7.5 million from $18.6 million in the first half of 1989, Mr. Skelton said.

Premiums dropped in the first and second quarter because of the discontinuation of the auto insurance program, Mr. Foss said. In addition, business "suffered significantly" in the second quarter because of the syndicates' association with LUI, he explained.

"It had an effect and that's why we were anxious to get out from under the cloud," Mr. Skelton said. "But we were confident all along there were no real problems with the syndicates."

During the first half of this year, the IIE's gross written premium volume dropped only 10% to $83.7 million from $93 million in the comparable period of 1989, as the LUI syndicates' premium decline was diluted by the activity of the 10 other IIE syndicates.

And, the decrease in premium volume during the first half of 1990 should not overshadow positive developments that the exchange experienced during 1989, Mr. Skelton said.

All IIE syndicates wrote $204.8 million in gross premium in 1989, up 8.7% from a restated $188.4 million in 1988 but substantially below the all-time high of $263 million in 1986.

The increase stemmed from increased property and liability underwriting and the addition of one new syndicate, Mr. Skelton said.

In addition, some of the increase may be attributable to "slight" increases in some liability and property insurance rates charged by IIE syndicates, he said.

The syndicates may be able to obtain some rate increases because they continue to specialize in "niche" business that cannot be readily purchased from other markets, he explained.

However, syndicates have lost some business to the admitted market during the soft market, including price-sensitive product liability risks that can find coverage elsewhere, Mr. Skelton said.

Premiums written by IIE syndicates on a direct non-admitted basis totaled $136 million last year, up 19.7% from a restated $113.6 million in 1988.

That performance was sufficient to rank the Illinois Insurance Exchange as the fourth-largest U.S. surplus lines insurer. While the IIE's surplus lines premium volume would have been sufficient to rank among the largest surplus lines insurers in previous years, *Business Insurance* this year for the first time is including the exchange in its report on the largest U.S. surplus lines insurers.

Unlike two other U.S. exchanges, which were primarily reinsurance markets before they collapsed in the mid-1980s, reinsurance risks continue to make up only 15% of IIE syndicates' books of business, while direct primary and excess insurance continue to provide 85% of IIE volume.

The IIE also reported that net written premium volume totaled $159.6 million last year, up 17.5% from $135.8 million.

The increase in net premiums also is due to commutations in which IIE syndicates reassumed risks and premiums formerly ceded to reinsurers, he said.

Syndicates typically commute reinsurance contracts as the syndicates become more comfortable with the business they are writing and decide to retain more risk, Mr. Skelton added.

The IIE syndicates posted an aggregate 99.2% combined ratio in 1989, on par with the 98.9% combined ratio in 1988.

The exchange reported net income of $18.3 million last year, up 81.1% from $10.1 million in 1988. The exchange's aggregate policyholder surplus rose 17.3% to $111.8 million at year-end 1989 from $95.3 million a year earlier.

When the Illinois Legislature created the exchange in 1982, the IIE was envisioned as a Lloyd's of London-style market to tap nontraditional sources of capital to underwrite unusual risks.

In its early years, most exchange syndicates were offshoots of large insurance companies. But they wrote very little premium in the soft market of the 1980s and the exchange grew slowly. Membership began to change in 1985 as large insurers closed their syndicates and were replaced with pri-

Continued on next page

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Continued from page 22
forts focus on getting the word out to the general business press about investment opportunities available on the exchange, he said. Previous efforts have included seminars in various parts of the United States.

The exchange is looking for increased surplus to be prepared when the market finally hardens.

"I think we are poised for dramatic growth as soon as the market changes," Mr. Skelton said. "In 1985 the current players were not ready to go when the starting gun fired. Now, they are at the gate."

He predicted that the IIE's gross premium volume will easily surpass $500 million as soon as the market changes.

"It amazes me that it hasn't changed," he said, though he predicts the market may begin to tighten by the beginning of 1991.

In keeping with its optimistic view, the IIE plans an image-enhancing move in November to a new building just blocks away from its current location in the southern portion of downtown Chicago.

The change was prompted by "attractive financial arrangements and accoutrements" provided by the new building, including greater flexibility in allocating office space for underwriters, Mr. Skelton said.

"The move is indicative of the progress that we have made, even in a soft market," Mr. Skelton said.

—By Meg Fletcher

General Star Indemnity Co.

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

	1989	1988
Gross premiums	$134,629,796	$104,971,197
Non-admitted	$130,744,958	$105,010,571
Net premiums	$78,191,667	$62,872,189
Paid-in capital	$2,000,000	$2,000,000
Capital & Surplus	$124,967,937	$103,135,355
Employees	NA	NA
Combined ratio	99.6%	97.8%
Commercial risks	100%	100%
Net income	$18,851,831	$17,261,538
Best's rating	A+(e)	A+(e)

Soft market or no soft market, General Star Indemnity Co. is doing business as usual, says its president, Kevin P. Brooks.

"We're coping with the soft market pretty much the way we coped with a tight market. We don't generally adjust our marketing based on the cycle very much at all.

"We tend to maintain a fairly stable approach to the classes we've looked at," he said. "I think what happens with us is that we just tend to write less business in soft markets as opposed to cutting price in one and raising them in another."

Written premiums rose for the second straight year, but only because the General Re Corp. unit bought the surplus lines business of Constitution State Management Co., a former Travelers Corp. unit (*BI*, Aug. 14, 1989).

A 24.5% increase in direct, non-admitted premiums—to $130.7 million from $105 million—moved the insurer up three notches to fifth in the *Business Insurance* ranking of the largest U.S. surplus lines insurers.

Total gross premium volume—which also reflects business written in Connecticut where it is an admitted insurer—increased 28.3% to $134.6 million from $105 million.

According to Mr. Brooks, all that growth came from the Constitution State business. That business now constitutes a fourth department—dubbed the "facilities department"—at General Star Indemnity in addition to its existing primary, excess and property divisions.

Without the boost from Constitution State, he said, total gross premium volume would have declined about 2.9%.

Mr. Brooks noted that decline would have followed two previous sharp drops. Total gross premiums fell 37.5% to $105 million in 1988 and 35% to $168 million the year before.

"It's all gone already," said Mr. Brooks, explaining the relatively small decline in 1989 compared with the two previous years.

Like an atomic half-life, he said, the insurer's volume keeps getting smaller. "We had already lost all of our major accounts. The big ones were gone."

Standard lines insurers have offered the stiffest competition.

"To the extent that we lost business in the last several years, a good bit of it, a majority of it, is to standard companies, and we simply looked away from that. We didn't compete on the basis of premium for that business," said Mr. Brooks.

Today, he noted, there is greater competition from surplus lines companies, but "overall I don't think the surplus lines companies have been as aggressive as the standard companies.

'I think in 1989 the market was flattening at least a little bit,' says General Star's Mr. Brooks.

"Most of the significant surplus lines companies have experienced losses in written premiums each of the last three or four years, and I think that just reflects the fact that the managements have been reluctant to trade common sense for market share," said Mr. Brooks, who is also president of the National Assn. of Surplus Lines Offices.

The end result for General Star Indemnity is that only its core book of small to medium-sized accounts remains.

"There just wasn't that much competition out there (for that business) because the premium spread was modest," he said.

He says he considers the 2.9% volume decline in 1989, not including the acquisition, a promising sign. "I think in 1989 the market was flattening at least a little bit."

General Star Indemnity posted a 99.6% combined ratio for 1989 compared with 97.8% in 1988. And its net income increased 9.2% to $18.9 million from $17.3 million.

"The net income is up for a variety of reasons. We had a modest underwriting profit, and investment income remains strong. Actually, I would like to see it up higher," Mr. Brooks said.

Surplus rose 21.2% to $125 million from $103.1 million in 1988. General Star Indemnity's ongoing healthy surplus position led not only to the Constitution State acquisition, but to another purchase this year and an increase in retention levels, said Mr. Brooks.

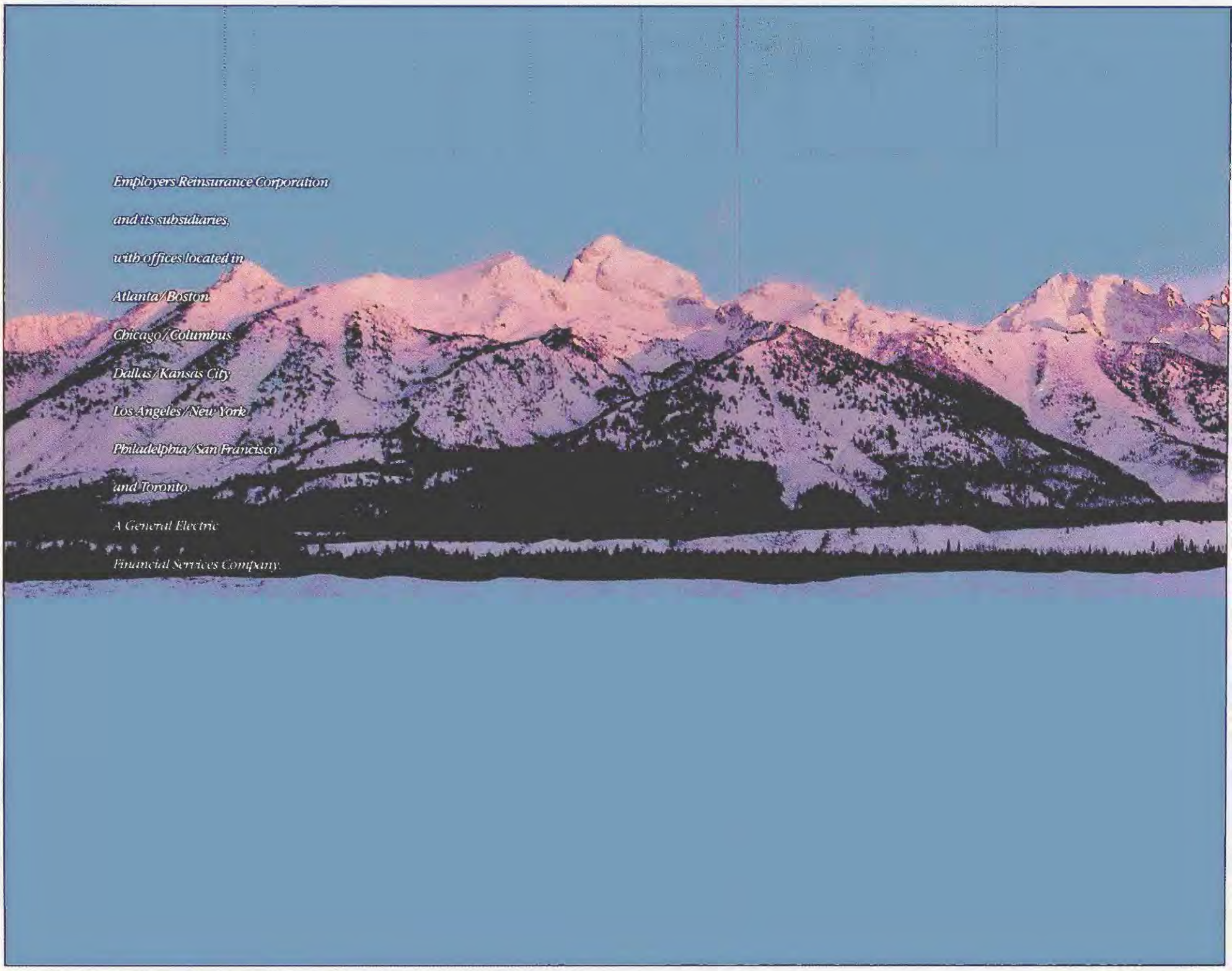
"We think we're writing good business at the right prices, and our surplus position is very strong. We had to use it. That's why we made those two acquisitions" and increased net retentions, Mr. Brooks said.

In July, General Star Indemnity acquired the property business of Royal Excess & Surplus, part of the Royal Insurance Group. Terms were not disclosed.

The business, which was merged with the company's own small property department, is expected to generate $8 million in gross premium volume this year.

No management changes have

Continued on next page



Continued from previous page
been made in the operation, which continues to be based in New York, said Mr. Brooks, who noted Royal first approached General Star about the deal.

Additional acquisitions are not being sought, he said. "We're not looking for one, but if something was there that made sense, we'd look at it."

Evaluating last year's acquisition of Constitution State would be premature, he said. "It's hard to tell one year after you buy something whether it's successful or not."

Constitution State accounted for about 22%, or $29.6 million, of General Star Indemnity's total gross premiums last year. But first-half premiums were down 15% this year compared with 1989, said Mr. Brooks.

General Star Indemnity remains "comfortable" with the purchase, said Mr. Brooks. He adds, nevertheless, that "the property experience in the first 18 months is disappointing, and casualty results yet have no clear pattern. Volume could be higher, but that's true of any one of our departments."

Pointing at just one area where volume has not met projections would be difficult, he said. "It's true across the board.

"Clearly, we expected a higher volume, but no one is getting awfully excited about the fact it hasn't materialized," he said.

Unlike other General Star Indemnity units, which produce business through brokers, Constitution State uses managing general agencies. Its business is divided 80% to 20% between casualty and property lines, which Mr. Brooks described as a "good split."

In addition to the Constitution State and Royal Excess purchases, General Star Indemnity used its strong surplus beginning last October to increase its retention level.

All things being equal, this move alone could increase General Star Indemnity's net premium volume 10% to 15% this year, said Mr. Brooks, who added the impact will be further felt in 1991.

In 1989, net premium volume rose 24.4% to $78.2 million from $62.9 million in 1988. And the company retained 59.8% of its gross premiums written on a direct non-admitted basis in 1989, virtually unchanged from 59.9% a year earlier.

"Our surplus position relative to our net written premiums is strong, and directed that we keep more of our risk net to ourselves," explained Mr. Brooks.

General Reinsurance Corp. is the company's primary reinsurer, though reinsurance was also ceded to 15 to 20 non-affiliated reinsurers last year, according to Mr. Brooks.

So far this year, first-half total gross premiums were up 6% to $72.2 million in 1990 from $68.1 million.

Looking ahead to the year overall, Mr. Brooks said, "I think the volume is going to be up, but there's a lot of reasons for that."

The Royal purchase will have an impact, he said, "and we're seeing more pretty strong activity in our primary department, but the other units will be just about flat." He estimated that premiums would be up 5% to 7% at most.

So far in 1990, 56% of General Star Indemnity's business was considered primary, including its Constitution State business, and 44% was excess business. Those numbers are virtually unchanged from 1989.

Taking on greater risk without being compensated for it is 'the big no-no' at General Star, says President Kevin Brooks. 'There's nothing wrong with underwriting profits. . .We're partial to them here as a matter of fact, quite partial to them here.'

About half the primary business is product liability and the other half is owners, landlords and tenants liability and manufacturers and contractors liability, said Ronald S. Austin, the vp who heads the primary department.

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

General Star, which offers up to $1 million in limits on its primary business, writes small to medium-sized contracts that cover "medium" hazards. "I wouldn't call it severe," he said, adding that most premiums fall in the $30,000 to $100,000 range.

On the excess side, General Star Indemnity writes umbrella and other excess casualty business, the vast majority of which generates premiums in the $5,000 to $25,000 range, said Samuel C. Anderson, the vp who heads the department. Limits range up to $10 million.

About 55% of its contracts insure OL&T and M&C risks, while 30% cover auto business and the rest is miscellaneous business. This is unchanged from 1988, said Mr. Anderson, adding, "It's been incredibly stable."

Discussing the business General Star Indemnity writes overall, Mr. Brooks said that because of the soft market, "the hazard levels are probably a little higher, but I think we compensate for that" by asking for more premium.

Taking on greater risk without being compensated for it is "the big no-no here," Mr. Brooks said.

General Star's management philosophy is that "there's nothing wrong with underwriting profits," he said. "We're partial to them here as a matter of fact, quite partial to them here. Just as a general consideration, that is the underwriting philosophy."

Among the risks the company will not write are workers compensation, ocean marine, aviation, pharmaceuticals, oil and gas. The company also does not write insurance for Fortune 1,000 companies. And, it generally does not write hazardous waste coverages, though it has written some environmental impairment policies, Mr. Brooks said.

"We're fairly selective about choosing the ones we do and the ones we don't," he said.

The insurer does business with about 165 producers, including 35 to 40 it took on with the Royal acquisition. Except for a handful of national brokerages, 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, which also operates a sister company, General Star National Insurance Co. General Star Management had 181 employees as of the six months ended June 30, up 9% from 166 a year earlier. Mr. Brooks is also president of General Star Management.

In addition to Mr. Brooks, Mr. Anderson and Mr. Austin, General Star Indemnity's principal officers are Russell D. Hendrickson, vp and Charles N. Venezia, second vp.

—By Judy Greenwald

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First State Insurance Co.

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

	1989	1988
Gross premiums	**$304,362,679**	$380,779,702
Non-admitted	**$119,704,008**	$137,284,728
Net premiums	**$146,995,393**	$152,008,637
Paid-in capital	**$5,000,000**	$5,000,000
Capital & Surplus	**$118,335,636**	$108,013,472
Employees	**0**	0
Combined ratio	**105.6%**	101.7%
Commercial risks	**100%**	100%
Net income	**$11,243,977**	$22,588,886
Best's rating	**A+(c)(p)**	A+(c)(p)

With scant opportunities for new business development, First State Insurance Co. is looking to hold on to its existing accounts as it awaits the end of the ongoing soft property/casualty insurance market.

"We are pretty much in a mode of waiting out the market for the next opportunity," explained First State President Ralph J. Palmieri. "This is not the time to be adventurous in terms of writing significant amounts of new business."

The Hartford Fire Insurance Co. unit is writing relatively little new business, instead concentrating on maintaining renewal clients, Mr. Palmieri said.

"There isn't a lot of new business being shopped" by brokers, adds Lawrence S. Doyle, First State's chief executive officer.

The paucity of new business and the loss of accounts to lower-priced competitors were largely responsible for a 12.8% decline in First State's direct non-admitted premium volume to $119.7 million last year from $137.3 million in 1988.

That decline dropped First State two notches to No. 6 in the *Business Insurance* rankings of the largest surplus lines insurers.

Competitors cutting rates up to 25% produced most of the decline in non-admitted volume, according to Mr. Palmieri.

Few policyholders would move their business for 10% to 15% reductions, Mr. Palmieri said. But larger reductions offered by some competitors have cut into First State's business as the insurer decided it could not afford to match the rates, he said.

The company is "being receptive" to relatively modest cuts "where they make sense," Mr. Palmieri said. Reductions of 1% to 5% have been offered on some casualty risks, but property rates have been "virtually flat," he reported.

Mr. Palmieri and Mr. Doyle cite the continuing soft market as their biggest disappointment of the last year, especially in light of an unprecedented string of catastrophe losses that has included Hurricane Hugo, the California earthquake and the massive explosion of a Phillips Petroleum Co. plant in Pasadena, Texas.

While these catastrophes might have been expected to serve as a catalyst for a turn in the market, "what we seem to have gotten out of it was not much more than a pause," Mr. Palmieri observed.


Mr. Doyle

Casualty insurance prices continued to fall in the first six months of this year, and "at this point in the market, any price erosion is disconcerting," Mr. Palmieri said.

Prices are falling for some large property accounts, though few rates are being cut for medium-sized and small accounts, he added.

"At this point, there is little left to give" on these property accounts, he noted.

"We were pleased with our ability to retain a larger portion of our business than we thought we would under difficult market conditions," Mr. Palmieri said of last year's performance.

While drawing the line on large price reductions, First State is taking other steps to retain business, including developing closer ties with brokers and policyholders and promoting its claims-paying ability and service, Mr. Palmieri said.

New business development is slow, though the company has not entirely abandoned expansion efforts, its officials suggest.

First State—which started writing primary casualty business in 1988—has expanded its underwriting of this line to 21 states from 11 states a year ago.

"The pricing on that line of business continues to be better, more attractive, than what we see in excess casualty," Mr. Palmieri observed.

Overall, primary casualty business accounts for about 10% of First State's casualty book, while excess liability insurance accounts for about 78%, he said.

Professional liability programs generate the remaining 12% of First State's casualty premiums. The professional liability portion of First State's book shrank last year when a legal malpractice program for the Massachusetts Bar Association moved to affiliate New England Insurance Co.

Limits have not changed in the last year: the insurer continues to provide a $2 million net line on primary casualty risks and a $10 million gross line and $3.5 million net line on excess casualty business.

First State is 'receptive' to relatively modest cuts 'where they make sense,' Mr. Palmieri says.

On property risks, meanwhile, First State will write a gross line of $7.5 million and a net line of $1.5 million.

The insurer picked up very little business when the H.S. Weavers (Underwriting) Agencies Ltd. line slip collapsed earlier this year, officials say.

"That's pretty much been a non-event for us," Mr. Palmieri said.

The Weavers line slip insured many large corporate casualty accounts—including those with heavy product liability exposures—and this is not the sort of business First State typically writes, Mr. Doyle noted.

Since a 1984 re-underwriting of its book, the company has focused on the risks of small to medium-sized companies with annual sales of less than $200 million.

First State is one of three Hartford Fire affiliates managed by Cameron & Colby Co. Inc., a Hartford underwriting management unit in Boston (see story, page 70). The other two are New England Insurance, an insurer writing mainly on an admitted basis, and New England Reinsurance Corp., a reinsurer.

First State's gross premiums continue to consist mainly of casualty business: Liability lines accounted for $203.8 million, or 67%, of the insurer's $304.4 million in 1989 gross written premiums, according to its annual statement.

Property lines, meanwhile, accounted for $63.8 million, or 21%, of last year's gross premiums; property and liability combined lines for $31.3 million, or 10.3%; and other lines for $5.4 million, or 1.7%.

Continued on page 28

FACT:

1989 FINANCIAL HIGHLIGHTS

Admitted Assets	$482,269,738
Policyholders' Surplus	111,786,062
Gross Written Premium	204,777,463
NWP/PHS	1.43
GWP/PHS	1.83
Combined Ratio	99.82

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Continued from page 26

Overall gross premium volume fell 20.1% last year to $304.4 million from $380.8 million in 1988.

Gross premiums last year included $157.4 million in direct written premiums and $147 million in reinsurance premiums assumed from a pool managed by Hartford Fire.

Under the pooling arrangement —in effect since 1986—First State cedes all of its direct business to Hartford Fire and in turn assumes as reinsurance a share of the pool's premiums.

Losses and expenses are also pooled, and a proportional share is allocated to First State.

After ceding its $157.4 million in direct business to the pool, First State finished the year with net written premium volume of $147 million, representing its share of the pool's business.

First State's direct volume plummeted 31.2% last year, largely as a result of a decline in its admitted business.

While non-admitted direct premiums were off a relatively modest 12.8% to $119.7 million from $137.3 million, direct admitted premiums plunged 58.9% to $37.6 million from $91.5 million in 1988.

The reason for this, Mr. Palmieri explained, was First State's decision last year to become "de-licensed" in Massachusetts, leaving it licensed only in California and Delaware.

First State gave up its license in the state, he noted, because affiliate New England Insurance was also licensed in Massachusetts and Cameron & Colby wanted to maintain only one admitted and one non-admitted market in each state.

First State's direct volume in Massachusetts dropped 62.1% to $21.1 million last year from $55.7 million, as much of the business it had written as a licensed insurer moved to New England Insurance on renewal, Mr. Palmieri explained.

Similarly, New England Insurance earlier this year gave up its license in California—where First State is also admitted—to provide Cameron & Colby with both licensed and unlicensed markets in that state, he said.

For logistical reasons, Mr. Palmieri explained, it was easier for New England Insurance to give up its California license than for First State to do so.

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

First State assumes several classes of business through the pool that it does not write on a direct basis.

All of First State's direct business falls into the fire and allied lines, inland marine, other liability and auto physical damage categories.

Reinsurance it assumes from the pool includes these classes as well as large volumes of auto liability, workers compensation, commercial multiperil and homeowners multiperil business, the insurer's statement shows.

First State's earned premiums—which also represent pool business —dropped 2.9% to $149.4 million last year from $153.8 million in 1988.

After deducting losses, loss expenses and other underwriting expenses, the insurer finished the year with an underwriting loss of $7.7 million, more than triple the $2.1 million underwriting loss reported in 1988.

First State reported a loss ratio of 76.9% and an expense ratio of 28.7% on the pooled business in 1989. The resulting combined ratio of 105.6% represented a deterioration from the 101.7% combined ratio for 1988.

Investment income rose 16.5% to $30.5 million from $26.2 million in 1988.

After other gains and losses—including an $8.7 million federal tax bill last year compared with no tax bill in 1988—First State reported net income of $11.2 million, about half the $22.6 million in net income produced in 1988.

Policyholders surplus totaled $118.3 million at the end of last year, a 9.6% increase from $108 million at year-end 1988.

Contributing to First State's losses last year was the Hartford pool's write-off of $62.5 million in uncollectible reinsurance balances from 27 reinsurers, the financial statement says.

Under the pooling arrangement, Hartford Fire assumed First State's rights under contracts with dozens of authorized and unauthorized reinsurers covering business written before the pool's formation.

While Hartford Fire is now First State's only reinsurer, the parent charges First State for a portion of the losses it incurs if claims under the assigned reinsurance contracts prove uncollectible. First State is likewise charged for a portion of the uncollectible reinsurance losses generated by other members of the Hartford pool, Mr. Palmieri explained.

'We are pretty much in a mode of waiting out the market for the next opportunity,' explains First State's Mr. Palmieri. 'This is not the time to be adventurous in terms of writing significant amounts of new business.'

The pool's write-offs last year included $21.2 million due from American Centennial Insurance Co.; $16.5 million due from Northwestern National Insurance Co.; $12.4 million due from Centaur Insurance Co., now in liquidation; $5.3 million due from Mutual Fire, Marine & Inland Insurance Co., which is in rehabilitation; $4.3 million due from American Mutual Liability Insurance Co., which is in liquidation; $934,000 due from General Insurance Co. of Trieste & Venice; $160,308 due from Great Atlantic Insurance Co., which is in rehabilitation; and $1.7 million due from a group of 20 other reinsurers.

First State absorbed roughly an 8% share of these write-offs, or about $5 million, Mr. Palmieri said, adding that not all of the write-offs related to reinsurance contracts entered into by First State.

In 1988, the pool had written off $25.4 million owed by more than 50 other reinsurers.

Like its Cameron & Colby-managed affiliates, First State has no employees of its own.

In addition to Mr. Doyle and Mr. Palmieri, First State officers include William Griffiths, David R. Robb and Lynford M. Richardson, executive vps; and Jerry A. Cassell, Peter P. Coghlan, Paul A. Fitzgerald, Thomas S. Johnston, Raymond T. Lewis Jr. and Christian Maciejewski, senior vps.

First State carries a rating of A+ (contingent, pooled) from A.M. Best Co.

—By Douglas McLeod

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St. Paul Surplus Lines Insurance Co.

445 Minnesota St., Suite 900, St. Paul, Minn. 55101; 612-221-8829; fax: 292-8315

	1989	1988
Gross premiums	$138,709,196	$159,376,077
Non-admitted	$112,827,537	$134,287,302
Net premiums	$25,881,659	$25,088,775
Paid-in capital	$4,100,000	$4,100,000
Capital & Surplus	$24,321,362	$18,715,902
Employees	223	231
Combined ratio	105.6%	103.7%
Commercial risks	100%	100%
Net income	$5,522,567	$5,419,823
Best's rating	A(p)	A(p)

Top executives of St. Paul Surplus Lines Insurance Co. say they are undaunted by continued declines in premium volume triggered by the soft commercial property/casualty insurance market.

"Our priority is profitability" rather than premium growth, said Janet R. Nelson, St. Paul Surplus Lines' president and chief executive officer.

And, despite a 16% drop in gross direct, non-admitted premium volume to $112.8 million in 1989 from $134.3 million in 1988—which was itself a 32.7% drop from $199.7 million in 1988—St. Paul Surplus Lines's net income rose 1.9% to $5.5 million in 1989 from $5.4 million in 1988.

Declining direct, non-admitted premiums knocked St. Paul down two notches to No. 7 in the *Business Insurance* ranking of the largest U.S. surplus lines insurers.

First-half gross premiums written on a direct, non-admitted basis fell 21.6% to $46.2 million in 1990 from $58.9 million in 1989. But net income for the period rose 8.9% to $3.4 million from $3.1 million in 1989.

And, the insurer's combined ratio was what Ms. Nelson termed a "very acceptable" 105.6% in 1989, though an increase from 103.7% in 1988. In the first half of 1990, the insurer's combined ratio stood at 102.9%, compared with 102.6% in the first half of 1989.

"We're pleased with the profitability of our book of business," Ms. Nelson said.

She noted that on the heels of 1987 and 1988, "which were very profitable years for the industry," there is definitely upward pressure on combined ratios.

"Our priority is one of profitability. We watch and are concerned about profit levels a lot more than premium dollars," Ms. Nelson stressed.

"As individual risk underwriters, there are times where we can't match what we see others willing to offer on individual accounts, so we walk away from the business. Unfortunately, we are doing so on a far more frequent basis than we used to," she added.

St. Paul Surplus Lines' gross premium volume fell 13% to $138.7 million in 1989 from $159.4 million in 1988. Net written volume fell just 3.2% to $25.9 million from $25.1 million in the same period.

First-half total gross premium volume dropped 16.4% to $59.6 million in 1990 from $71.4 million in the first six months of 1989. Net written volume grew 7.9% during the first half of this year to $13.5 million from $12.5 million.

St. Paul Surplus Lines' business is written by two divisions of underwriting manager St. Paul Specialty Underwriting Inc.: the Surplus Lines Division, which wrote about 70% of the insurer's total premium volume in 1989; and the Athena Division, which wrote about 30% of its premium volume.

St. Paul Specialty Underwriting has two other divisions—the National Accounts Division and the Professional Liability Underwriting Division—which write business on behalf of St. Paul Fire & Marine Insurance Co.

Because the divisions have separate underwriting staffs, St. Paul Specialty Underwriting is not ranked among the largest wholesalers by Business Insurance (*BI*, Aug. 8, 1988).

The Surplus Lines Division writes a wide range of specialty property and casualty coverages for St. Paul Surplus Lines through a national network of 37 wholesale brokers. The Athena Division writes program business produced exclusively through Los Angeles-based wholesaler Swett & Crawford Group, another unit of St. Paul (see story, page 46).

The Surplus Lines Division wrote $77.4 million in direct, non-admitted premiums in 1989, of which 80% represented casualty business. The remaining 20% represented property coverage, of which 95% was primary business, said senior vp Robert J. Cecconi, who heads the division.

In 1988, the division's business mix was about 87% casualty and 13% property.

About 50% of the division's casualty premiums last year represented primary business, up significantly from 28% in 1988 and a mere 10% in 1987.

Mr. Cecconi said the division has been shifting its focus to primary casualty business as admitted property/casualty insurers have increased their appetite for excess casualty business.

In fact, casualty umbrella business was the major contributor to sagging gross premium volume in 1989. "We've lost a lot of accounts based on pricing and it's difficult for us to maintain renewals," Ms. Nelson explained.

She added that "a lot of the time we don't even see the renewal because the broker is able to place the program effectively with markets available directly to him."

The same patterns continue into 1990. While St. Paul Surplus Lines still presents itself as an excess market, "our excess casualty book has been subject to a lot of fall off in premium volume," she said.

Meanwhile, "the other areas where we are putting more of our concentration—primary casualty and new product development—are generating growth for us," Ms. Nelson stressed.

Emphasizing primary rather than excess liability business has taken "a lot of adapting," said Mr. Cecconi. "It's a different discipline."

For example, St. Paul Surplus Lines is attempting to work more directly with its primary liability policyholders, while its wholesale brokerage network and retail brokers maintain most contacts with excess liability policyholders, Mr. Cecconi said.

On the primary liability side, "it helps us to sit across the table from the buyer and listen to what his issues are and how we can better manipulate our own products to meet his needs," he said.

Shifting toward primary liability has also forced the division's wholesale brokerage network to adapt, Mr. Cecconi said.

"When we did strictly excess business I think that they also were primarily excess brokers. They developed excess business and that's what they brought to us. Now they have to go out and develop primary business for us and that can be adjusting relationships somewhat," Mr. Cecconi explained.

But the growth of the primary book "speaks to the success of their efforts," Ms. Nelson said.

Wholesale brokers are being encouraged to approach the insurer when they identify a new surplus lines exposure "to see if it is something we can respond to," she said.

Mr. Cecconi said the Surplus Lines Division writes primary liability coverage primarily for light

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Kemper has to be

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Continued from previous page
and heavy machinery manufacturing, medical products and other risks with high exposure potential.

He described these accounts as small to midsized firms and noted that when the division's casualty business was primarily excess liability, it tended to insure larger commercial risks.

The division's property business also leans more toward mid-sized risks such as manufacturers and woodworkers, Mr. Cecconi said.

"We often characterize our book of business as one that is severity-prone" but not subject to high claims frequency, noted Kathryn I. Scott, vp of marketing.

Of the Athena Division's $35.4 million in direct, non-admitted premiums in 1989, about 65% was casualty business, 20% directors and officers liability and errors and omissions business; and 15% property business.

Of its casualty book, about 30% was primary coverage, including liquor liability and railroad protective liability insurance. The remaining 70% was Main Street umbrella business, said Brian R. Jarman, the senior vp who heads the division.


Mr. Jarman

Small substandard risks comprise most of the division's property business, he said, while D&O and E&O risks span "the broad spectrum" from Fortune 500 to small companies.

Three products the Athena Division introduced in 1989 have met with various degrees of success, according to Mr. Jarman.

A radon testing E&O policy written for laboratories that investigate radon levels in buildings was apparently released before its time. "People don't view it as an exposure, but we will be ready when it becomes acceptable," he said.

A combined D&O/E&O policy for insurance companies has fared better. While acceptance of the package "has taken a long time," Mr. Jarman said "we've seen a greater activity in that area."

And a third coverage—railroad protective liability insurance—has generated considerable business. "In 1989, we wrote just over $700,000 in gross written premium and we surpassed that amount in" the first half of 1990, he said.

Contractors purchase the coverage to protect railroads from liability when the contractor builds on or near railroad property.

Since mid-1989, the Athena Division has also expanded the number of states in which it writes liquor liability coverage to 22 from 18, Mr. Jarman said.

And, in 1990, the Athena Division expanded its program for oil drillers and operators to offer primary liability coverage of $1 million. It began writing up to $5 million in aggregate excess liability coverage on an occurrence basis in mid-1989.

The limits of the program, which is produced by Swett & Crawford of Texas, have been increased this year to $10 million for rig physical damage coverage from $5 million in 1989. The program also provides up to $30 million in operators extra-expense coverage.

Providing both liability and property coverages to energy-related businesses through a portfolio approach gives the division a competitive edge over other surplus lines markets and, as a result, it expects to attract substantial new business, Mr. Jarman and Ms. Scott said.

St. Paul Surplus Lines offers up to $10 million in property capacity and a basic casualty capacity of $5 million. It will write up to $15 million in coverage for D&O and E&O risks, and up to $10 million in umbrella coverage.


Mr. Cecconi

Property and casualty rates were cut less than 5% in 1989, Mr. Cecconi said. In 1990, casualty rates, on average, are flat to up slightly, while property rates, on average, are flat to down slightly, he added.

St. Paul Surplus Lines does not write environmental impairment liability coverage, although Ms. Nelson said that it is "sometimes in a position to be able to provide some limited pollution coverage within the context of an account."

The insurer also does not write aircraft exposures, special risk accident and health exposures or any risk with high claims frequency. In addition, it does not write medical malpractice, financial guarantee or professional liability coverages, except for its D&O/E&O and radon testing E&O programs. St. Paul Fire & Marine, St. Paul Surplus Lines' immediate parent, is a major medical malpractice market.

Mr. Cecconi and Ms. Nelson said they take a flexible approach to underwriting and can often manipulate a product line to respond to a buyer's specific needs.

"The key is to really understand what the issue is for the insured and to react with the tools to meet those needs," Mr. Cecconi said.

"I think we choose to differentiate on service, and certainly the tools we can bring as a member company of the St. Paul Group—such as risk management information services and specific claims capabilities—can set us apart from most of our competitors," he said, adding that those tools become even more valuable as its book of business shifts to primary casualty business.

The insurer's top producers include: Swett & Crawford; Alexander Howden North America Inc. of Atlanta; Willis Faber Holdings Inc. of Grand Rapids, Mich.; Travis-Pedersen & Associates Inc. and Henry Ward Johnson, both in Chicago; Gerald J. Sullivan & Associates Inc. of Portland, Ore.; and Tri-City Insurance Brokers Inc. and PCM Excess Ltd., both in New York.

St. Paul Surplus Lines' "bottom-line results are pooled with St. Paul Fire & Marine and other members of the St. Paul Group," said Ms. Nelson, explaining that "about half of our ceded premium is really just the internal redistribution of premium in that pooling arrangement."

In 1989, St. Paul Surplus Lines ceded $70.8 million in premiums to affiliates and $42 million in premiums to unrelated reinsurers. In turn, its parent ceded $25.9 million in premiums to St. Paul Surplus Lines.

According to its 1989 annual statement, St. Paul Surplus Lines' major unrelated reinsurers include: American Re-Insurance Co.; Kemper Reinsurance Co.; Hanseco Insurance Co.; Skandia America Reinsurance Corp.; General Reinsurance Corp.; Putnam Reinsurance Co.; American International Group Inc.; Hartford Insurance Group; and underwriters at Lloyd's of London.

At year-end 1989, the insurer employed 223, down from 231 a year earlier. At the end of June, the count stood at 211.

St. Paul Surplus Lines is an approved, non-admitted insurer in all states except Delaware, where it wrote no business in 1989.

It carries an A (pooled) rating from A.M. Best Co.

—By Linda J. Collins

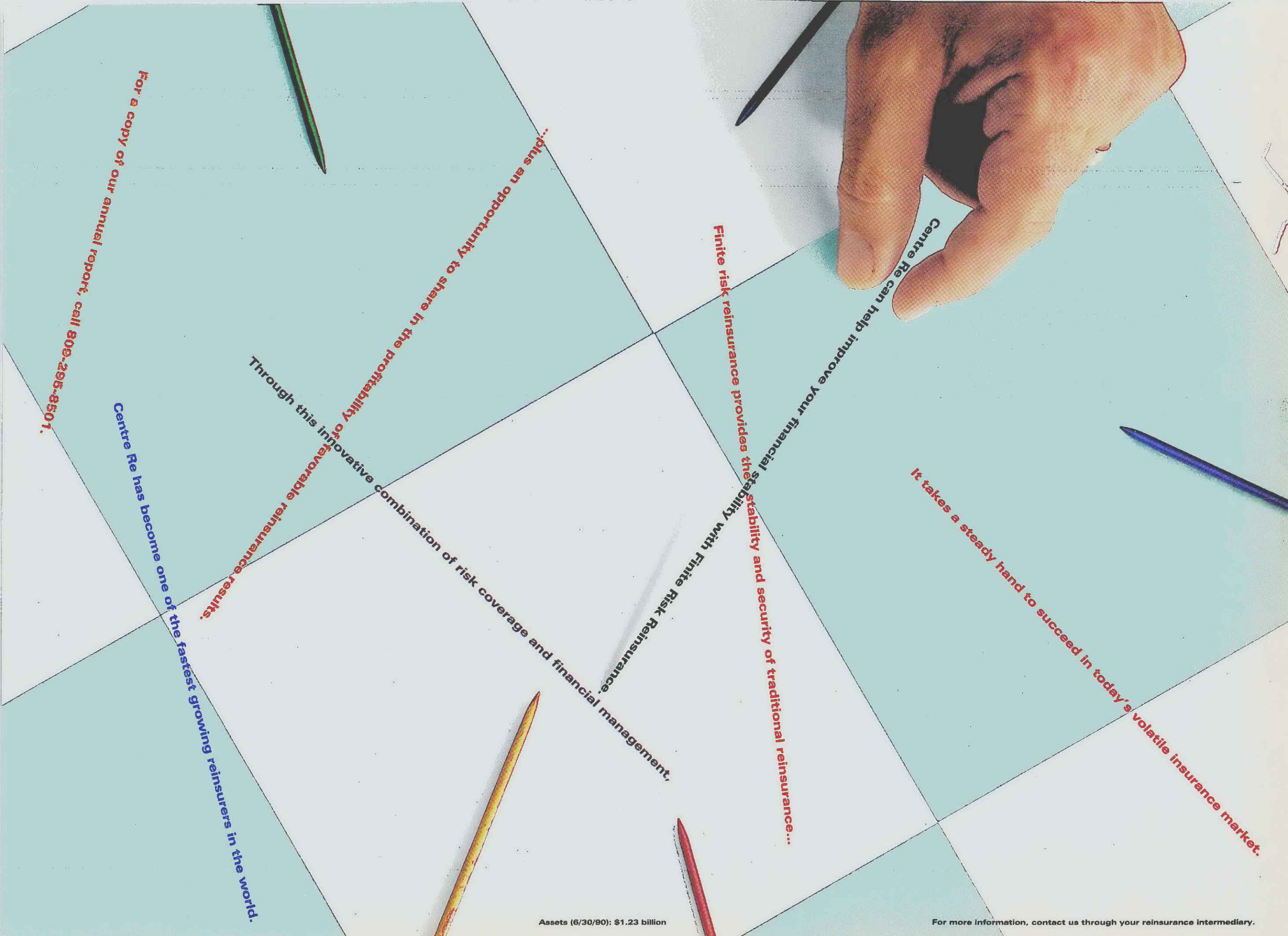
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Spotlight report

Admiral Insurance Co.

1255 Caldwell Road, Cherry Hill, N.J. 08034; 609-429-9200; fax: 609-428-3390

	1989	1988
Gross premiums	$122,920,475	$122,636,769
Non-admitted	$99,224,537	$104,867,768
Net premiums	$68,670,229	$64,116,256
Paid-in capital	$3,000,000	$3,000,000
Capital & Surplus	$84,299,282	$70,763,605
Employees	128	128
Combined ratio	105.2%	106.6%
Commercial risks	80.7%	85.5%
Net income	$14,528,308	$14,764,329
Best's rating	A+(s)	A+(c)(s)

Despite continued competition on all fronts, Admiral Insurance Co.'s surplus lines business has slipped only slightly, even though the insurer is not compromising its underwriting standards, Admiral officials say.

"We're satisfied with our results in light of the market," said Robert B. Spanfelner, executive vp and chief operating officer for the Cherry Hill, N.J.-based subsidiary of W.R. Berkeley Corp.

"They're more than acceptable, and we're just holding our own in terms of our underwriting approach to the business," he said. "We're not interested in market share. We're just doing our best to correctly write the accounts so they return an underwriting profit. That's our goal."

Gross premiums rose a slight 0.2% to $122.9 million in 1989, from $122.6 million a year earlier at Admiral, a specialist in product liability and professional liability insurance.

But gross premiums written on a direct, non-admitted basis fell 5.4% to $99.2 million from $104.9 million.

About 59% of the difference between that result and total gross premiums is attributable to the July 1988 acquisition of C&F Underwriting Managers of Los Angeles and its book of business from Travelers Corp. (*BI*, Aug. 14, 1989).

C&F wrote about $14 million in premiums last year. That business is actually written by Firemen's Insurance Co. of Washington D.C., another Berkeley subsidiary, then fully reinsured by Admiral.

As a result, the C&F business is not reflected in Admiral's direct premiums written.

Despite declining direct non-admitted premiums, Admiral moved up a notch to No. 8 in the *Business Insurance* ranking of the largest U.S. surplus lines insurers.

Net written premiums increased 7.1% to $68.7 million from $64.1 million in 1988. They had fallen 40.1% from $107 million in 1987.

Admiral ceded more business to outside reinsurers in 1989 than in 1988, which normally would lead to a reduction in net written premium volume. However, President Michael Snead explained that net written premium volume rose last year because in 1988 Admiral had ceded $12 million to an affiliated company in a one-time transaction.

But Admiral's net income last year declined 1.6% to $14.5 million from $14.8 million in 1988.

In the first-half of 1990, Admiral reported $52.5 million of direct non-admitted premiums, a 9.5% decline from $58 million in the comparable period a year ago.

Gross premiums declined 11.1% in the first half to $56 million from $63 million in the first half in 1989.

And net premiums in the first half of this year declined 24% to $27.5 million from $36.1 million in 1989.

"We're just about on target for our goal, as we set it" in the fall, Mr. Snead said.

Admiral is meeting its target by coping with increasing competition from both admitted and non-admitted insurers in the soft market.

Most of that competition comes from admitted companies that are charging 50% to 60% less for business than Admiral would, Mr. Snead said. "They shouldn't even be writing this business. They don't have the expertise."

Before the market softened, standard lines insurers would insure only non-hazardous risks, according to Mr. Snead. But those companies will now "write everything in the class—the least to the most hazardous—and that's the major difference as I see it," he said.

"As the market gets softer, they forget to underwrite," Mr. Spanfelner said.

In addition, some major insurers that are dropping private passenger automobile coverage are "trying to replace that loss with commercial risks," Mr. Spanfelner said.

Even if the business they take would not normally be written by Admiral, it creates a domino effect that eventually affects Admiral, Mr. Snead said.

Another factor hurting Admiral's business is that retail brokers with good standard lines markets are increasingly going directly to them rather than to a wholesaler, with whom they would have to split the commission, he said.

As a result, Admiral's distribution force is "seeing a lot less business," and they in turn are dividing the business they receive among their good markets, Mr. Snead said. "So, we all are seeing fewer submissions to quote on," he said.

Competition also comes from other surplus lines insurers.

"We're losing it both ways," Mr. Spanfelner observed. "We're seeing in the last 12 months other E&S underwriters going after what's traditionally been our business."

In one Admiral specialty—tough product liability lines—"they're continually targeting our business," he said.

Mr. Snead said that when Admiral knows it will not get a piece of business that, for example, should have a $200,000 premium, it will quote a $100,000 premium only to see an E&S rival come in at $60,000.

"It's insane and yet it's happening," Mr. Spanfelner said.

"They're not underwriting business. They're just cutting rates," Mr. Snead said.

For the first six months of 1990, casualty business—including product liability risks—comprised 75% of Admiral's gross premiums; 14% was professional liability; 9% was commercial multiperil; and the remaining 2% was property, including fire, allied lines and inland marine.

Typical policyholders for its product liability business are steel mill blast furnace companies, pharmaceutical companies, electrical saw manufacturers and brake lining producers.

Admiral's professional liability business includes errors and omissions coverage for real estate agents and third-party claims administrators.

Its commercial multiperil business includes a type of mortgage insurance purchased by banks. Coverage is triggered when a bank takes over a property after a mortgage default and a named peril, such as a fire, damages the property before the bank is able to sell it.

Admiral's property business is a "small, steady business," Mr. Snead said. "It kind of goes year, after year, after year, very steadily."

Unlike the casualty business, Admiral's property business appears impervious to hard markets, he said. "It just stays competitive all the time."

Admiral's C&F unit, which operates principally in California, 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.

Because of this difference in focus, C&F continues to operate separately from Admiral and under its own name, with Admiral reinsuring the business written by Firemen's Insurance.

Continued on next page



Continued from previous page

Admiral says it is not interested in writing pollution and asbestos liability insurance or doctors or lawyers malpractice coverage. But except for those lines, "we look at everything now. It doesn't mean we write it—but we look at everything," said Mr. Snead.

While Admiral always has been willing to look at everything, its staff's time was limited, Mr. Spanfelner said. "We didn't have the luxury and the time we do now," he said.

The extra time now available to Admiral with the soft market also has considerably reduced the time Admiral takes to quote a submission, Mr. Spanfelner pointed out.

Admiral still offers up to $1 million in limits, but its retentions have been reduced.

In 1989, 70% of the first $250,000 layer was retained and the remaining 30% ceded.

But this year, Admiral has reduced its retention to 65% after adding two reinsurers, Christiania General Insurance Corp. and New England Reinsurance Corp., to its quota-share program.

The reinsurers asked to be included in Admiral's program, Mr. Spanfelner said. "Over the years, we'll hopefully make money together. It's not a one-year deal."

The new reinsurers join North Star Reinsurance Corp., a unit of General Re Corp., Constitution State Insurance Co., Transamerica Reinsurance Co., USF&G Corp., Constitution Reinsurance Co. and Hanseatica Reinsurance Co.

Meanwhile, Prudential Reinsurance Corp. continues to reinsure Admiral's $750,000 excess of $250,000 layer.

Admiral improved its combined ratio in 1989 to 105.2% from 106.6% in 1988.

In the first half of 1990, its combined ratio was 103.5% compared with 99.4% in the comparable period last year.

A 19.1% increase in policyholders surplus—to $84.3 million in 1989 from $70.8 million in 1988—is attributed to internal growth.

Admiral deals with about 170 brokers operating out of 300 offices. However, just 32 of these brokers account for 80% of Admiral's business, according to Mr. Spanfelner.

Its biggest producers include Grand Rapids, Mich.-based Willis Faber Holdings Inc.; Dallas-based Crump E&S Group; Swett & Crawford Group in Los Angeles; Houston-based London American Risk Specialists Inc.; Los Angeles-based Montgomery & Collins Inc.; and New York-based Tri-City Insurance Brokers Inc.

Last week, Admiral received an unfavorable arbitrator's decision in a dispute with reinsurers involving financial guarantee bonds the insurer had issued for the benefit of several real estate limited partnerships sponsored by JNC Cos., a Tucson, Ariz.-based development firm that has declared bankruptcy.

However, Berkley has guaranteed Admiral it would contribute up to $30 million in connection with the case, and Admiral has significant reserves as well, said Kathleen Crawford, vp and treasurer.

"We really don't anticipate any significant impact on the financial condition of the Admiral" as a result of the arbitration, she said.

Robert S. Gorin, senior vp and general counsel for Berkley, said it is not possible at this point to put a precise dollar amount on the impact of arbitrator's decision, although it could lead to a $10 million third-quarter charge for Berkley.

He noted that the decision required reinsurers to pay some, but not all, of the losses in connection with the case.

Mr. Gorin said Berkely may appeal the award, although no decision has been made as yet.

Effective July 31, Austin-based Regional Vp Clifford L. Harrington retired, becoming Admiral's first retiree. He was replaced by Armin W. Blumberg.

Besides Messrs. Snead, Spanfelner and Blumberg and Ms. Crawford, other principal Admiral officers are John J. Murphy, vp and claims manager; and John J. Kinsella and Albert V. Sonsini, regional vps.

Admiral writes on a non-admitted basis in all states except Delaware and New Jersey, where it is an admitted insurer.

A.M. Best Co. has improved Admiral's rating to an A+ from an A+ (contingent) rating, which Mr. Snead said Admiral received because of the volume of business it wrote in 1986.

—By Judy Greenwald

United National Insurance Co.

1737 Chestnut St., Philadelphia, Pa. 19103; 215-568-6200; fax: 215-751-1163

	1989	1988
Gross premiums	$128,619,727	$138,325,449
Non-admitted	$90,971,397	$100,410,228
Net premiums	$39,295,331	$52,317,713
Paid-in capital	$5,000,000	$5,000,000
Capital & Surplus	$110,478,828	$102,304,349
Employees	108	101
Combined ratio	97.9%	97.4%
Commercial risks	97.6%	97.6%
Net income	$14,533,699	$12,245,190
Best's rating	A+(p)	A+(p)

United National Insurance Co. executives view 1989 as a very acceptable year, despite a drop in non-admitted premiums, because the insurer held the line on rates.

Gross premiums written on a direct, non-admitted basis fell 9.4% to $91 million in 1989 from $100.4 million, the third consecutive year that surplus lines premiums have dropped for the Philadelphia-based insurer.

Still, United National moved up one spot to No. 9 in the *Business Insurance* ranking of the largest U.S. surplus lines insurers.

Gross premium volume also fell 7% to $128.6 million in 1989 from $138.3 million the previous year.

Net income, however, rose 19% to $14.5 million from $12.2 million in 1988. A major reason for that improvement: United National refused to bow to the competitive forces that drove the market in 1989.

The insurer realized a $3 million underwriting gain, roughly a 67% improvement from about $1.8 million in 1988.

"Last year, we did well because we held to our philosophy of sticking to our rates," said Seth D. Freudberg, president and chief executive officer.

"We lost business as a result, but we expect to lose volume in this type of market," Mr. Freudberg said.

Gross premium volume fell 24.8% in the first-half of 1990 to $48.8 million, from $64.9 million in the same period of 1989. And gross premiums written on a direct non-admitted basis during the same period declined 33.3% to $32.7 million this year from $49 million in 1989.

Estimated first-half net income was down 4% to $6.5 million from $6.8 million in 1989.

But Mr. Freudberg said United National is offsetting some of the drop in its surplus lines business "by aggressively expanding our production sources and new business."

To offset declining renewal business, United National continued a program begun in 1987 to offset declining premium volume: It expanded marketing of successful lines and added producers to increase new business volume.

"Last year we got a little more aggressive in expanding our production sources," Mr. Freudberg said. "We try to do this every year to make up for the reduction in renewal business."

Continued on next page

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Continued from previous page

United National brought aboard about 20 new producers in 1989 to help expand its marketing of existing coverages and create new business opportunities.

One leader among the insurer's new producers was Media/Professional Insurance Inc. of Kansas City, Mo.

MPI specializes in errors and omissions coverage for publishing companies and radio and television stations, Mr. Freudberg said.

Other new specialty producers include MGA Agency Inc. of Fort Worth, Texas, which focuses on excess liability coverage; Centrex Underwriters of Memphis, Tenn., which specializes in liquor liability coverage; and Bertholon-Rowland Inc. of Washington, D.C., which specializes in E&O coverage for small travel agents.

In addition, Mobile Homeowners Insurance Agency Inc. of Pinellas Park, Fla., produced about $2 million in mobile homeowners insurance premiums for United National last year.

Among the insurer's new products last year was a package property and general liability program for "second-tier" casinos in Nevada.

Mr. Freudberg said that United National does not want to write coverage for the better-known casinos.

United National will write up to $2 million in property limits and $1 million in liability limits.

A liquor liability program for taverns, package liquor stores, restaurants and hotels was expanded to 20 states from three.

Last year, the insurer began offering $500,000 in primary liquor liability coverage in 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.

United National can provide up to $1 million in limits in the new states through facultative reinsurance agreements with Employers Reinsurance Corp. of Overland Park, Kan., and Munich American Reinsurance Co. of New York.

United National continues to offer $1 million of liquor liability limits in Georgia and Florida. It retains $75,000 of this coverage.

And it offers a smaller limit of $50,000 in Pennsylvania, partly because the risks there are small, explained Raymond Freudberg, chairman of United National.

The company also began writing liability insurance for daycare centers in Massachusetts last year, and Seth Freudberg said he hopes to expand the line into other states in 1990.

United National writes only home daycare centers and avoids other commercial facilities. It offers $1 million in limits.

The company cedes all but $50,000 of the coverage to treaty reinsurers.

United National continued writing "buffer layer" commercial as well as personal automobile liability insurance. For commercial auto risks, United National will fill out the layer between a minimum $500,000 primary policy and $1 million in excess coverage.

Seth Freudberg said premium volume for this business declined last year as the soft market forced many primary insurers to begin offering higher limits.

There was little premium volume change in for liability insurance product United National started offering in 1988 to nursing homes, homes for the mentally retarded, halfway houses and mental health clinics.

United National offers up to $1 million in occurrence-based general and professional liability for nursing homes. It writes the coverage with the same limits on a claims-made basis for the other facilities.

United National also continued to specialize in primary property and liability insurance for restaurants, hotels, taverns, small shopping centers, condominiums and light manufacturers.

Its largest chunk of direct non-admitted business last year, though, was excess liability and umbrella insurance, which represented about $27.3 million, or 30%, of gross non-admitted premiums, down from 35% in 1988.

Seth Freudberg said $22.8 million of direct non-admitted premiums, or 25%, was attributable to primary liability coverage, the same as 1988.

Other business making up the insurer's direct non-admitted business are:

- Special multiperil packages, 18%, or $16.4 million.
- Professional liability coverage, primarily for hospitals and mental health facilities, 13%, or $11.8 million.
- Miscellaneous coverages, such as liquor liability, mobile homeowners coverage, daycare care center liability and jewelers block coverage, 11%, or $10 million.
- Personal lines, 3%, or $2.7 million.

It does not write coverage for skating rinks, explosives manufacturers and large heavy contractors. United National also does not underwrite product liability insurance.

"We're not interested in any of these things nor any cream business," Seth Freudberg said. "Surplus lines makes money on business with warts."

The company's combined ratio increased slightly to 97.9% last year from 97.4% in 1988: The expense ratio was 33.8%, down from 36%; and the loss ratio was 64.1%, up from 61.4%.

Commercial risks accounted for 97.6% of direct written premiums, the same as in 1988.

Seth Freudberg said other factors also contributed to the company's strong 1989 results:

- A decrease in the amount of uncollectible reinsurance.

United National reported only $750,000 in uncollectible reinsurance in 1989, down 75% from the $3 million the the insurer reported in 1988.

This made 1989 "a very good year with regard to reinsurance," Mr. Kelleher said.

United National retained about 31% of gross premiums in 1989, a drop from 38% in 1988.

United National's treaty reinsurers are Employers Reinsurance and Constitution Reinsurance Corp. of New York.

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

- A new philosophy on settling claims in litigation.

"We decided to take claims in litigation and concentrate on settling them at a very early point to minimize our defense costs," Seth Freudberg explained.

"We decided it would be better to pay a little more on the indemnity side and pay a lot less on defense costs and, so far, the trade-off has been favorable for us," he said.

United National saved about $500,000 in legal costs during a 60-day claims settling pilot program in late 1988, Seth Freudberg said.

United National has not calculated how much in legal fees it saved in 1989, he said.

Another highlight for United National in 1989 was increasing policyholders surplus by 8% to $110.5 million from $102.3 million in 1988—the first year in which United National boosted capital and surplus above the $100 million mark, he said.

United National was able to increase its surplus despite the fact that for the first time in recent years it did not receive a capital infusion

Continued on page 36

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Continued from page 34
from its parent company, American Insurance Services Inc., which is owned by Philadelphia-based American Manufacturers Corp.

United National also paid a $7.5 million dividend last year to AMC.

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. unit is an approved surplus lines market in Pennsylvania and Oklahoma.

United National increased its workforce in 1989 to 108 from 101 employees in 1988.

Besides Raymond and Seth Freudberg, top United National executives include Kevin L. Tate, senior vp, and Patricia M. Rodman, vp-underwriting.

—By Michael Schachner

American Empire Surplus Lines Insurance Co.

515 Main St., Cincinnati, Ohio 45201; 513-369-3000; fax: 513-369-3034

	1989	1988
Gross premiums	**$108,127,118**	$142,518,213
Non-admitted	**$89,842,524**	$120,624,380
Net premiums	**$67,149,640**	$104,911,383
Paid-in capital	**$4,100,000**	$4,100,000
Capital & Surplus	**$128,880,212**	$143,099,826
Employees	**92**	93
Combined ratio	**90.8%**	72.5%
Commercial risks	**92%**	94%
Net income	**$23,022,216**	$47,745,437
Best's rating	**A(p)**	A(p)

American Empire Surplus Lines Insurance Co.'s top executive is not declaring 1989 a disaster, even though non-admitted gross premium volume fell by more than 25% for the third consecutive year.

"It was not a bad year at all," said Joseph M. Walsh, president of the Cincinnati-based subsidiary of Great American Insurance Co. "It's really a question of appetite and the role we think we should play in the marketplace. Our traditional definition of surplus lines is: 'You don't compete with standard lines carriers.' "

Noting that the company is less active during the soft market, Mr. Walsh said, "When we get our chance to play (in a hard market) is when we strive to recapitalize the company. We know our role, and that's to write tough, distressed, hard-to-place business that hasn't quite reached a level of fatigue."

Its unwavering philosophy of only writing tough risks that generate an underwriting profit and the continued soft market caused American Empire's gross premiums written on a direct, non-admitted basis to fall 25.5% in 1989 to $89.8 million from $120.6 million in 1988.

The decline caused American Empire to drop four positions to No. 10 in the *Business Insurance* ranking of the nation's 10 largest surplus lines insurers.

The reduction in premium volume in 1989 comes on the heels of a 39.4% drop in 1988. Non-admitted premium volume had fallen 40.2% in 1987.

Nobody at American Empire or its parent company is panicking, according to Mr. Walsh.

"People think you can't give up premium volume like we do and prosper. But you can if you're conscious of the fact that E&S business is temporary. Our renewal retention in the best years is about 35%, and last year it was only about 10%.

"Obviously, this is aggravating. Nobody around here dances as volume goes away. But the name of the game is to write business at a profit. Our owners are not looking to surplus lines for cash flow. They leave that to the standard lines companies," Mr. Walsh said.

Total gross premium volume fell 24.1% to $108.1 million in 1989 from $142.5 million in 1988. Gross premiums had dropped 28.5% in 1988 compared with 1987.

Net written premiums tumbled even more drastically last year, falling 36% to $67.1 million from $104.9 million in 1988. Net premium volume fell 22.7% in 1988 compared with the previous year.

Mr. Walsh explained why premium volume has rapidly deteriorated since the start of the soft market in 1987: "There just aren't any cream puffs left out there.

"In 1986, we were writing a lot of Fortune 1,000 companies that had fallen on hard times. They're back in the standard lines market now.

"Coverage for us usually spans a year or two. We tell the risk to clean up its act and go back to the standard lines market. We're not looking at loss prevention and experience rating. We look at a risk's history and claims experience and set a premium. If they don't like our terms and conditions, we walk away," Mr. Walsh explained.

In fact, the last year American Empire offered any form of experience credits upon renewals was 1987 when the company occasionally awarded 15% to 20% credits to loss-free accounts. By 1988 credits had "all but bottomed out," Mr. Walsh said.

American Empire's underwriting philosophy is reflected in its underwriting profits. The company posted a 90.8% combined ratio last year, compared with 72.5% in 1988. Mr. Walsh had said last year that a combined ratio in the 90% range would be satisfactory.

"I said before that 90% was a conservative target. As the market continues to soften, fringe business goes back (to the admitted market) and you're left with hard-core surplus lines," Mr. Walsh explained.

This book of "hard-core" business, which includes pharmaceutical and chemical manufacturers, long-tail product liability risks and recreational liability risks like amusement parks and race tracks, tends to drive up combined ratios, he said.

Nevertheless, "our intent to make an underwriting profit doesn't waiver. A lot of companies claim to be underwriting companies, but this one really is. We aren't less of a company from a strength or dedication standpoint because premium volume has fallen in recent years. We still have our brokers out there who know what we do. Sometimes they'd like us to come down, but we don't," Mr. Walsh said.

Because American Empire was limited to writing tougher risks last year, its loss ratio climbed to 77.5% from 56.5% in 1988. Meanwhile, its expense ratio fell to 14.2% from 16% the year before.

As a result of its shrinking premium volume and its higher combined ratio, American Empire's net income fell 51.8% to $23 million last year from $47.7 million in 1988.

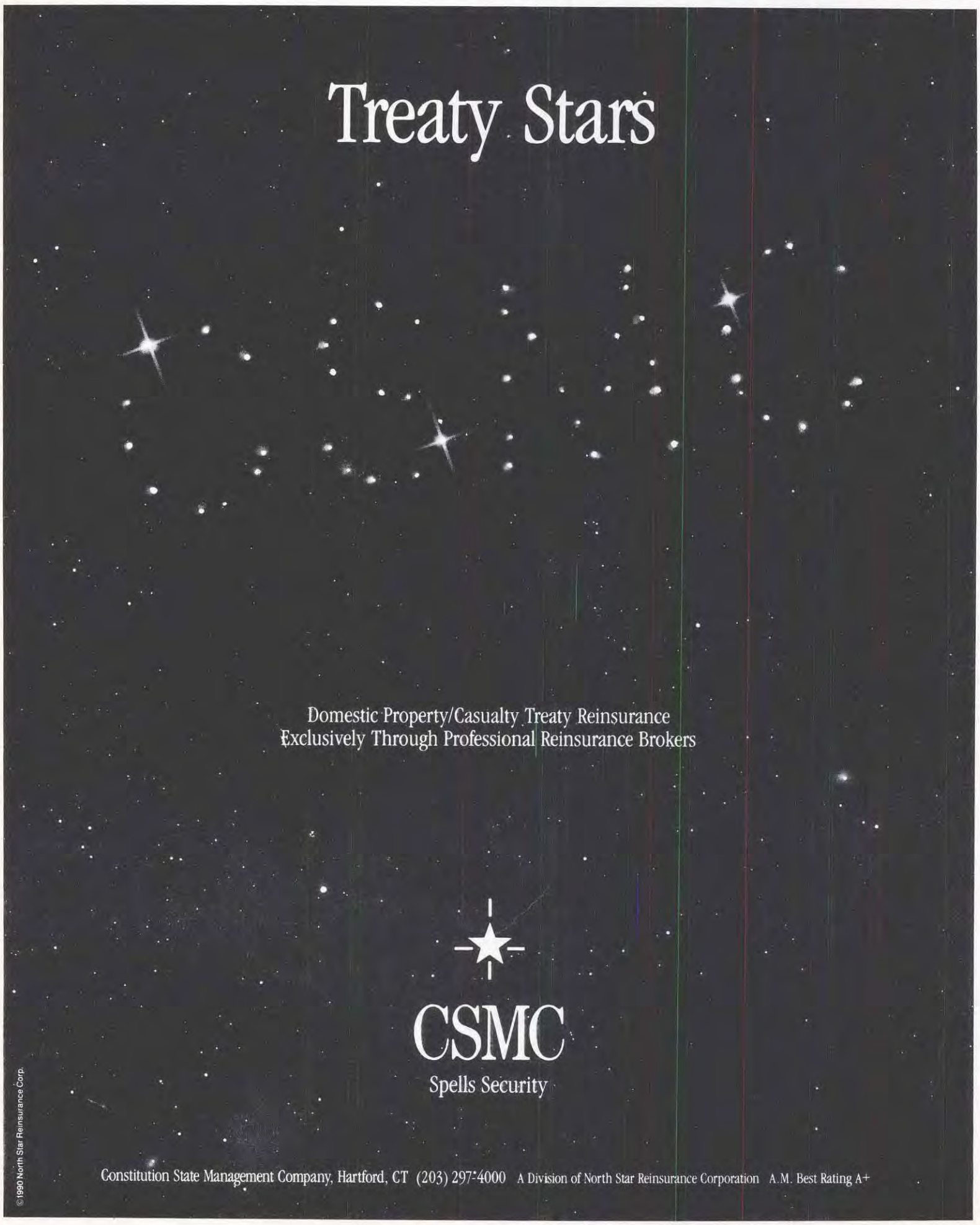
Policyholder surplus dipped 10% to $128.9 million in 1989 from $143.1 million in 1988. Mr. Walsh attributed the surplus reduction to a $34.4 million dividend it paid to parent Great American, a unit of American Financial Corp., which in turn is controlled by Cincinnati financier Carl H. Lindner.

"During a time when writings fall we don't really need that extra surplus. We have already upstreamed $28 million this year," Mr. Walsh said.

As the admitted market continued to take business from surplus lines insurers last year, American Empire used the lull in business activity to train underwriters, according to Mr. Walsh.

"We need as many talented people on the firing lines as possible" for when the market hardens, he said. "We have been involved in some internal training because we are more than willing to delegate authority to our people. Our people have more autonomy and fewer constraints than standard lines insurers."

Continued on page 38





Why Worry? Has The Excess Market Ever Let You Down Before?

A gentle reminder to veterans of 1984: excess liability capacity, and even the solvency of carriers, can't be taken for granted. Unless you have your coverage with American Excess Insurance Association, the American Slip.

Look at the names of our member companies (individual surplus ranges from $37 million to over $3 billion). This kind of financial strength and underwriting talent assures a long-term stability and predictability that no other facility can provide.

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Note: A few classes are restricted to $50 million in excess of $50 million. Each member is severally and not jointly liable for its share, as specified in the policy, of any assumed risk. Terms and conditions of coverage are as stated in the policy.

American Excess Insurance Association

Underwriting member companies and surplus as of 9/89: The Ætna Casualty and Surety Company ($2.4 billion); American Home Assurance Company ($886 million); Continental Casualty Company ($3 billion); Federal Insurance Company ($1.4 billion); The Continental Insurance Company ($411 million); United States Fire Insurance Company ($691 million); General Star National Insurance Company ($37 million); The Home Insurance Company ($882 million); Insurance Company of North America ($814 million); Maryland Casualty Company ($756 million); NAC Reinsurance Corporation ($184 million); Royal Insurance Company of America ($293 million); The Travelers Indemnity Company ($1.9 billion); Zurich Insurance Company, U.S. Branch ($446 million).

Continued from page 36

American Empire continued last year to divide its book of business into four categories: binding authority business; specialty risks; property business; and excess liability and umbrella business.

Mr. Walsh said business dropped off noticeably in all categories except property.

American Empire wrote about $16.2 million in non-admitted property business, or about 18% of its total book of business. An auto physical damage line of coverage introduced last year accounted for about $6 million in gross premiums.

The remaining $10 million in property coverage came mostly from small general purpose buildings, he said, noting that American Empire reduced its appetite for large warehouses and stores when prices dropped.

American Empire will write up to $2.5 million in property limits, but retains only $150,000, ceding the rest to treaty reinsurers.

Approximately 60 of American Empire's 100 wholesale producers have binding authority for the company. Binding authority business produced about $38.5 million, or about 43%, of the company's gross premiums last year.

Within the binding business category, wholesalers can write owners, landlords and tenants liability coverage, manufacturers and contractors liability coverage for small artisans and contractors, and property coverage for small risks.

Mr. Walsh said typical premiums derived from binding business are about $1,200 to $1,300.

Although premiums from American Empire's book of binding business fell 14% in 1989 compared with 1988, Mr. Walsh said results were still favorable because "binding business is lost at a slower pace than other lines. Insureds don't market their risk as much, and business moves up and down slower."

The insurer offers $500,000 limits —and occasionally $1 million limits —for binding authority busines. The insurer retains as much as $425,000 per risk.

Rates for binding authority business run at 125% of the Insurance Services Office Inc.'s last published rates. Mr. Walsh said loss-free renewals received 10% credits last year.

American Empire's book of specialty business accounted for approximately $35.9 million in premiums, or about 40% of the company's commercial book of business in 1988, down from $56 million in 1988.

Mr. Walsh said American Empire saw few renewals and even fewer new business applications within its specialty risk book.

American Empire's specialty risk book continues to include liability insurance for fixed-base amusement parks, asbestos abatement contractors liability coverage, racetrack liability coverage and some product liability coverage.

Last year, the company instituted a program that provides $1 million per claim/$2 million aggregate in primary errors and omissions coverage for environmental consultants. Mr. Walsh said the company wrote "maybe 30 or 40 risks" last year. "It's an awfully new line for us."

American Empire continues to offer liability coverage to asbestos abatement contractors with limits of $3 million per claim/$10 million aggregate, with a $2,500 deductible. Premiums derived from this line fell to $4 million in 1989 from a high of $17 million in 1986.

Mr. Walsh said he is targeting contractors that remove asbestos from small buildings and schools. "We don't really want contractors that do the big office buildings."

American Empire offers a $2 million limit for most other specialty lines. The company continues to retain up to $760,000 of those limits.

Among specialty lines, American Empire will not write professional liability coverage for attorneys, accountants, architects, engineers, real estate agents or insurance agents. It also will not write earthquake, directors and officers liability and medical malpractice insurance.

Mr. Walsh said "pure competition" shrank the company's book of excess liability and umbrella coverage to about $5 million in premiums last year, down from $9 million the previous year, and this business could fall as low as $2.5 million in 1990.

American Empire offers $5 million in excess liability coverage. It retains $550,000, ceding the rest to General Reinsurance Corp. through an automatic facultative arrangement.

Other reinsurers to which the company cedes business include First Excess & Reinsurance Corp.; North Star Reinsurance Corp.; Zenith Insurance Co.; the reinsurance division of Transamerica Insurance Co.; Skandia America Reinsurance Corp.; and Transatlantic Reinsurance Co.

Mr. Walsh said American Empire has used the same basic group of about 100 brokers and producers since 1985.

The company functions on an approved, non-admitted basis in all states except Delaware where it is licensed. However, the company did no business in Delaware last year.

American Empire also operates a small admitted insurer, American Empire Insurance Co., which is licensed in 39 states and the District of Columbia. The admitted American Empire wrote about $1.3 million in facultative reinsurance in 1989. It also wrote about $5 million in aviation risks and business through New York's Free Trade Zone, Mr. Walsh said.

He says he does not expect the market to harden until at least late 1991. "The industry's combined ratio must get up to at least 118% before there'll be a change. Now, it's at 110%."

Other top officers at American Empire include Walter E. Snyder, executive vp; Robert A. Nelson, senior vp; Chester A. Nalepa, senior vp; and Leo A. Haas, vp.

American Empire has maintained its A (pooled) rating from A.M. Best Co.

—By Michael Schachner



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Directory of excess/surplus insurers

Acceptance Insurance Co.

105 S. 17th St., Suite 500, Omaha, Neb. 68102; 402-344-8800; fax: 402-341-0792

	1989	1988
Gross premiums..	$47,910,412	$46,121,547
Non-admitted	$35,830,107	$30,486,726
Commercial risks.	74.7%	66.1%
Net premiums....	$35,810,808	$32,155,319
Paid-in capital...	$2,809,760	$2,023,027
Capital & surplus.	$18,947,247	$17,209,112
Employees.....	67	54
Combined ratio...	99.9%	94.4%
Net income.....	$2,756,701	$3,513,093
Best's rating.....	A–	B+(s)

Year founded: 1979.
Parent company: Acceptance Insurance Holdings Inc.
Specialties: Liquor liability, trucking risks.
Subsidiaries: Acceptance Indemnity Insurance Co., Minneapolis; Phoenix Indemnity Insurance Co., Phoenix.

Approved non-admitted in: 33 states.
Admitted in: Arizona, Iowa, Nebraska and North Dakota.
Principal officers: Kenneth C. Coon, president; Georgia M. Mace, treasurer; John R. Svoboda, secretary; Hugo T. Enholm and David H. Gross, vps.
Contact: John R. Svoboda.



Adriatic Insurance Co.

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

	1989	1988
Gross premiums..	$21,654,263	$16,225,758
Non-admitted	$20,294,373	$15,484,489
Commercial risks.	74.3%	67.9%
Net premiums....	$17,746,924	$13,314,161
Paid-in capital...	$1,500,000	$1,500,000
Capital & surplus.	$8,401,401	$5,915,916
Employees.....	22	19
Combined ratio...	81.4%	78.0%
Net income.....	$2,856,186	$2,445,335
Best's rating.....	B+	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: Arizona, Delaware, Mississippi, Nevada and New Mexico.
Principal officers: Joseph E. Taylor, president; Anthony V. Ciervo, secretary; John R. Herbert, treasurer; Kenneth A. Jurgensen, vp.
Contact: John R. Herbert.

Alpine Insurance Co.

55 E. Monroe, Suite 4440, Chicago, Ill. 60603; 312-346-1027; fax: 312-346-3262

	1989	1988
Gross premiums..	$6,219,792	$8,827,589
Non-admitted	$3,992,249	$6,631,545
Commercial risks.	64%	75%
Net premiums....	$3,152,610	$3,943,453
Paid-in capital...	$1,800,000	$1,800,000
Capital & surplus.	$7,107,927	$6,620,285
Employees.....	NA	NA
Combined ratio...	97.5%	94.5%
Net income.....	$690,339	$1,354,769
Best's rating.....	NA	NA

Year founded: 1986.
Parent company: Exstar Financial Corp.
Specialties: Architects and engineers professional liability, primary products liability, real estate agents errors and omissions.
Approved non-admitted in: 28 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-underwriting.
Contact: John T. Clark.

American Excess Insurance Assn.

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

	1989	1988
Gross premiums..	$60,000,000	$75,000,000
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 American International Surplus Agency Inc., Harborside Financial Center, Plaza 2, Third Floor, Jersey City, N.J. 07311; 201-309-1101; fax: 201-432-3670

	1989	1988*
Gross premiums..	$7,936,110	$8,474,473
Non-admitted	$445,353	NA
Commercial risks.	100%	NA
Paid-in capital...	$1,500,000	$1,500,000
Capital & surplus.	$106,620,429	$6,047,646
Combined ratio...	NA	NA
Net income.....	$572,783	$405,641
Best's rating.....	A+(g)	A+(g)(x)

* Company was reorganized and recapitalized in 1989; 1988 results reflect the former organization.
Year founded: 1973.
Parent company: National Union Fire Insurance Co. of Pittsburgh, Pa.
Specialties: Commercial general excess and umbrella liability, professional liability, directors and officers liability, fiduciary liability, primary and excess automobile liability, ex-

Continued on next page

Guide to directory of E/S insurers

The annual directory of excess and surplus lines insurers lists companies which 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 premiums in excess liability lines.

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.

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

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

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

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

cess workers compensation liability, commercial property.

Approved non-admitted in: 28 states and the District of Columbia.

Admitted in: Alaska.

Principal officers: Thomas Ralph Tizzio, Francis Thomas Rosene, James Kilkenny, Maureen Patricia Tully and Armand G. Pepin.

Contact: Armand Pepin.

California Union Insurance Co.

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

	1989	1988
Gross premiums	$92,464,963	$107,291,012
Non-admitted	$80,317,050	$106,500,333
Commercial risks	100%	100%
Net premiums	$18,712,841	$24,177,369
Paid-in capital	$4,500,000	$4,500,000
Capital & surplus	$29,195,497	$24,239,389
Combined ratio	102.5%	119.5%
Net income	$5,791,796	$1,557,062
Best's rating	A(e)	A(e)

Year founded: 1956.

Parent company: CIGNA Corp.

Specialties: Railroads, construction and heavy product exposures.

Approved non-admitted in: 49 states and District of Columbia.

Admitted in: California.

Principal officers: Kenneth W. Woods, president; Michael P. Fujii, Nicolas Yuschenkoff, Robert S. Cernok and John P. Rugee, vps.

Contact: Michael Fujii, 213-480-4589.

Chesapeake Casualty Co.

100 Metro Park S., Laurence Harbor, N.J. 08878; 201-566-1800; fax: 201-566-0181

	1989	1988
Gross premiums	$11,643,281	$2,998,409
Non-admitted	$5,712,711	$1,734,574
Commercial risks	100%	100%
Net premiums	$3,183,210	$1,438,156
Paid-in capital	$5,000,000	$5,000,000
Capital & surplus	$12,077,195	$12,121,930
Employees	55	69
Combined ratio	133.6%	166.1%
Net income	($104,718)	($29,284)
Best's rating	NA	NA

Year founded: 1979.

Parent company: Investors Insurance Co. of America.

Specialties: Product liability, general liability, unprotected property.

Approved non-admitted in: 26 states and District of Columbia.

Admitted in: Delaware.

Principal officers: Frederick H. Brown, chairman; D. Michael Polizzi, president/chief executive officer; Frank T. Buziak, executive vp/chief financial officer.

Colony Insurance Co.

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

	1989	1988
Gross premiums	$12,277,634	$5,843,106
Non-admitted	$11,617,017	$3,706,346
Commercial risks	96%	98%
Net premiums	$9,914,828	$5,194,401
Paid-in capital	$2,000,000	$2,000,000
Capital & surplus	$5,511,518	$5,122,053
Employees	73*	73*
Combined ratio	108.8%	116.7%
Net income	$450,756	$337,712
Best's rating	NA	NA

* Includes employees of Waite Hill Group, including Colony Insurance Co., Cardinal Casualty Co. and Waite Hill Services Inc.

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 Rhode Island.

Principal officers: J. David Klaitz, president; Richard M. Simpson and Eugene D. Tetreault, vps; Dennis R. Miller, vp/controller; Paul E. Campbell, assistant secretary.

Contact: Geoffrey D. Cahill, vp.

Columbia Casualty Co.

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

	1989	1988
Gross premiums	$165,533,991	$174,663,166
Non-admitted	$28,335,168	$49,589,244
Commercial risks	100%	100%
Net premiums	$136,458,316	$124,125,189
Paid-in capital	$4,100,000	$4,100,000
Capital & surplus	$78,623,353	$70,083,938
Employees	25	25

Continued on page 42



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Spotlight report

Continued from page 40

Combined ratio...	**114.1%**	106.4%
Net income.....	**$8,418,952**	$16,186,130
Best's rating.....	**A+(p)**	A+(p)

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 M. Lowry, vps.
Contact: Noel W. Prather.

Empire Indemnity Insurance Co.

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

	1989	1988
Gross premiums..	**$29,620,923**	$14,985,081
Non-admitted	**$26,209,274**	$11,266,544
Commercial risks.	**88.5%**	75.2%
Net premiums....	**NA**	NA
Paid-in capital...	**$1,500,000**	$1,500,000
Capital & surplus.	**$8,223,000**	$7,854,000
Employees.....	**165**	160
Combined ratio...	**NA**	NA
Net income.....	**$369,000**	$528,000
Best's rating.....	**A-(r)**	A-(r)

Year founded: 1957.
Parent company: Empire Fire & Marine Insurance Co.
Specialties: Tanning salons, excess private passenger auto, auto physical damage, petroleum products transports, special events.
Approved non-admitted in: 42 states.
Admitted in: Oklahoma.
Principal officers: Richard F. Williams, president; Charles B. Ralph, senior vp; Francis J. Kratky, vp/secretary/treasurer; Steven R. Sell and Daniel M. Cranny, vps.
Contact: Richard F. Williams.

Essex Insurance Co.

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

	1989	1988
Gross premiums..	**$36,930,646**	$37,772,565
Non-admitted	**$36,752,631**	$37,236,689
Commercial risks.	**99.5%**	98.5%
Net premiums....	**$19,388,107**	$18,377,407
Paid-in capital...	**$1,500,000**	$1,500,000
Capital & surplus.	**$18,570,108**	$11,091,057
Employees.....	**70**	50
Combined ratio...	**74.9%**	80.1%
Net income.....	**$5,551,984**	$3,394,541
Best's rating.....	**A-**	B+

Year founded: 1980.
Parent company: Markel Corp.
Specialties: General liability, inland marine, property.
Subsidiaries: Markel Corp., Markel American Insurance Co. and Markel Service Inc., Richmond, Va.
Approved non-admitted in: All states except Connecticut, Maine, New Hampshire and New Jersey.
Admitted in: Delaware.
Principal officers: Anthony F. Markel, president; Steven A. Markel, treasurer; Britton L. Glisson, executive vp/chief financial officer; Raymond A. Johnson, vp-property; Jacque S. Ash, vp-casualty.
Contact: Anthony F. Markel.

Evanston Insurance Co.

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

	1989	1988
Gross premiums..	**$91,083,136**	$100,671,272
Non-admitted	**$77,695,785**	$83,300,458
Commercial risks.	**85.3%**	82.7%
Net premiums....	**$68,581,044**	$57,647,918
Paid-in capital...	**$24,753,687**	$24,753,687
Capital & surplus.	**$92,619,203**	$86,950,025
Employees.....	**NA***	NA*
Combined ratio...	**106.9%**	106.7%
Net income.....	**$13,163,644**	$12,142,784
Best's rating.....	**NA**	B+

* Staff provided by Shand, Morahan & Co. Inc.
Year founded: 1977.
Parent company: F-M Acquisition Corp.
Specialties: Professional liability, errors and omissions, directors and officers liability, medical malpractice, product liability.
Subsidiaries: Insurance Co. of Evanston, Evanston, Ill.; National Specialty Insurance Co., Denver.
Approved non-admitted in: All states except New Hampshire and Illinois.
Admitted in: Illinois.
Principal officers: Joseph J. Prochaska Jr., chairman/chief executive officer; Robert H. Libby, president/chief operating officer; Richard A. Adler, Robert N. Liston and Paul W. Springman, executive vps; Steven K. Lauer, senior vp/treasurer/chief financial officer.
Contact: Steven K. Lauer.

Fireman's Fund Insurance Co.

777 San Marin Drive, Novato, Calif. 94998; 415-899-2000; fax: 415-899-2126

	1989	1988
Gross premiums..	**$3.43 billion**	$3.82 billion
Excess liability...	**6.47%**	7.05%
Admitted.....	**100%**	100%
Net premiums....	**$2.65 billion**	$2.80 billion
Paid-in capital...	**$3,015,000**	$3,015,000
Capital & surplus.	**$1.43 billion**	$1.45 billion
Total employees..	**10,500**	11,000
Excess lability..	**246**	259
Combined ratio...	**122.4%**	109.4%
Net income.....	**$9,332,208**	$245,241,922
Best's rating.....	**A(c)(p)**	A(c)(p)

Year founded: 1863.
Parent company: The Fund American Co. Inc.
Specialties: Errors and omissions for broadcasters, newspaper publishers and advertising agencies, electronic data processing coverage, hole-in-one insurance.
Subsidiaries: The American Insurance Co., National Surety Corp., Warner Insurance Co.
Admitted in: All states.
Principal officers: Jack Byrne, chairman; Jay Brown, president; Morgan Davis, president-commercial division; Tim Koo, president-specialty division; Joe Stinnette, president-personal-division; Ray Barette, executive vp/chief financial officer.

First Specialty Insurance Corp.

237 E. High St., Jefferson City, Mo. 65102; 913-676-5800; fax: 913-676-5880

	1989	1988
Gross premiums..	**NA**	NA
Non-admitted..	**NA**	NA
Commercial risks.	**100%***	100%*
Net premiums....	**NA**	NA
Paid-in capital...	**$5,000,000**	NA
Capital & surplus.	**$15,093,553**	NA
Employees.....	**3**	NA
Combinec ratio...	**NA**	NA
Net income.....	**$93,553**	NA
Best's rating.....	**A+**	NA

* 1990 estimate
Year founded: 1989.
Parent company: Employers Reinsurance Corp.
Specialties: Excess hospital medical malpractice, underground storage tanks at golf courses.
Approved non-admitted in: 16 states.
Admitted in: Missouri.
Principal officers: Michael George Fitt, chief executive officer; Denis Jon deBaroncelli, president; John Matthew Connelly, secretary; Gary Ray Teaney, treasurer; Sharon Leathers Butler, comptroller.
Contact: Denis Jon deBaroncelli, 5200 Metcalf, Overland Park, Kan., 66201.

Front Royal Insurance Co.

7900 Westpark Drive, A300, McLean, Va. 22102; 703-893-0900; fax: 703-847-0440

	1989	1988
Gross premiums..	**$121,416***	NA
Non-admitted	**NA**	NA
Commercial risks.	**77%***	NA
Net premiums....	**0**	NA
Paid-in capital...	**$1,500,000**	NA
Capital & surplus.	**$5,888,782**	NA
Employees.....	**12**	NA
Combined ratio...	**NA**	NA
Net income.....	**($271,240)**	NA
Best's rating.....	**NA**	NA

* Figures are for six months of 1990.
Year founded: 1988.
Parent company: Front Royal Group Inc.
Specialties: Environmental impairment liability, storage tanks, directors and officers liability.
Approved non-admitted in: 20 states and District of Columbia.
Admitted in: Virginia and Arizona.
Principal officers: John J. Metelski, chairman/chief executive officer; John S. Gibson, president/chief operating officer; Elaine M. Reagan, secretary/treasurer; William P. Gullege, vp-technical; Roger R. Sense, vp-claims.
Contact: Karen A. Bavis, controller, or Michael E. Sommer, director-underwriting.

Continued on next page



We Like To Think The
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Helping the Pittsburgh Airport control losses on its five hundred million dollar construction project isn't something you can do sitting in an office. You have to get out into the field and get your boots dirty.

Our Safety Management Consultants got theirs muddied early in the project. They worked closely with the broker and airport management to design a uniform wrap-up program covering the entire project. They reviewed each contractor's safety plans to make sure they followed the program's guidelines. Once all the plans were finalized, our people helped the airport implement them.

Now that the project is underway, our consultants help the airport control losses by holding



The $500 million Greater Pittsburgh International Airport project will take five years to complete.

Continued from previous page

General Star National Insurance Co.

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

	1989	1988
Gross premiums	$58,347,524	$61,711,439
Excess liability	100%	100%
Admitted	100%	100%
Net premiums	$19,522,836	$17,893,973
Paid-in capital	$4,000,000	$4,000,000
Capital & surplus	$39,570,443	$36,453,093
Total employees	NA	NA
Combined ratio	98%	98.3%
Net income	$4,660,874	$3,716,664
Best's rating	A+(e)	A+(e)

Year founded: 1985.
Parent company: General Re Corp.
Specialties: Casualty excess and umbrella.
Admitted in: All states except Hawaii.
Principal officers: Kevin P. Brooks, president.
Contact: Mary Ann Brown, assistant vp, 203-328-5997.

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

	1989	1988
Gross premiums	$7,900,491	$6,822,392
Non-admitted	$6,292,942	$3,141,981
Commercial risks	95%	95%
Net premiums	$2,186,841	$3,166,383
Paid-in capital	$500,000	$500,000
Capital & surplus	$1,604,461	$1,288,046
Employees	15	15
Combined ratio	103.6%	74.1%
Net income	$245,369	$450,921
Best's rating	NA	NA

Year founded: 1986.
Parent company: Texas General Agency Inc.
Specialties: Restaurants, taverns, small subcontractors.
Approved non-admitted in: Alabama, Arizona, Florida, Kansas, Michigan, Mississippi, Nebraska, New Mexico, North Dakota, South Dakota, Tennessee, Texas, West Virginia and Wyoming.
Admitted in: Oklahoma.
Principal officers: Ann Cangelosi, president; Don E. Meyer, secretary/treasurer; Sam Cangelosi and Don Cangelosi, vps.
Contact: Sam Cangelosi.

Harbor Insurance Co.

180 Maiden Lane, New York, N.Y. 10038; 212-440-3400

	1989	1988
Gross premiums	$309,294,531	$316,828,676
Excess liability	35%	35%
Admitted	100%	100%
Net premiums	$121,699,345	$164,051,702
Paid-in capital	$3,00,000,000	$3,000,000
Capital & surplus	$110,011,312	$87,548,095
Total employees	193	210
Excess lability	38%	50%
Combined ratio	116.1%	126%
Net income	$17,107,018	($8,142,120)
Best's rating	A(c)	A(p)

Year founded: 1946.
Parent company: Continental Corp.; managed by Continental E&S.
Subsidiaries: Pacific Insurance Co., New York.
Admitted in: District of Columbia and all states except Maine.
Principal officers: Bryan Reid III, William Cullen, Alan Pritz, James DiForio and Ronald Stewart.

Health Providers Insurance Co.

211 E. Ontario, Suite 1000, Chicago, Ill. 60611; 312-642-4962; fax: 312-642-0348

	1989	1988
Gross premiums	$24,927,025	$25,366,286
Non-admitted	$15,845,098	$16,792,569
Commercial risks	100%	100%
Net premiums	$23,372,255	$25,105,830
Paid-in capital	$2,700,000	$2,700,000
Capital & surplus	$29,658,990	$27,417,077
Employees	25	22
Combined ratio	104.1%	98.6%
Net income	$4,933,480	$2,200,515
Best's rating	A−(s)	NA

Year founded: 1979.
Parent company: American Hospital Assn.
Specialties: Risks of American Hospital Assn. members.
Subsidiaries: Health Providers Insurance Co. of Vermont, Montpelier, Vt.
Approved non-admitted in: 30 states and District of Columbia.
Admitted in: Illinois and Vermont.
Principal officers: Sister Irene Kraus, chairman; Dennis W. Olsen, president; Gerald M. Olney, executive vp; David F. Drake, treasurer; James A. Henderson, secretary.
Contact: Anne E. Bauer, vp.

Indemnity Underwriters Insurance Co.

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

	1989	1988
Gross premiums	$12,011,208	$7,961,649
Non-admitted	$11,663,685	$7,178,872
Commercial risks	97%	90%
Net premiums	$2,166,432	$948,463
Paid-in capital	$1,500,000	$1,500,000
Capital & surplus	$6,154,930	$3,861,699
Employees	NA	NA
Combined ratio	(82.5%)	2.5%
Net income	$2,429,342	$778,275
Best's rating	NA	NA

Year founded: 1976.
Subsidiaries: International Underwriters Insurance Co., Smyrna, Del.
Approved non-admitted in: 26 states and District of Columbia.
Admitted in: Oklahoma.
Principal officers: Robert H. Garwood, president; Robert H. Garwood II, vp; Melinda L. Florio, secretary/treasurer.
Contact: Robb Garwood.

Interstate Fire & Casualty Co.

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

	1989	1988
Gross premiums	$96,289,201	$99,757,400
Non-admitted	$40,950,898	$50,464,379
Commercial risks	96.5%	98.1%
Net premiums	$49,837,239	$45,896,244
Paid-in capital	$4,200,000	$4,200,000
Capital & surplus	$78,101,924	$70,540,777
Employees	NA	NA
Combined ratio	122.8%	110.7%
Net income	$5,095,162	$10,802,640
Best's rating	A−(p)	A−(p)

Year founded: 1950.
Parent company: Interstate National Corp.
Subsidiaries: Chicago Insurance Co. and Interstate Indemnity Co., Chicago.
Approved non-admitted in: All states except Illinois, Michigan and New Hampshire.
Admitted in: Illinois and Michigan.
Principal officers: Patrick Stephen O'Flynn, president; Kenneth Thomas Batchelder, secretary; Michael Patrick Sullivan, treasurer.

Investors Insurance Co. of America

100 Metro Park South, Laurence Harbor, N.J. 08878; 201-566-1800; fax: 201-566-0181

	1989	1988
Gross premiums	$12,976,663	$27,375,331
Non-admitted	$3,514,985	$1,296,820
Commercial risks	100%	100%
Net premiums	$2,981,767	$11,559,589
Paid-in capital	$2,500,000	$2,500,000
Capital & surplus	$22,726,433	$20,153,785
Employees	55	69
Combined ratio	182.3%	128.5%
Net income	$246,412	($193,858)
Best's rating	NA	NA

Year founded: 1961.
Parent company: Investors Insurance Holding Corp.
Specialties: Product liability, general liability and unprotectd property.
Subsidiaries: Chesapeake Casualty Co., Laurence Harbor, N.J.
Approved non-admitted in: 24 states and District of Columbia.
Admitted in: Florida, Georgia, New Jersey and New York.
Principal officers: Frederick H. Brown, chairman; D. Michael Polizzi, president/chief executive officer; Frank T. Buziak, executive vp/chief financial officer.

Jefferson Insurance Co. of New York

30 Vesey St., New York, N.Y. 10007; 201-433-7677; fax: 201-433-3265

	1989	1988
Gross premiums	$69,384,389	$79,422,129
Non-admitted	$4,280,345	$1,752,969
Commercial risks	63%	47%
Net premiums	$53,616,638	$55,157,652
Paid-in capital	$10,453,700	$8,362,900
Capital & surplus	$51,304,987	$34,271,065
Employees	126	115
Combined ratio	107.7%	102.7%

Continued on next page



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weekly meetings and monthly site inspections with each contractor to make sure the safety plan is working, and to quickly adjust it to changing conditions.

Our constant involvement is paying off for our customer. In just one year, we've helped the airport establish an incident rate and lost time frequency that's two-thirds lower than the national average for heavy construction.



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He'll be glad to show you how our partnership approach to safety management works just as well for agricultural, retail, manufacturing, and service companies.

Argonaut

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Continued from previous page

Net income	**$5,150,177**	$7,428,709
Best's rating	**A-(p)**	B+(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, Louisiana, Mississippi and Hawaii.
Admitted in: 46 states and District of Columbia.
Principal officers: Claus Cardinal, president/chief executive officer; John D. Curry, executive vp; James Hughes and Alexander Sarrigeorgiou, senior vps; Vincent Celano, vp/treasurer.
Contact: Joseph Russo, 212-385-2491.

Midwest Employers Casualty Co.

300 Main St., Cincinnati, Ohio 45202; 314-567-4575; fax: 314-567-0612

	1989	1988
Gross premiums	**$28,493,022**	$17,651,129
Excess liability	**100%**	100%
Admitted	**84%**	74%
Net premiums	**$23,493,565**	$14,023,175
Paid-in capital	**$2,350,000**	$2,350,000
Capital & surplus	**$25,111,170**	$10,346,765
Total employees	**27**	18
Excess lability	**27**	18
Combined ratio	**95.1%**	94.6%
Net income	**$653,040**	$131,808
Best's rating	**NA**	NA

Year founded: 1986.
Parent company: MECC Inc.
Approved non-admitted in: Alaska, California, North Carolina, Oklahoma and Virginia.
Admitted in: 31 states and District of Columbia.
Principal officers: James Thomas Markham, president; Joseph Beech III, secretary; James Michael Foley, treasurer; Steven J. Link, vp-claims; Harry J. Pettey Jr., vp-underwriting.
Contact: Steven J. Link.

Mount Hawley Insurance Co.

9025 N. Lindbergh Drive, Peoria, Ill. 61615; 309-692-1000; fax: 309-692-1068

	1989	1988
Gross premiums	**$34,547,870**	$40,689,632
Non-admitted	**$34,507,670**	$40,564,066
Commercial risks	**100%**	100%
Net premiums	**$14,440,666**	$11,138,749
Paid-in capital	**$4,100,000**	$4,100,000
Capital & surplus	**$28,927,579**	$14,422,442
Employees	**NA***	NA*
Combined ratio	**104.7%**	109.7%
Net income	**$67,147**	$2,033,526
Best's rating	**A-**	A-(e)

* 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: 49 states and District of Columbia.
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, King of Prussia, Pa. 19406-0951; 215-688-2535; fax: 215-688-4391

	1989	1988
Gross premiums	**$46,991,502**	$57,176,238
Non-admitted	**$31,601,857**	$38,840,960
Commercial risks	**67%**	68%
Net premiums	**$35,755,597**	$49,007,720
Paid-in capital	**$4,100,000**	$4,100,000
Capital & surplus	**$93,095,933**	$75,683,612
Employees	**80**	80
Combined ratio	**61.4%**	66.2%
Net income	**$27,417,618**	$27,354,118
Best's rating	**A+**	A+

Year founded: 1958.
Parent company: United States Liability Insurance Co.
Specialties: Professional liablity 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, president; Robert Benjamin Berry, secretary; Bernard Thomas Quinn, treasurer; Louis Francis Rivituso, vp; Henry Joeph Mitchell, Theodore Michael Ziffer and Donald Alan Boyd.

National Fire & Marine Insurance Co.

3024 Harney St., Omaha, Neb. 68131; 402-536-3000; fax: 402-536-3030

	1989	1988
Gross premiums	**$47,623,742**	$71,188,846
Non-admitted	**$33,234,580**	$53,497,629
Commercial risks	**69.8%**	75.1%
Net premiums	**$18,024,134**	$31,105,896
Paid-in capital	**$2,500,000**	$2,500,000
Capital & surplus	**$732,791,070**	$503,767,295
Employees	**20**	22
Combined ratio	**110.5%**	80.6%
Net income	**$23,312,164**	$25,926,498
Best's rating	**A+(s)**	A+(s)

Year founded: 1949.
Parent company: Berkshire Hathaway Inc.
Specialties: Commercial automobile, excess liability, physical damage, general liability.
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; Tyson T. Cross, Michael A. Fortune and Philip M. Wolf, vps.

Nautilus Insurance Co.

7550 E. Redfield Road, Scottsdale, Ariz. 85260; 602-951-0905; fax: 602-951-9730

	1989	1988
Gross premiums	**$63,163,809**	$60,340,495
Non-admitted	**$62,686,392**	$59,915,360
Commercial risks	**97.1%**	97.3%
Net premiums	**$26,738,545**	$31,875,554
Paid-in capital	**$4,200,000**	$4,200,000
Capital & surplus	**$17,448,629**	$15,956,105
Employees	**73**	70
Combined ratio	**98.0%**	96.0%
Net income	**$5,304,624**	$3,158,800
Best's rating	**A+(e)**	A+(ce)

Year founded: 1985.
Parent company: W.R. Berkley Corp.
Specialties: Exercise facilities, special events, daycare centers, tanning salons, artisan contractors and vacant properties.
Approved non-admitted in: District of Columbia and all states except Arizona.
Admitted in: Arizona.
Principal officers: Michael J. Snead, president; Eugene J. Keating Jr., chief operating officer; Kenneth J. Brundage, Kenneth E. Lewin and Douglas B. Rutherford, vps.
Contact: Eugene J. Keating Jr.

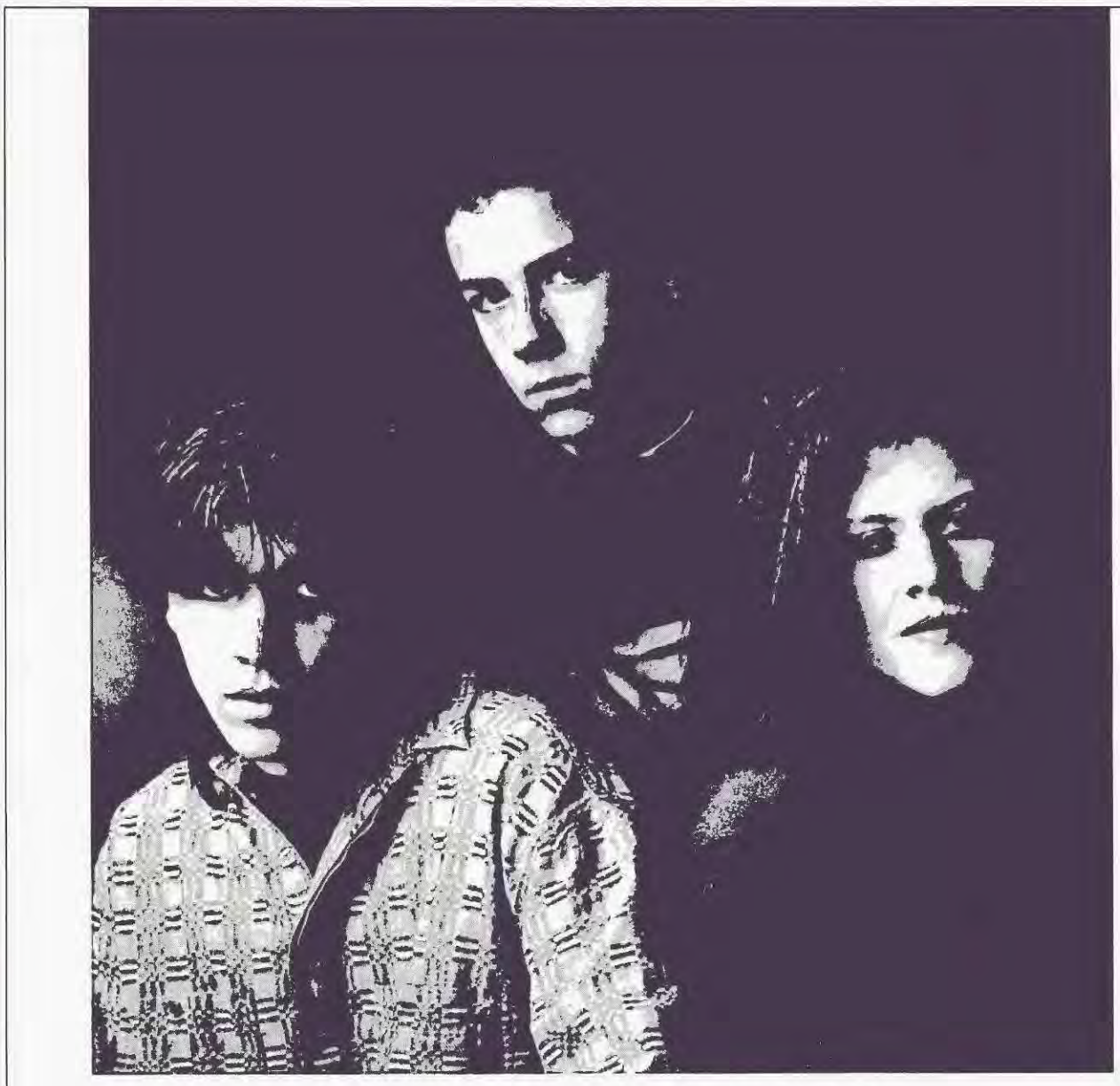
New England Insurance Co.

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

	1989	1988
Gross premiums	**$150,655,313**	$132,424,170
Excess liability	**80%**	80%
Admitted	**100%**	100%
Net premiums	**$76,032,096**	$78,625,164
Paid-in capital	**$3,000,000**	$3,000,000
Capital & surplus	**$62,405,504**	$56,619,219
Total employees	**250**	250
Excess liability	**25**	25
Combined ratio	**105.6%**	101.7%
Net income	**$6,066,861**	$12,099,931
Best's rating	**A+(c)(p)**	A+(c)(p)

Year founded: 1954.
Parent company: Hartford Insurance Group.
Specialties: All-risk property, umbrella liability.
Admitted in: District of Columbia and all states.
Principal officers: Lawrence S. Doyle, chief executive officer; Ralph J. Palmieri, president/chief operating officer; David R. Robb, William Griffiths and Lynford M. Richardson, executive vps.

Continued on next page



The revolving door stops at San Marcos Treatment Center.

Difficult-to-treat. Treatment-resistant. Hard-to-manage. Whatever adjective you use, you know the kids we're talking about. They're the ones who drain company resources through repetitive psychiatric hospitalizations.

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Our track record speaks for itself. Current outcome statistics show that at one year post-discharge, 59 percent of our patients retained or improved upon the gains made in treatment, and 69 percent are reported by parents to be in good to excellent condition. Results like that show up on your bottom line.

Stop the revolving door you face with difficult-to-treat outliers. Call the San Marcos Treatment Center. 1-800-251-0059.

San Marcos Treatment Center
A Brown Schools Psychiatric Hospital

Accredited by the Joint Commission on Accreditation of Healthcare Organizations ♦ P.O. Box 768, San Marcos, Texas 78667-0768

Continued from previous page

Northfield Insurance Co.

1295 Northland Drive, St. Paul, Minn. 55120-1139; 612-688-4100; fax: 612-688-4280

	1989	1988
Gross premiums	$49,217,766	$43,579,500
Non-admitted	$44,839,075	$43,579,500
Commercial risks	100%	100%
Net premiums	$31,816,947	$23,925,847
Paid-in capital	$2,500,000	$2,500,000
Capital & surplus	$36,472,618	$29,896,038
Employees	272	214
Combined ratio	94.4%	97.8%
Net income	$4,592,687	$3,201,753
Best's rating	A+	A+

Year founded: 1972.
Parent company: Northland Insurance Co.
Specialties: Property, liability for nursing homes, daycare centers, municipalities, schools, ambulance services, security services, restaurants, manufacutrers, specialized contractors, special events and professionals.
Approved non-admitted in: 43 states and District of Columbia.
Admitted in: Missouri.
Principal officers: Gene G. Gopon, Jerome B. Simon, Austin Chapman, Randall D. Jones and Daniel J. Zaborsky.
Contact: Kari Goers or Terry Mahlstedt, 612-688-4303.

Pacific Insurance Co.

180 Maiden Lane, New York, N.Y. 10038; 212-440-3790

	1989	1988
Gross premiums	$111,700,676	$74,490,304
Non-admitted	$49,333,455	$50,089,556
Commercial risks	100%	100%
Net premiums	$47,774,520	$18,227,967
Paid-in capital	$4,500,000	$4,500,000
Capital & surplus	$27,862,327	$26,935,407
Employees	NA	NA
Combined ratio	115.0%	127.2%
Net income	$907,127	$522,963
Best's rating	A(c)	A(p)

Year founded: 1978.
Parent company: Harbor Insurance Co.; managed by Continental E&S.
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: Bryan Reid III, William Cullen, Alan Pritz, James DiForio and Ronald Stewart.

Penn-America Insurance Co.

420 S. York Road, Warminster, Pa. 18974; 215-443-3600; fax: 215-441-5098

	1989	1988
Gross premiums	$23,191,069	$23,491,823
Non-admitted	$10,328,231	$11,463,823
Commercial risks	50.5%	50.5%
Net premiums	$16,945,359	$12,701,583
Paid-in capital	$2,600,000	$2,600,000
Capital & surplus	$9,637,190	$9,316,431
Employees	38	37
Combined ratio	108.3%	105.8%
Net income	$324,583	$888,666
Best's rating	B+	B+

Year founded: 1975.
Parent company: Penn Independent Corp.
Specialties: Roofers, daycare centers, building contractors, apartments, hotels, motels, restaurants, taverns, special events, property.
Approved non-admitted in: 30 states and District of Columbia.
Admitted in: California, Delaware, Missouri, Nebraska, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota and Washington.
Principal officers: Jon S. Saltzman, president; Jon M. DiBiasi, vp-underwriting/marketing; Tom Reed, vp-claims.
Contact: John M. DiBiasi, 215-443-3652.

RLI Insurance Co.

9025 N. Lindbergh Drive, Peoria, Ill. 61615; 309-692-1000; fax: 309-692-1068

	1989	1988
Gross premiums	$96,349,414	$84,637,805
Non-admitted	27.7%	21%
Commercial risks	100%	100%
Net premiums	$46,273,564	$46,397,437
Paid-in capital	$2,500,094	$2,500,094
Capital & surplus	$68,863,713	$60,023,643
Employees	265	290
Excess liability	16	13
Combined ratio	96.5%	93.9%
Net income	$9,631,330	$9,361,145
Best's rating	A-(s)	A-(s)

Year founded: 1959.
Parent company: RLI Corp.
Specialties: Commercial umbrella and excess liability, difference-in-conditions and earthquake on California properties, directors and officers and miscellaneou professional liability.
Approved non-admitted in: District of Colombia, Puerto Rico and all states.
Principal officers: Gerald Stephens, James Zogby, Gary Bonham, Joseph Colosimo, Jonathon Michael.
Contact: Jerome E. Mershon.

Tudor Insurance Co.

48 S. Franklin Turnpike, Ramsey, N.J. 07446; 201-825-3300; fax: 201-825-1052

	1989	1988
Gross premiums	$23,283,366	$31,248,677
Non-admitted	$18,339,790	$25,819,027
Commercial risks	100%	100%
Net premiums	$8,262,359	$9,578,549
Paid-in capital	$4,100,250	$4,100,250
Capital & surplus	$10,481,538	$5,755,480
Employees	140	138
Combined ratio	112.7%	110%
Net income	$2,090,475	$1,114,894
Best's rating	A(p)	A(p)

Year founded: 1979.
Parent company: Western World Insurance Co.
Specialties: Public officials liability, school board liability, directors and officers liability, fiduciary liability.
Approved non-admitted in: 49 states and District of Columbia.
Admitted in: New Hampshire.
Principal officers: Derek Hughes, president; Andrew S. Frazier, executive vp; Richard L. Smith, senior vp; John Caruccio, senior vp-claims; Robert Livingston, senior vp/treasurer.
Contact: Richard L. Smith.

United Capitol Insurance Co.

1400 Lake Hearn Drive, Suite 130, Atlanta, Ga. 30319; 404-843-5599; fax: 404-843-5598

	1989	1988
Gross premiums	$43,936,098	$56,460,769
Non-admitted	$42,049,865	$53,212,147
Commercial risks	95.7%	94.2%
Net premiums	$31,680,412	$36,821,281
Paid-in capital	$4,100,000	$4,100,000
Capital & surplus	$59,361,737	$55,701,264
Employees	44	45
Combined ratio	93.1%	72.0%
Net income	$9,196,223	$8,720,067
Best's rating	NA	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 and Wisconsin.
Admitted in: Arizona and 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.

Western World Insurance Co.

48 S. Franklin Turnpike, Ramsey, N.J. 07446; 201-825-3300; fax: 201-825-1052

	1989	1988
Gross premiums	$72,219,884	$80,220,638
Non-admitted	$61,440,541	$69,166,997
Commercial risks	100%	100%
Net premiums	$44,330,476	$49,337,772
Paid-in capital	$4,100,000	$4,100,000
Capital & surplus	$54,635,896	$25,163,260
Employees	140	138
Combined ratio	101.4%	103%
Net income	$9,433,879	$8,788,375
Best's rating	A(p)	A(p)

Year founded: 1964.
Parent company: Westco Holding Co.
Specialties: General liability and miscellaneous professional liability.
Subsidiaries: Tudor Insurance Co. and Stratford Insurance Co., Keene, N.H.
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; Richard L. Smith, senior vp; John Caruccio, senior vp-claims; Robert Livingston, senior vp/treasurer.
Contact: Richard L. Smith. ■



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THE FAST TRACK TO A COMEBACK

Spotlight report

Swett again is largest U.S. wholesaler

Swett & Crawford Group

3699 Wilshire Blvd., Los Angeles, Calif. 90010; 213-251-1200; fax: 213-487-1874

	1989	1988
Premium volume	$557,815,000	$501,138,000
Gross revenues	$53,777,000	$46,966,000
Employees	677	629
Commercial lines	100%	100%
Admitted business	35%	60%
Non-admitted	65%	40%

The integration of Swett & Crawford's operations with other wholesale brokerage operations acquired when its parent purchased Minet Holdings P.L.C. has enabled Swett & Crawford to hold its own in a lingering soft market.

Los Angeles-based Swett & Crawford, a unit of The St. Paul Cos. Inc., was the largest U.S.-based surplus lines broker for the seventh straight year, based on 1989 premium volume of $557.8 million, up 11.3% from 1988's $501.1 million.

In addition, Swett has reassumed the mantle of the nation's largest wholesaler of any kind, a position that it held throughout most of the 1980s. Underwriting manager The Schinnerer Group Inc. edged out Swett & Crawford in the *Business Insurance* rankings of the top wholesalers a year ago with $569 million in 1988 premium volume.

However, Schinnerer's premium volume decreased 3.7% in 1989 to $548.2 million, again making Swett & Crawford the nation's largest wholesaler.

In addition to its increased premium volume, Swett & Crawford's gross revenues grew 14.5% in 1989 to $53.8 million from $47 million the year before.

"We feel the 1989 year was successful for our organization," said Warren S. Stanley, president and chief executive officer. "Stability was one of our hallmarks. We celebrated our 75th anniversary last year."

In addition, "our ownership remains committed to a long-term brokerage strategy. This, coupled with the intensity of our people and the ability to retain and attract quality personnel, has allowed us to retain our market position and our revenue levels in what we think is an extremely difficult environment," Mr. Stanley explained.

He attributes higher premium volume largely to Swett & Crawford's consolidation with Bowes & Co., a Minet wholesale subsidiary in Chicago.

While it is impossible to separate the business generated by the two divisions, "since we are now one organization with one back room," Mr. Stanley estimated that if Bowes' results were not incorporated with Swett & Crawford's, "I would say we'd be very close to flat" in terms of growth.

He also attributed a 7.6% increase in staff size to 677 employees in 1989 from 629 in 1988 to the Bowes consolidation.

Had Bowes' employees not been included, Swett & Crawford would have reported a 5% staff reduction last year due to office integrations and attrition, according to Robert A. Scott, executive vp and chief financial officer.

To retain its position as the nation's largest wholesaler, the company has been reinforcing its marketing identity as a "singular organization" whose management operates separately from St. Paul, according to Mr. Stanley.

In addition, the company is strengthening its specialty risks operations by beefing up its staff and providing new programs in these niche product areas.

Swett & Crawford also has established a set of quality standards that dovetails with its 2½-year-old employee training and education program, dubbed Swett University.

Today's Swett & Crawford Group began forming in 1981 when St. Paul acquired a Los Angeles-based wholesale broker, then known simply as Swett & Crawford.

In 1985, in the midst of an aggressive acquisition campaign, St. Paul hired Joseph L. Fox as president of the group to help create a national wholesale brokerage composed of regional wholesalers. Mr. Fox retired at year-end 1988.

In mid-1988, following St. Paul's acquisition of Minet, the insurer announced a realignment of its wholesale brokerage operations and created Minet Specialty Management to oversee Swett & Crawford Group and Minet's U.S. wholesale subsidiaries, Bowes & Co. and Minet Professional Indemnity Ltd.

As part of this realignment, Bowes became part of Swett & Crawford Group and the wholesaler's other seven units were also blended into the organization. Minet Professional Indemnity remains a separate, sister company to Swett & Crawford.

The semi-autonomous units that had made up Swett & Crawford "can no longer be described as individual entities because we have integrated so thoroughly," asserted Nancy L. Oblinger, senior vp.

Those units were:

- John H. Crowther Inc. of Minneapolis, which specialized in commercial automobile, financial services liability and liquor liability coverages.
- Montgomery General Agency of Ardmore, Pa., a specialist in primary product liability, general liability and large industrial property placements.
- Fort Hill Insurance Agency of Boston, which specialized in commercial automobile coverage and errors and omissions coverages.
- IWest Insurance Managers of Stockton, Calif., which offered public officials liability coverages and had binding authority for commercial umbrella coverage underwritten by St. Paul Surplus Lines Insurance Co.
- Dana Roehrig & Associates of St. Petersburg, Fla., which placed excess liability and commercial auto coverage for small to medium-sized clients. This unit also had general liability binding authority for some markets.
- Robert S. Martin of Detroit, a general wholesale broker and underwriting manager.
- SFO Inc. of Kansas City, Mo., a specialty wholesaler that placed coverage for bowling centers and supermarkets.

Today, Swett & Crawford is reorganized into three geographic divisions, each headed by an executive vp: western, Daniel V. Colacurcio; central, Ronald D. Wartick; and eastern, Thomas J. Sullivan.

Senior vps are responsible for 11 smaller territories within the divisions, such as the Mid-Atlantic or the Southwest regions.

To further break down the management by discipline as well as by geography, Swett & Crawford has established four marketing or specialty councils.

Each council consists of eight to 10 members from all geographic re-

Continued on next page

HOW ARKWRIGHT MINIMIZE YOUR COST OF RISK.

Continued from previous page
gions within the company. The membership changes periodically to pump new blood into the councils and to give employees expertise in other disciplines, according to Mr. Stanley.

The councils and their responsibilities are the:

- Managing General Agency Council, which develops business plans and market contacts for Swett & Crawford's MGA business.
- Casualty Council, which develops casualty insurance plans and products.
- Property Council, which develops property insurance plans and products.
- Financial Services Council, which specializes in developing plans and products for errors and omissions and directors and officers liability insurance.

To compete in a market where admitted capacity is plentiful, Swett & Crawford is concentrating on niche business. Those lines include energy-related coverages, professional liability coverages such as financial institutions D&O, pollution liability and construction.

In its energy operations, which include both utility and oil-related businesses, Swett & Crawford has "amassed a large group of experts including the former risk manager of a large utility company," said John R. Hartman, executive vp and chief operating officer.

"We believe utilities will continue to be a growing area," he added.

Swett & Crawford is marketing $25 million in umbrella coverage for regulated utilities on a manuscript occurrence form. The program is being marketed to midsized, non-nuclear regulated utilities.

Swett & Crawford also has beefed up its staff servicing professional liability lines, which make up nearly a third of the wholesale broker's business, according to Mr. Hartman.

In addition "we're fortunate that Bowes brought us access to line slip facilities," he added.

The merger with Bowes gave Swett & Crawford access to an architects and engineers line slip that provides professional liability coverages and a financial institutions line slip that provides several programs, including D&O coverage. Both slips are underwritten in London.

Among Swett & Crawford's new 1989 product offerings is an environmental impairment liability policy for underground storage tanks. The program—which is designed for tank owners, operators and contractors—provides primary and excess liability limits up to $1 million on a claims-made basis.

Additional limits are available to comply with the U.S. Environmental Protection Agency's financial responsibility requirements for underground storage tanks.

Swett & Crawford officials would not name the underwriter.

Venturing further into this market, the company unveiled late last month a new energy program to provide primary and excess liability coverage for oil and gas operators, non-operators and contractors.

Up to $5 million in limits are available through a non-admitted domestic carrier, and most policies are written on a modified 1986 occurrence form.

Approximately 30% of Swett & Crawford's premiums are generated by its financial services division, which includes D&O and E&O coverage and bonds.

Another 15% is generated by property coverages, with the remainder coming from casualty lines. The casualty business is split 50-50 between primary and excess.

Swett & Crawford also is "looking into" expanding into risk management consulting in conjunction with other St. Paul or Minet-owned operations, according to Mr. Hartman.

Since the merger with Minet, "there's expertise to be tapped," Mr. Scott pointed out.

Swett & Crawford produced a larger share of its premium volume last year by acting as either an underwriting manager or as a managing general agent—25% in 1989 compared with 20% the year before.

And Mr. Stanley said the brokerage plans further growth in this area following the creation earlier this year of Swett Insurance Managers, a division responsible for binding authority business.

Swett & Crawford affiliates act as a managing general agent for 28 insurers.

The remaining 75% of the wholesaler's 1989 premium volume was produced by brokerage activities.

In 1989, renewal business accounted for about 75% of Swett & Crawford's binding authority business and about 65% of its pure brokerage business.

About 35% of 1989 premium volume was placed with admitted insurers and 65% with non-admitted insurers. While this may seem like an increase from 60% and 40%, respectively, in 1988, the change is really due to improved internal reporting systems, Mr. Stanley explained.

Swett's principal markets include: American Empire Surplus Lines Insurance Co.; American International Group Inc. units; Associated International Insurance Co., a subsidiary of Willis Faber P.L.C.; W.R. Berkley Corp. units; Berkshire Hathaway Inc. units; Canal Insurance Co.; Chubb Corp. units; CIGNA Corp. units; CNA Financial Corp.; Crum & Forster Inc. units; First State Insurance Co.; General Star Indemnity Co.; Harbor Insurance 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.

No single market represents more than 8% of Swett & Crawford's business, according to Mr. Hartman.

Because of the extended soft market, capacity for most risks has been substantial, according to Mr. Stanley, who sees no signs of tightening in the near future.

Competition has come not only from admitted insurers. Alternative risk financing mechanisms, including captives, risk retention groups and policyholder-owned facilities like A.C.E. Insurance Co. Ltd. and X.L. Insurance Co. Ltd., have put pressure on the brokerage, he added.

"Alternative markets are here to stay," Mr. Stanley said, noting, however, that the wholesaler has picked up some business that was underwritten by these facilities during the last hard market.

"We have gained customers that have used these markets," agreed Mr. Hartman. "And sometimes our best supplier has become our strongest competitor."

The loss of H.S. Weavers (Underwriting) Agencies Ltd. as a U.S. casualty market has not yet affected the business Swett & Crawford places, according to Ms. Oblinger.

"We're renewing most of our accounts even though Weavers is out of the market," she said, referring to liability accounts in general.

However, capacity for directors and officers liability coverage for financial institutions has hardened somewhat in the past year in light of the savings and loan crisis, according to Mr. Hartman.

Particularly hard hit is the market for D&O coverage for S&Ls in California, Arizona, Texas and Florida, he said.

Prices are also rising for as high-tech, aerospace contractors and other hard-to-place D&O coverages, Ms. Oblinger said.

In the rest of the D&O market, there is some competition in the form of less restrictive underwriting, according to Mr. Hartman.

Continued on next page

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Continued from previous page

Following the October 1989 California earthquake, the brokerage found property coverage capacity had shrunk somewhat for risks in earthquake-prone areas, according to Ms. Oblinger.

Between $250 million and $300 million in earthquake coverage currently is available from worldwide markets, down about $50 million in 1988, she said.

Prices are up 10% to 15% and underwriting is more restrictive, particularly for brick structures and those built before the 1960s, Ms. Oblinger noted.

As part of its internal employee training, Swett & Crawford introduced a set of quality standards last year.

The standards, which are contained in a 22-page ring-bound manual, detail procedures for handling everything from confirmation of coverage by telephone to handling renewal requests received by facsimile machine.

The wholesaler also expanded its Swett University classes this year to include a technical support program. The new program currently has two modules—an overview on how each employee's job relates to the company's business and another module providing time management tips. A third module on errors and omissions prevention techniques is being developed.

More than 100 employees have taken classes in the technical support program, while some 300 have completed the basic Swett University training program. Another 100 have completed the advanced program, according to Ms. Oblinger.

While Swett & Crawford made no top management changes in the past year, several regional managers were appointed, including Donald F. Privett in New York, David Cregger in Chicago and Denise Dockendorf in St. Louis.

Two offices were closed last year: the Charlotte, N.C., office became part of the Greensboro, N.C., office and the Bismarck, N.D., office was merged with Minneapolis operations.

"They were all peripheral operations," Mr. Stanley explained.

Those closings reduced its total offices to 35 from 37. The wholesaler now operates in 27 states, down from 28 the year before.

Swett & Crawford made no acquisitions in 1989 and has no plans for any in the immediate future, according to Mr. Stanley.

However, the wholesaler did purchase the books of business of two surplus lines brokers in New York and Denver with a combined annual premium volume of less than $3 million. The New York acquisition occurred in 1989 and the Denver acquisition was made this year.

Swett & Crawford is a member of both AAMGA and NAPSLO.

—By Joanne Wojcik



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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: 404-240-5393

	1989	1988
Premium volume	**$272,225,000**	$308,513,000
Gross revenues	**$16,590,000**	$18,411,000*
Employees	**203**	207
Commercial lines	**100%**	100%
Admitted business	**75%**	65%
Non-admitted	**25%**	35%

* Restated.

Surplus lines business is shrinking at Alexander Howden North America Inc., as the soft insurance market continues to take its toll on the Atlanta-based wholesale broker.

In 1989, Howden North America placed three-quarters of its business with admitted companies, a steady climb from 65% in 1988 and 43% in 1987.

"We haven't figured it out for '90 but we wouldn't be surprised if it's crept down somewhat further," said Howden North America Chairman Daniel E. Kestenbaum.

The soft market forces that prompt admitted insurers to write business that they would reject during a firmer market also are hammering away at Howden North America's premium volume and gross revenues.

Premium volume fell 12% in 1989 to $272.2 million from $308.5 million the year before. That comes on the heels of a 16.5% decline in premiums in 1988, which dropped from $369.6 million in 1987.

And, gross revenues dipped 9.9% to $16.6 million in 1989 from a restated $18.4 million in 1988. Howden North America's 1988 revenues were restated to account for the sale last year of Howden North America unit Eyl & Gordon Insurance Brokers, a New York-based wholesaler that specializes in jewelers block, fine arts and precious metals coverages. The unit was sold to its management.

Howden North America, a subsidiary of Alexander & Alexander Services Inc. of New York, finished 1989 as the second largest U.S. wholesale broker ranked by *Business Insurance,* unchanged from its ranking a year ago. Howden North America is the sixth-largest wholesaler of any type.

Howden North America isn't counting on a turn in the commercial insurance market any time soon.

"Inevitably there will be some hardening," said Mr. Kestenbaum, but he doesn't look for it until around 1992. "We'd love to be wrong, but we're not changing our thinking yet. In our marketplace, there has been no firming—quite the contrary," he said.

Continued on next page

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Bruce E. Harrell, executive vp and chief operating officer of Howden North America, pointed out that the wholesale broker's "strategic plan assumes no hardening of the market. Our strategies are to work toward overcoming that."

In addition, Mr. Kestenbaum said he foresees a new factor that could bring profound changes to the already competitive insurance market in the United States.

"Everybody talks about overcapacity," he remarked, "but what concerns me very much is that the Japanese have not really moved into the market at all. They have tremendous surplus and wealth. If they choose to write business in North America—and for that matter in Europe—as relatively new players, this can just exacerbate an already existing overcapacity. . . .We're talking about immense surplus."

Mr. Kestenbaum said he senses a move by the Japanese into the North American insurance market. "They are anxious to invest in anything that is North American. How far can insurance be behind?"

Howden North America's strategy for boosting business in a soft market involves concentrating on sales, marketing and standards of excellence.

Mr. Kestenbaum explained that the intermediary's sales effort focuses on the "critical few" retail agents that Howden North America prefers to work with. This focus means "giving them our primary effort, providing them with the best service and being with them as often as possible on a personal basis," he said.

Marketing means spending "a lot of time improving our relationships, developing better relationships with our critical markets," said Mr. Harrell.

And the wholesaler's standards of excellence cover "quality control and quality of service," said Mr. Harrell.

For example, standards like "response time" by Howden North America staff to customers are checked by self-audits "to determine whether the standards are being met," Mr. Kestenbaum explained.

Those strategies, Mr. Harrell said, "will allow us to be prosperous during the kind of market we're going to be in most of the time."

Renewals in June and on July 1 were strong for Howden North America, according to Mr. Kestenbaum, although casualty premiums were down 10% compared to the same renewal period a year ago.

The casualty operation has hired additional staffers in the past year to strengthen its quality of service.

"One of the hardest things to do is find good, qualified people. We're continually looking for qualified people," Mr. Harrell said.

"We have significantly enhanced our staff," he added, although Howden North America's total employee count dropped slightly to 203 in 1989 from 207 in 1988. The "enhancements" have come from new training in technical areas and polishing "people skills" for existing staffers while acquiring and training new personnel, Mr. Harrell noted.

Howden North America operates according to a "networking" philosophy that directs business to the broker most qualified to handle it.

"Our networking system continues to work very well," said Mr. Harrell. "We make sure that a risk is given to the broker who's got the best relationship with a particular market. . .it's a positive way of doing business."

Mr. Kestenbaum pointed out that 90% of Howden North America's placements that generate more than $150,000 in premiums are brokered on a face-to-face basis with underwriters. "We're proud of that fact."

While casualty business continues to slump, property business remains strong for Howden North America.

Property coverage "continues to grow in a very, very soft market," said Mr. Harrell. "The general property division did very well in 1989 and continues to do well in 1990."

Howden North America's property premiums totaled $65.7 million in 1989, compared with $63 million written in 1988.

Mr. Harrell said, "We've got retail agents coming to us for help because our people can do a job for them that nobody else can."

"We're certainly the largest property intermediary in North America," said Mr. Kestenbaum.

A bright spot during the soft market has been the performance of Howden North America's marine and energy program, according to Mr. Kestenbaum. The program was introduced in 1987 and is now integrated with Alexander Howden Ltd. in London, a Lloyd's of London brokerage unit of A&A.

The program, officially called Alexander Howden Marine & Energy, has performed "beyond our expectations," according to Mr. Kestenbaum, even though premiums were off in 1989 because of the soft market. The integration of the program with the London operation has developed "a teamwork and synergism that we believe is the reason for the increased activity, revenue and profit," he added.

Despite a decline in premiums to $15.5 million in 1989 from $21.9 million in 1988, Mr. Kestenbaum projects the program will generate $23.5 million in premiums this year.

Premiums generated by the program are attributed to either Howden North America or Alexander Howden Ltd. depending on circumstances like where the risk is underwritten and tax implications.

Clients purchase the coverage for offshore drilling rigs, offshore platforms, marine construction projects and other facilities.

The coverage is primarily placed in the London market with limits of $25 million to $300 million, depending on the type and complexity of the account.

Howden North America introduced a new program for marina owners earlier this year. The coverage is written by a London insurer for medium-sized to large facilities and provides limits of $1 million in primary coverage and excess coverage, depending on the marina's needs.

Mr. Kestenbaum said the marina

Continued on next page



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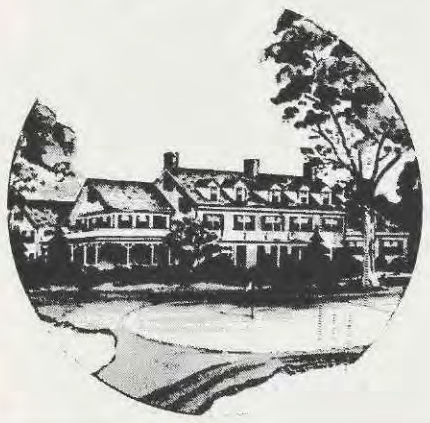
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Continued from previous page

program brings together several coverages that marina owners have not been able to find in one place. Among other things, the package provides all-risk property coverage, third-party liquor liability coverage, insurance for boats in dry stack storage, business interruption coverage, and seepage and pollution coverage.

Marina policies can be written on a three-year term. "We are actively soliciting that business," said Mr. Kestenbaum.

Howden North America's marine and energy staff is located in its Dallas office and in Toronto at the office of Howden Ltd., a brokerage unit specializing in placing business for utility companies.

Howden Ltd. places primary and excess liability limits of up to $45 million for utilities. The unit also handles property, boiler and machinery, and builders risk insurance for utilities.

In 1988, Howden North America established a health care division that operates from the Chicago office of Illinois R.B. Jones, a surplus lines broker and managing general agency that is part of the Howden North America network.

The health care unit can place claims-made or occurrence-based professional liability coverage for hospitals with limits of up to $25 million excess of primary coverage or a self-insured retention. Underlying coverage requirements depend on the size of the hospital or its location.

The division's performance, though, has so far been less than spectacular.

"It's there, it's functional," said Mr. Kestenbaum. "It has not been dynamic in growth."

Another lackluster performer in the soft insurance market has been Howden North America's financial services division, which was formed in 1988 to specialize in bankers blanket bonds and related coverages.

Howden North America can place up to $2.5 million in primary coverage and $5 million in excess limits for bankers blanket bond risks. Additional excess capacity is available on an "as needed" basis.

The coverage, placed by Illinois R.B. Jones, is primarily provided through a line slip underwritten syndicates at Lloyd's of London.

The coverage originally was targeted at financially troubled banks and savings and loans with less than $750 million in assets. But the coverage now is available to all financial institutions.

Mr. Harrell said he hopes a new product developed by the division will spur new placements.

The new product, due to be on the market within the next few weeks, will be offered to savings banks, which Mr. Harrell described as "a hybrid between a savings and loan and a bank." He declined to release further details until the product is on the market.

Illinois R.B. Jones also writes errors and omissions coverage for architects and engineers and a stop-loss program for employers that self-fund their group health care plans. The coverage is written on behalf of syndicates at Lloyd's.

The stop-loss program "continues to be very successful," Mr. Harrell emphasized.

Although Mr. Harrell did not disclose how much premium was written through the stop-loss program, he said 20% more was written in 1989 than in 1988 and predicted that volume would increase 85% to 90% this year. He noted that the coverage has become more affordable, prompting self-insured employers to buy the coverage.

Kidnap and ransom coverage also is available from R.B. Jones with limits of up to $20 million per loss/ $40 million aggregate.

"Premiums are picking up on that now," Mr. Harrell said of the kidnap and ransom coverage written by Lloyd's syndicates.

Howden North America's joint venture with Home Transportation Agency, a unit of The Home Insurance Co., has suffered as rates have risen.

Under the arrangement, Howden North America acts as an underwriting manager and offers limits of up to $5 million for long-haul trucking liability risks.

In the spring of 1989, rates for the coverage were boosted 35% and the amount of premiums written took a dive.

"We've lost market share because of it," Mr. Kestenbaum said of the rate hike, "and we're just now beginning to gain back business."

Premiums on that business fell to $25 million last year, from $35 million in 1988. Predictions are that the facility will write $18 million to $20 million this year.

"We're concerned about profitability and therefore we've lost market share," said Mr. Kestenbaum.

He said that competitors have priced the trucking liability coverage irresponsibly in some cases, although rates "are beginning to firm following our lead."

"We believe we're on much firmer ground in ultimately producing a long-term underwriting profit" for the long-haul trucking liability business, he added.

More successful is the physical damage insurance Howden North America began offering last year for truckers and commercial auto risks. The coverage is written on a line slip at Lloyd's and by an unnamed London insurer.

The physical damage coverage provides limits of $100,000 per vehicle or $150,000 per combined vehicle, such as a tractor-trailer. In addition, $500,000 in catastrophe limits are available.

Physical damage premiums written last year totaled $890,507 and, through July of this year, $1.5 million in premiums had been written.

However, a facility formed to provide umbrella coverages for the construction industry has stalled in the soft insurance market.

The facility was put together last year to allow Howden to place up to $100 million in limits for contractors and construction project owners. The coverage is written by domestic insurers and Lloyd's syndicates.

"It's not a difficult class of business right now to write," said Mr. Kestenbaum, explaining why clients don't look to the wholesaler to provide the coverage.

Howden North America's major markets include units of Crum & Forster Inc. of Morristown, N.J.; American International Group Inc. of New York; Philadelphia-based CIGNA Corp.; Hartford Insurance Group of Hartford, Conn.; Scottsdale Insurance Co. in Scottsdale, Ariz.; St. Paul Specialty Underwriting Inc. of St. Paul, Minn.; First State Insurance Co. of Boston; and Aetna Casualty & Surety Co. of Hartford, Conn.

Howden North America's offices are located in Atlanta; New York; Chicago; Cleveland; Toronto; Dallas; and San Francisco and Newport Beach, Calif.

In Atlanta, Howden North America moved from its Commerce Drive location to a new facility a few miles north.

In addition to Messrs. Kestenbaum and Harrell, principal officers at Howden North America are: John Hanna, president; Dave Wolf Jr., vice chairman; Robert B. Clay, Harvey Goldenberg, Michael McDermott and Dick Ruhe, regional directors; and Charlie Hollingsworth and Jim Sce, senior vps.

Howden North America is a member of AAMGA and NAPSLO.

—By Michael Bradford

Willis Faber Holdings Inc.

3075 Orchard Vista Drive S.E., Grand Rapids, Mich. 49546; 616-942-8000; fax: 616-942-0870

	1989	1988
Premium volume	$257,000,000	$282,000,000
Gross revenues	$20,376,000	$21,186,000
Employees	196	211
Commercial lines	100%	100%
Admitted business	36%	36%
Non-admitted	64%	64%

Willis Faber Holdings Inc. expects to earn new business—not be handed it—after its parent, Willis Faber P.L.C., completes its merger with Corroon & Black Corp.

"We like to think the business we get we earn, and we'll continue to earn it in the future based on the services we can provide and not just because we happen to be affiliated with someone," said Thomas S. Bloom, president of Grand Rapids, Mich.-based Willis Faber Holdings.

"Presumably it will give us some access to Corroon offices that we might not have had before," he said. "But that will be more their decision than ours."

Producers at New York-based C&B are "free to go any place they want to go to get the job done," Mr. Bloom noted.

"It's our expectation that we might increase our volume marginally with the Corroon & Black offices, but, frankly, we don't see any huge effect in that regard," he said, adding: "We prefer not to have any artificial volume.

"Obviously, if we end up being part of the same family, we would expect to improve our relationship with the various Corroon & Black offices," he said. However, "we are all agreed, including Willis Faber Holdings, that it would not be appropriate or to anyone's benefit to have the Corroon & Black offices be forced to use our facilities."

Willis Faber Holdings officials say they do not affect the pending merger to affect the wholesaler's business in 1991.

"The understanding with Willis Faber and Willis Corroon is that we will continue to report directly to London," Mr. Bloom said, referring to the merged companies. "Corroon & Black already has an internal wholesale operation, which they intend to maintain and operate as a separate entity."

He stressed that "the basic intent is we'll continue to operate as we have in the past, report to the same people in London and there will be no direct relationship between our" U.S. offices and those of C&B.

Other retail brokers, he acknowledges, may feel "somewhat threatened" by the relationship. "But we intend to make it very clear to the public and our customers that the relationship going forward will be independent, autonomous, at arm's length and the Corroon & Black offices will receive no better or worse service in the future than they have in the past.

"There will be no captive wholesaler relationship, no favoritism and no business forced into our facilities from Corroon & Black," he said.

Aside from being involved in the merger that will create the fourth-largest insurance brokerage company in the world, Willis Faber Holdings expanded on its own.

It opened a new office in Atlanta and is considering opening or acquiring others, said Mr. Bloom. Willis Faber Holdings also acquired a small wholesale brokerage when that operation's chief executive took over the reins of Willis Faber Holdings' New York-based Major Surplus Inc. unit.

But, said Mr. Bloom, the wholesaler otherwise reports "no major problems and no major changes."

Despite declining premium volume—down 8.9% to $257 million last year from $282 million in 1988—Willis Faber Holdings remains the third-largest wholesale broker and the seventh-largest U.S. wholesaler.

Gross revenues also declined, falling 3.8% to $20.4 million from $21.2 million in 1988.

Mr. Bloom called that performance "satisfactory," given soft market conditions.

In 1988, premium volume had dropped 26.4%, pushing the company down three spots in the wholesaler rankings and one notch on the list of wholesale brokers.

Results for the first six months of 1990 were "dead flat," he said.

First-half premium volume was $129.1 million in 1990, compared with $128.3 million in 1989. And gross first-half revenues stood at $10.1 million this year, compared with $10.2 million for 1989.

The wholesaler's employee count remained relatively unchanged as well. Although it reported 196 employees at the end of 1989, compared with 211 at the end of 1988, it reported 212 employees on June 30, compared with 210 at the end of the first half of 1989, Mr. Bloom pointed out.

The wholesaler reported one major personnel change: Cooke, president of Major Surplus, resigned in December and was succeeded by Mark Smith, chief executive officer of Smith's Special Risks Associates Inc., a small wholesale broker in Pearl River, N.Y. (*BI*, April 23).

As an incentive in recruiting Mr. Smith, Willis Faber Holdings acquired his firm, which operates autonomously with Mr. Smith at its helm, said Mr. Bloom.

A non-competition agreement prevents Mr. Cooke from working for a rival company until January.

In addition, Martin G. Horwitz, a vp of subsidiary McAlear of Illinois, stepped into the vacant presidency of the Chicago-based Willis Faber Holdings unit. Previously, the office was managed from Grand Rapids.

And Mark Rooker, formerly with Swett & Crawford in Atlanta, signed on to head Willis Faber Holdings' new Atlanta-based McAlear Southeast Inc. unit late last year (*BI*, Jan. 22).

"For all practical purposes, the Atlanta office started this year,"

Continued on page 58



Gerald D. Stephens, CPCU
President & CEO, RLI Corp.

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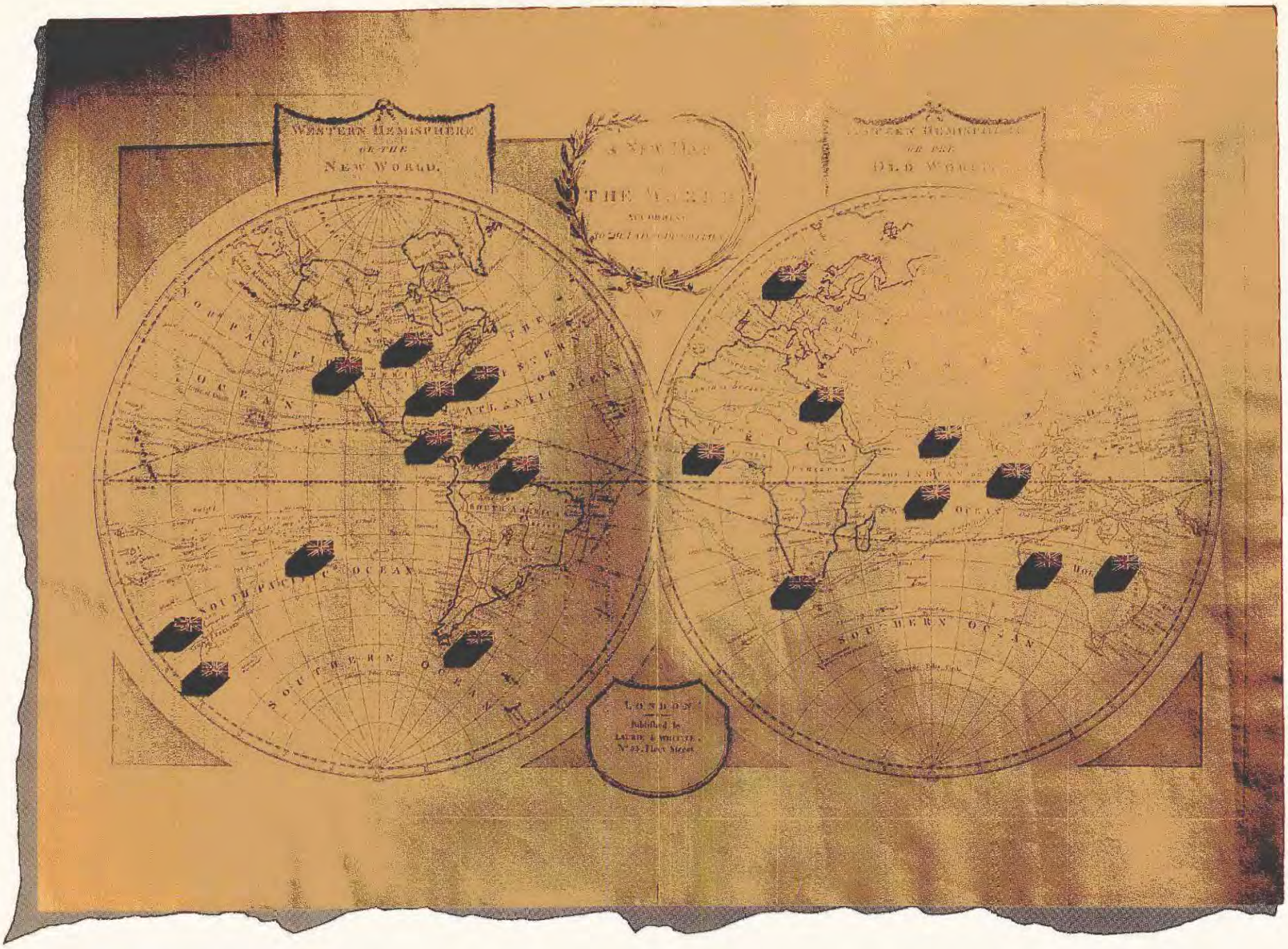
I think the answer to both of these questions boils down to one word: *service*. It's service, or the lack of it, that causes consumers to be disillusioned and it's service that can change that disillusionment into satisfaction.

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Because once there are contracts with local doctors and hospitals, someone needs to be there to manage the networks

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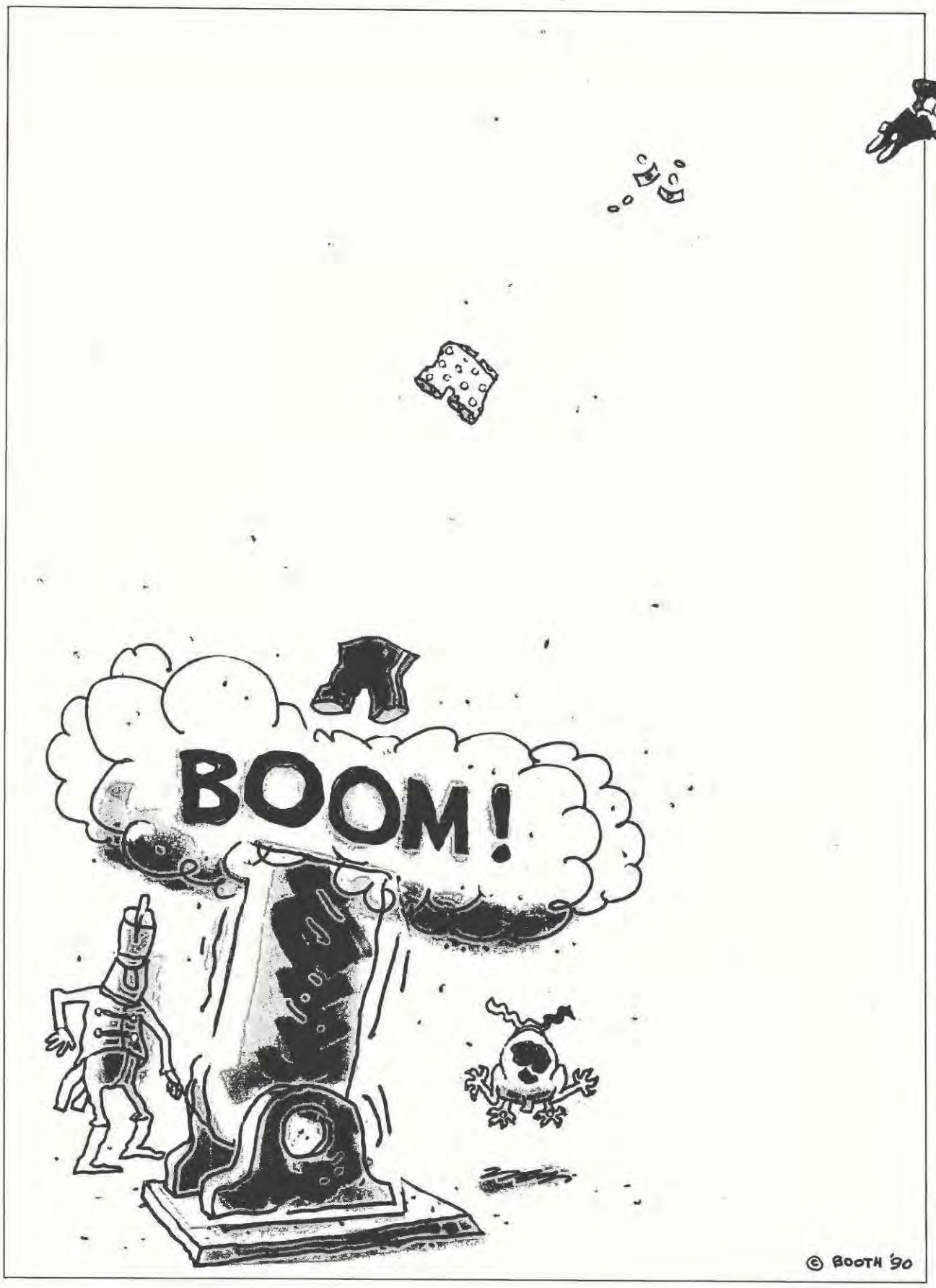
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Look before you leap

Consider managed care needs before adopting plan

By Tony Gajda

EVERY SO OFTEN a new idea that holds the promise of helping employers control their health care costs comes along. The ideas range from the mundane, like maximizing coordination-of-benefit savings, to the elegant, like multi-option flexible benefits plans with employer contributions tied to changes in some economic variable like inflation or medical care inflation. Today, managed care plans are the hot new idea in health plan cost management.

Managed care plans are difficult to define—they mean different things to different people. Generally, managed care plans (health maintenance organizations, preferred provider organizations and other arrangements) include a network of health care providers that contract directly or indirectly with employers to provide health care to employees and retirees in an environment where charges are negotiated and health care utilization is subject to some type of standards and review.

If employees obtain health care from the managed care plan, they will have moderate out-of-pocket expenses. If employees choose to obtain health care services from non-network providers, they are reimbursed at a level that requires greater out-of-pocket expenses, so employees have a financial incentive to use the network providers. For a few employers, this is a sufficient basis for their going out and contracting with a network of providers. Those employers will almost certainly be disappointed with their decision.

Here are some questions that should be answered when an employer decides to sponsor a managed care plan:

- *Why have you chosen a managed care plan? Have you established a philosophy and objectives for your benefit plan that are best met with a managed care plan?*

If an employer has a history of providing health benefits for competitive reasons, then benefit practices among the employer's competitors or in local labor markets may influence the employer's benefit plan philosophy and objectives. If an employer traditionally has been paternalistic, then that history will be relevant.

Employers will have different benefit philosophies and objectives—depending, for example, on whether the employer is expecting workforce growth or contraction; whether it is in a highly competitive or non-competitive industry; and whether it has a unionized or non-unionized workforce. These factors should be considered in determining whether a managed care plan is the most appropriate benefit design.

- *If you have decided to proceed with a managed care plan, was senior management part of the decision-making process? If they were, do they support the concept actively or have they acquiesced? If they were not part of the decision-making process, have they been brought into the loop?*

A well-designed managed care plan is a sharp departure from traditional health benefit plans. A well-designed managed care plan usually limits employee choice in exchange for relatively controlled out-of-pocket expense, or requires employees to pay a substantial part of their expenses if they do not use managed care plan providers.

The success of a managed care plan will be more likely if the entire organization, including senior management, supports the plan. Time should be invested in educating management about the reasons for implementing a managed care plan, its operation and its expected results. It is far better to have management actively selling the plan than being disinterested spectators.

- *Has an analysis of your plan's claims data revealed that the experience of your employees exceeds average or target levels of utilization? Have you set target utilization levels? Has that analysis revealed that the cost of health care for your employees exceeds averages? Have the data been age-sex adjusted or geographically adjusted? Have particular problems—such as mental health or substance abuse treatment or obstetrics—been revealed by the data analysis? Are particular health care providers showing inefficient or costly practice patterns while others are showing efficient and cost-effective practice patterns? Have you analyzed non-physician/dentist providers?*

Data analysis can be a very effective tool in determining if a benefit plan is experiencing utilization or provider fee problems or a mix of both. It will help to identify providers that can be targeted for direct negotiations.

Data analysis may suggest specialty managed care programs; or it may show that different problems exist among a workforce spread over different geographic areas, meaning different approaches are necessary.

- *Is the managed care plan integrated with the basic indemnity plan so that all employees will have an incentive to use the managed care plan? If you add incentives to encourage employees to use the managed care plan, will these incentives work? And are you sure they won't cost more than the expected savings from the managed care plan?*

If the network providers do not have a good track record on treating employees with serious and catastrophic illnesses, then there is little likelihood that costs will be controlled.

Frequently, younger, healthier employees elect managed care while less-healthy, high-cost employees do not. Some managed care plans are imposing co-payments for ambulatory care services and deductibles for inpatient services to reduce selection costs.

Others are attempting to use combinations of employee contributions and the deductibles, coinsurance and out-of-pocket maximums characteristic of non-managed care plans in order to reduce selection costs.

- *If you have employees in different areas, is a single national managed care plan best for you, or is a combination of different regional plans best? If a combination of regional managed care plans is best, what is the optimum number of plans?*

Employers that have employees in a number of different locations frequently purchase or pay for health care services nationally, while those services are provided locally. Since a national managed care plan is simply the aggregation of local managed care plans, it is unlikely that a simple managed care plan sponsor (i.e., an insurer, HMO, PPO or third-party administrator) offers the best managed care plan in every locality. Judgments about the quality and value of local managed care plans will have to be made. Judgments will have to be made about the cost benefit of more, rather than fewer, local or regional managed care plans.

- *Will your managed care plan include mental health and substance abuse treatment, or will you carve out those areas? If you carve them out from the basic plan, how will you handle these services?*

There is widespread recognition that mental health and substance abuse treatment are very expensive elements of a health plan. Mental health and substance abuse claims are likely to grow as society becomes more understanding of these problems, as employers discover that treatment of these problems is frequently less expensive than alternatives, and as providers of these services continue to market them aggressively.

Mental health and substance abuse treatment costs can be managed. A recent study revealed that specialized managed care programs for mental health and substance abuse reduced these costs by 50% below costs found in benefit programs that were subject to general review and management. An employer should seriously consider establishing a specialty managed care program for mental health and substance abuse conditions.

- *Who will bear the risk if utilization and costs are higher than expected? The employer? The managed care plan? The managed care providers? Employees? Some combination?*

How risk is shared among the different parties is the key to whether a managed care plan will control costs now and in the future. If all risk is borne by the employer, then there is little reason to expect costs to be controlled. If all risk is borne by employees through higher deductibles, coinsurance, etc., then there is good reason to expect a self-pay death spiral. If all risk is borne by the managed care plan, then there is the likelihood that the plan will go out of business. But, if risk is borne by the managed care plan providers, who actually prescribe health care services for employees, there is the strong prospect that costs will be controlled.

- *Is there any incentive for managed care plan providers to provide adequate care for employees? What is the network's record in attracting patients with serious and catastrophic illnesses?*

Obviously, if costs are controlled by denying or withholding necessary health care services, then the plan will be a failure from almost every perspective. If the network of managed care providers does not have a good track record on treating employees with serious and catastrophic illnesses within the managed care plan, then there is little likelihood that costs will be controlled.

Worse, if the managed care plan providers are not at risk for the cost of services provided by non-managed care plan providers, and if the managed care plan discourages high-cost employees from using network providers, then the employer's cost will actually increase.

Suppose that a managed care plan consists of a traditional HMO and a traditional indemnity plan, and suppose that an employee has a condition that would cost $10,000 if treated by HMO providers and $30,000 if treated outside the HMO. It will be in the financial interest of the HMO to discourage the employee from using the HMO. However, if that employee does not use the HMO, it will be to the financial detriment of the employer.

Now, suppose that the HMO is responsible for the costs of all services provided by non-HMO providers. If the HMO treats the employee, the cost will be $10,000, but if the employee is treated by non-HMO providers the cost to the HMO will be $30,000. Now the HMO has a big financial stake in keeping and treating that employee within the HMO.

- *Does the managed care plan have standards for provider credentials, patient satisfaction, billing practices, referral practices, disciplinary actions, patient loan limits, etc.? Have you confirmed that the managed care plan adheres to and enforces its standards for providers, both initially and on an ongoing basis? Does the managed care plan accept any provider who will sign a participation agreement?*

The 1980s produced a great deal of data and research on the fact that there is a large range in the quality of health care providers. Some providers are

Continued on next page

Managed care plans

Continued from previous page
very efficient, economical and effective in treating different health care conditions; others are not. The quality of health care providers will be a major determinant of the success of a managed care program.

In one presentation on managed care, a speaker stated that the employer cannot be responsible for evaluating the providers in a managed care plan; that the plan sponsor must be trusted to have contracted only with the best hospitals and doctors. Such a statement implies that there is uniform quality among all providers in all managed care plans. Intuitively, to anyone who has worked with employee benefit plans, it does not seem plausible that there is uniform quality among all managed care plan providers.

It is the responsibility of the employer to evaluate and make judgments about the providers in a managed care plan. It is the responsibility of the employer to balance the cost of a managed care plan against the quality of the providers.

- *How well does the location of managed care providers match the location of your employees? What level of benefits will you provide to employees in areas that are not served by the managed care plan? What is the managed care plan's schedule for adding geographic locations, and is it reliable?*

It is possible that a managed care plan does not have a presence in every geographic area in which an employer has a presence. This fact will argue for regional managed care plans, or a national plan with local plans, or direct provider negotiations filling the gap.

If there is no managed care option in a particular area, then the employer must decide the level of benefits that will be provided in that area. Should employees be provided with the same indemnity plan that is provided in areas with managed care options, even though these employees cannot enroll in a managed care plan? Or is some other plan design more appropriate? If a managed care plan is scheduled to start up in a particular area at some future date, the employer will have to decide whether to implement some temporary plan design. Further, managed care will simply not work in some geographic settings.

- *How does the managed care plan monitor compliance of providers with the terms of your health plan? How do you confirm monitoring? Is provider turnover high?*

If an employer has selected a managed care plan sponsor and has judged the quality of the providers to be high, there must be ongoing monitoring to ensure that the employer is getting what has been promised. A good managed care plan should conduct internal quality reviews or monitor provider performance against reasonable standards. An employer should have access to these reviews.

If a managed care plan provides fewer benefits and services than it has promised, there is a good warning system—employee complaints. The managed care plan should identify providers who do not continue to meet the plan's accreditation standards and should take corrective steps. If turnover of providers in the managed care plan is high, the turnover rate may signal dissatisfaction with one or more aspects of the internal operation of the plan. Suffice to say that high turnover will be disruptive to employees and will diminish the value of the plan in their eyes.

- *Is the care provided by non-network providers subject to utilization review? By whom? Are the protocols similar to or different from the protocols used by the managed care plan?*

In some instances, a managed care plan includes aggressive utilization management provisions and standards, while care provided by non-managed care plan doctors and hospitals is subject to relatively lax utilization management provisions and standards. Ideally, all health care services, whether provided by the managed care plan or not, should be subject to aggressive utilization management. To do otherwise implies that unnecessary health care services and the cost of those services will be tolerated and accepted by the employer.

- *How are managed care plan providers paid? Are provider payments for treatment of covered employees structured to provide optimal levels of care? Or are they loose discount arrangements that may encourage providers to increase services to cover the discounts? How do provider payment arrangements affect the cost of managed care?*

Managed care plan providers are paid in a variety of different ways, ranging from fixed capitation, to a withhold that is paid in the form of a plan and provider performance bonus to a simple discount from normal charges. The effect of the payment arrangement on the cost of the plan can be significant. If the provider is paid a discount from normal charges, then care should be taken to determine what "normal" charges are and to ensure that discounts are not made up through utilization increases. If capitation with a withhold is used, the history of the withhold and bonus payment should be analyzed to ensure that the mechanism works. If, for example, bonuses are paid to primary care physicians on the basis of the cost of patients referred to specialists, and because of referral practices, no bonuses were paid, then it is possible that primary care physicians will dismiss the bonus and do nothing to control specialist utilization.

- *How will you communicate the managed care plan to employees? How will you integrate communication of the managed care plan with the administration of the plan? Is the indemnity or opt-out plan being changed also?*

Even though the strength of employee loyalty to physicians is probably overstated, it nevertheless exists. Since a managed care plan will mean that employees may have to change doctors or pay a much larger portion of their doctor's bills, care will have to be taken to clearly communicate the operation of the new managed care plan. Care will have to be taken to ensure that lists of managed care doctors and hospitals are current. Claim procedures must be clearly explained; procedures for use of managed care physicians and specialists must be detailed; the financial consequences of not using managed care doctors and hospitals must be crystal clear.

The amount and quality of education to employees and retirees will have a direct impact on plan performance and savings.

- *If you have employees in different areas, how uniform are the operations of the managed care plans in those different areas? From an administration viewpoint, how well are the managed care plans integrated with the operations of your indemnity plan claims administrator? What safeguards have been built into the managed care plan to protect against "balance billing?"*

If you build your own network by using local or regional managed care plans and/or by negotiating directly with providers, you will be dealing with completely different organizations, each with its own history and method of operations. Even if you use a national managed care plan, you should keep in mind that national plans are essentially the aggregation of relatively independent local plans.

You should insist on consistency in areas such as benefit coverage, claims processing, information systems and reports, financial accounting, etc.

One area that can be problematic is physician "balance billing." Today, physicians can belong to several managed care plans, each of which pays the physician differently. If your benefit plan promises that employees must pay only stated co-payments and deductibles and then they receive a bill from their physicians, your employees will be skeptical about the plan, at best.

For employers that decide to sponsor a managed care plan, integrating a managed care plan with a traditional indemnity plan is a simple concept. An integrated health plan recognizes two key facts:

- Free choice of health care services and providers, a hallmark of employee benefit plans, has become extraordinarily expensive to employers.
- High quality health care is available in HMOs, PPOs and similar arrangements with modest out-of-pocket expense to employees.

Integrated health plans are designed to maximize the use of high-quality providers in a tightly-managed environment with a sharing of risk between the employer and the managed care physicians who decide upon care. Such a program allows employees free choice, but employees bear the cost of free choice.

Integrated health plans do hold the promise of controlling health plan costs. But they will deliver on that promise only if they are thoughtfully designed, incorporate high-quality providers, offer compatible incentives to employees and providers, shift risk from the employer, and are continually managed. ■



Tony Gajda is a principal in the New York office of William M. Mercer Inc.

Court says arrest caused compensable injury

Legal briefs

An employee's improper arrest on charges of misappropriation of his employer's funds, culminating in post-traumatic stress disorder, resulted in a compensable injury, according to the Supreme Court of Louisiana.

Ernest Williams was a streetcar operator in New Orleans for 18 years. In 1985, an investigation began because streetcar fare revenues were declining and theft of fares was suspected. During the investigation, a police officer observed two operators pocketing fares. One operator was arrested and implicated Mr. Williams for also stealing fares on past occasions. A second operator was arrested and also implicated Mr. Williams.

Thereafter a warrant was issued for his arrest. He was relieved from duty near the end of his shift and arrested.

Despite alleged badgering by police, Mr. Williams protested his innocence. He was taken to the central lock-up and booked. His wife posted bail. Thereafter, the criminal charges were dropped apparently for lack of evidence.

Mr. Williams was allowed to return to work; however, his efforts to work were unsuccessful because of emotional problems. He filed for and was awarded workers compensation benefits, but the Court of Appeals reversed the award.

The state Supreme Court concluded that Mr. Williams' arrest constituted an "accident" resulting in a post-traumatic stress disorder. The court said that if an employee is arrested and wrongfully charged with an offense related to his employment, then he should have a compensation remedy against his employer for any injury sustained in the arrest. The work comp award was reinstated.

Williams vs. Regional Transit Authority, Supreme Court of Louisiana, June 19, 1989 (*BI*/04/July-$10). ■

These abstracts were prepared by Cases Unlimited Inc. Copies of these decisions are available by sending a $10 check payable to Cases Unlimited to Business Insurance, *740 N. Rush St., Chicago, Ill. 60611-2590. List the number for each opinion.*

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Continued from page 51
said Mr. Bloom. "It's tough to start an office from dead scratch in a soft market," but the office "is on budget," he said.

In addition to McAlear of Illinois, Major Surplus, Smith's Special Risks and McAlear Southeast, Willis Faber Holdings units include McAlear Associates of Grand Rapids, Stewart Smith Southwest Inc. of Dallas and Stewart Smith West Inc. of Los Angeles.

Willis Faber Holdings has identified four areas for possible expansion: Seattle, Minneapolis-St. Paul, Denver and New England.

But its territorial ambitions are limited, Mr. Bloom said. "You get too many offices, your marginal utility starts to diminish."

Willis Faber Holdings did not close any offices in the past year. Its Prescott, Ariz., office was moved to the more accessible Phoenix area after the senior broker in Prescott retired, said Mr. Bloom. And plans to open another Midwestern office fell through.

No significant change in business philosophy or practice accompanied the opening of a new office, the acquisition of another and the relocation of a third.

In addition, plans to expand product lines were scuttled in 1989. "Our basic thrust is we're open market brokers," said Mr. Bloom. "We don't live on programs or facilities and we tend to do pretty much the same thing year in and year out."

No single line dominates its book of business although the "oil and gas department is growing," Mr. Bloom noted.

Directors and officers liability insurance and errors and omissions liability insurance are important components of the wholesaler's business, he added.

"But, we continue to lose primary umbrella business, what little we had left, because the standard markets are just very aggressive in that area," he said.

"The admitted market has decided that they want to write umbrellas above their own primary in some cases or in general in some cases. Not only have they gotten more aggressive in that area, but the companies that used to offer $1 million are now offering $5 million (and) the ones that used to offer $5 million are now offering $10 million," said Mr. Bloom.

Generally, the surplus market continues to supply coverage for oil and gas; pharmaceuticals; "truly tough products, what we call the 'people eaters' or heavy machinery; most classes of D&O and E&O; most aviation business and wet marine, although we write very little wet marine," he said.

But, he added, because property coverage prices have been cut sharply, "I'm not sure there's any property risk anymore that's really surplus lines."

Willis Faber Holdings is placing 36% of its premium with admitted insurers and 64% with non-admitted. Those figures have been constant since 1988.

The wholesaler's major markets in 1989 and the first half of 1990 included underwriters in the London market, General Star Indemnity Co., The London Agency Inc., Lexington Insurance Co., American Empire Insurance Co., Cameron & Colby Co. Inc., Industrial Underwriters Insurance Co. and Admiral Insurance Co.

About 90% of Willis Faber Holdings' 1989 premium volume came from brokerage activities and 10% from work as a managing general agent. Those figures are identical to the 1988 numbers.

Willis Faber Holdings units operate as managing general agents for Lloyd's of London syndicates; Associated International Insurance Co. and Calvert Insurance Co., units of Stewart Wrightson Insurance Co. Holdings Inc., which is a subsidiary of Willis Faber P.L.C.; Constitution State Insurance Co.; American Empire Surplus Lines Insurance Co.; Columbia Casualty Co., a unit of CNA Financial Corp.; Northfield Insurance Co., a unit of Northland Insurance Co.; 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 Insurance Group; Burlington Insurance Group Inc.'s First Financial Insurance Co.; Nautilus Insurance Co., a unit of W.R. Berkley Co.; and Audubon Indemnity Co., an American International Group Inc. unit.

Willis Faber Holdings units place business with a total of more than 100 surplus lines and specialty insurers.

Mr. Bloom said that account turnover, which he estimated at 40%, is higher than the company would like, but not atypical.

"It's the nature of surplus lines that we have a high turnover in any kind of market," he said. "Even in the best of time, we have a substantial turnover because we are a market of last resort."

There are few, if any, problems with capacity, according to Mr. Bloom. "Given the softness of the market, the number of players and the amount of overall capacity in the business, there's virtually no amount of coverage we can't place if it's a class or type of coverage that's placeable at all," he said.

"I can't recall the last time we had an order we couldn't fill at the amount of coverage requested."

Problems arise only in familiar areas like financial institution D&O and environmental impairment liability, Mr. Bloom said.

Underwriting is tightening up for D&O for financial institutions, with companies insisting on exclusions for shareholder suits against former directors, he said.

Mr. Bloom added that some insurers still play for market share. Generally premiums are cut 10% to 20%. In isolated cases, "somebody will cut a price in half," a fact he attributes more to "ignorance than competitiveness."

While some insurers have stuck with "walkaway" prices proclaimed when the market began softening, Mr. Bloom said he could not recall any having taken such a stand in the past year.

Some insurers that previously adopted "walkaway" strategies have stuck with them, he said.

Mr. Bloom expressed some optimism that his company's fortunes will pick up during the short term.

"We're flat at the end of six months. Because we've got some offices that I think have gained a little momentum as the year went on, I would expect it to be at least flat or up a little bit the last six months," he said.

"Sometime in the next five years, we're definitely going to enter a hard market—that's a very safe prediction. Whether its '91, '92 or '93, it's going to happen," he said.

In addition to Messrs. Bloom and Smith, Willis Faber Holdings' principal officers are: Donald H. Payne, chairman; John R. Rogers, senior vp and chief financial officer; Eugene Eisenmann, director and president of Stewart Smith Southwest; Edward Casey, director and president of Stewart Smith West; and Ralph Leistner, director and president of McAlear Associates.

In addition to its headquarters in Grand Rapids, Willis Faber Holdings has offices in New York; Pearl River, N.Y.; Cedar Knolls, N.J.; Philadelphia; Pittsburgh; Atlanta; Chicago; Overland Park, Kan.; Dallas; Houston; Phoenix, Ariz.; Los Angeles; San Francisco and Sacramento, Calif.

Willis Faber Holdings is a member of NAPSLO.

—By Mark A. Hofmann

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P R O F E S S I O N A L L I A B I L I T Y

Tri-City Insurance Brokers Inc.

110 William St., New York, N.Y. 10038; 212-732-1360; fax: 212-619-5202

	1989	1988
Premium volume	$248,800,000	$228,500,000
Gross revenues	$15,000,000*	$13,500,000*
Employees	80	65
Commercial lines	100%	100%
Admitted business	70%	65%
Non-admitted	30%	35%

* *BI* estimate.

Although it fell short of management predictions, growth at Tri-City Brokers Inc. in 1989 was quite good.

Premium volume at the privately held surplus lines broker, which was formed in 1985, increased 8.9% last year to $248.8 million from $228.5 million in 1988.

While this falls short of President Kieran P. Burke's projections a year ago of $260 million to $270 million, he is hardly complaining.

"We're very pleased," he said. "We were far from disappointed."

Noting that Tri-City celebrates its fifth anniversary in November, Mr. Burke said, "I think our track record is excellent and gets better everyday."

As a result of its growth, Tri-City is now the fourth-largest U.S. surplus lines broker, up a notch from a year ago. And it is now the eighth-largest wholesaler of any type, up one spot from last year.

Tri-City does not report gross revenues. However, *Business Insurance* estimates 1989 gross revenues at $15 million, an increase of 11% from an estimated $13.5 million in 1988.

In addition to increasing its volume of business placed last year, Tri-City also expanded both the types of coverage it places and its production sources.

"We continued to diversify in terms of product, further enhancing our property and financial services capabilities," said Mr. Burke.

In the financial services area, for instance, Tri-City placed a significant number of lawyers' professional liability policies for the first time, using several insurers.



Mr. Burke

It also is the exclusive broker for a new product—called destruction of organizational records or DOOR coverage—that covers liability losses resulting from the lack of records that were either deliberately or accidentally destroyed. However, the policy does not cover the deliberate destruction of records that are required by law to be maintained.

Kemark Management Services in Orangeburg, N.Y., is managing general agency for the coverage, which is underwritten by Reliance National Insurance Co. of New York.

DOOR has limits of up to $5 million, with deductibles as low as $10,000. The minimum premium is $10,000, said Mr. Burke.

Interest in the coverage has been "significant," he added.

Tri-City focuses on three broad product areas: casualty, property and financial services. While casualty accounted for 77% of gross premiums last year, ultimately, said Mr. Burke, Tri-City would like to see that figure down as low as 60%, with property insurance between 20% and 25% of premiums volume and financial services at 10% to 15%.

"It may take two to three years to achieve it, but I think it's still realistic," said Mr. Burke.

Property and financial services business both grew last year, but "didn't hit those numbers," said Mr. Burke, noting that casualty business has continued to grow as well. "The premiums for those disciplines are up, but the percentages are not up significantly."

Property accounted for about 15% of gross premiums in 1989, or $37.3 million, compared with 13.1%, or $30 million, in 1988.

And financial services accounted for about 8% of gross premiums, or $19.9 million, compared with 8.1% of gross premiums, or $18.5 million, in 1988.

The 77% of gross premiums generated by casualty business last year amounted to $191.6 million. This compares with 78.8%, or $180 million, in 1988.

Casualty business placed by Tri-City includes umbrella and excess liability, product liability, and directors and officers liability insurance.

On the property side, Tri-City specializes in large risks and difference-in-conditions programs.

Tri-City also places inland marine and commercial multiperil coverages.

Mr. Burke noted the only lines Tri-City will not place are aviation and ocean marine.

Tri-City, which places all of its business as a broker, has no plans to become an underwriting manager or a managing general agent, said Mr. Burke. "We have no underwriting ambitions—certainly in the short term."

Meanwhile, Tri-City has been expanding the base of retail brokers for which it places business. "We deliberately attempted to diversify our book of business in terms of where we get our production from," said Mr. Burke.

In its first three years of business, explained Mr. Burke, Tri-City dealt predominantly with "alphabet house-type of business."

Now, "our non-alphabet house business is representing a much more significant percentage of our overall business than it did previously.

"We probably got somewhere between 30% and 40% of our business from non-alphabet houses" in 1989, he said, "and in 1990 that number will exceed 40%."

He attributes the change to several factors.

"One, it's no secret that many of the alphabet brokers are trying to recapture a higher percentage of their wholesale business by placing it through their own subsidiaries."

Secondly, he said, "There is a whole wealth of business controlled by regional and independent agents and brokers throughout the U.S. market that it would be crazy to ignore."

In addition, business placed through regional brokers tends to be somewhat less volatile, Mr. Burke explained. "It's a little more stable, I think."

Mr. Burke, who noted that no single broker produces more than 13% of Tri-City's business, said business generated by the alphabet houses has a greater tendency to be more difficult lines of business. Regional brokers tend to give Tri-City more of a combination of Main Street business and tougher classes.

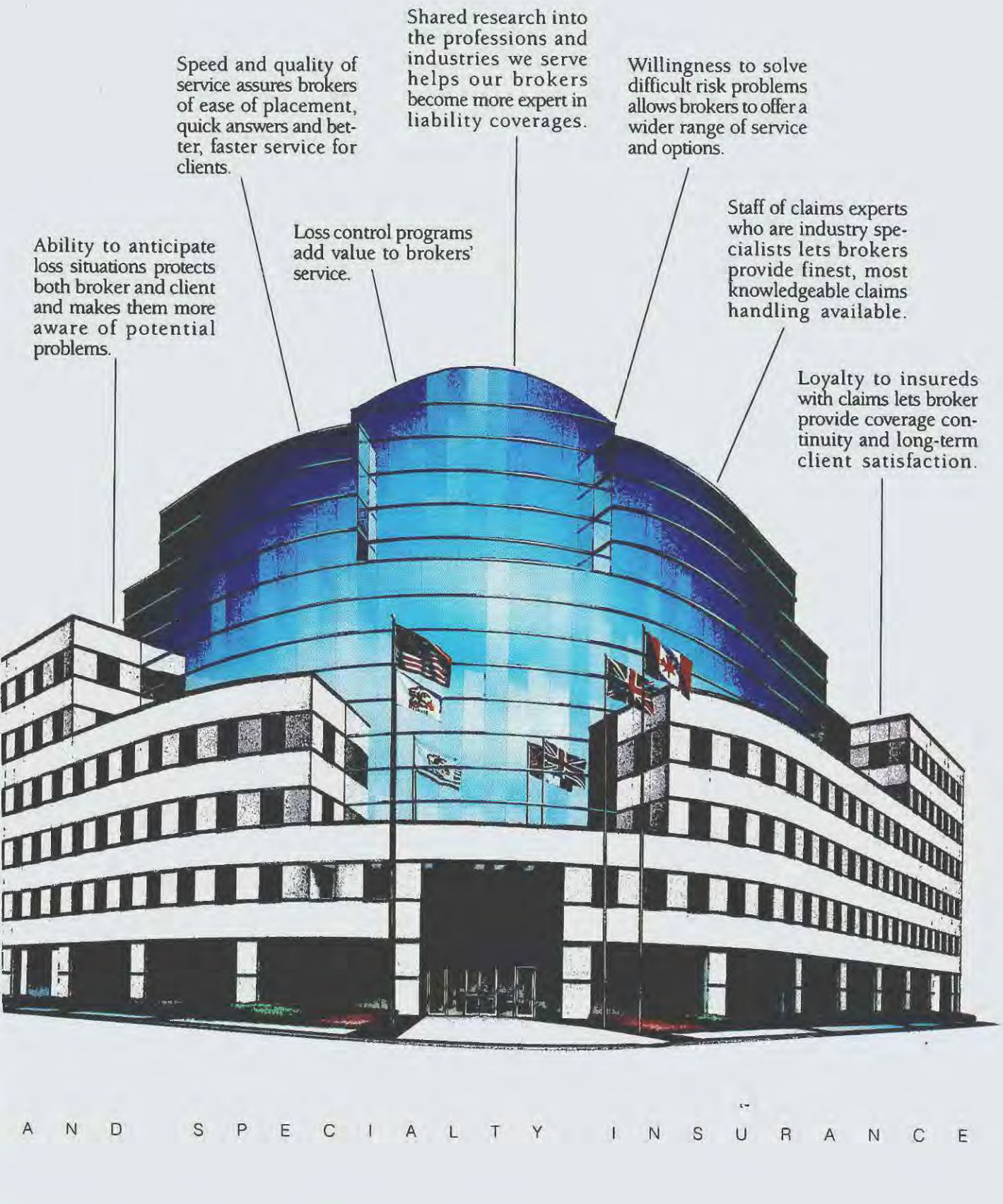
This was not a factor, however, in Tri-City's decision to focus more on regional brokers. "The type of business really doesn't concern us. We're delighted to handle either type—and preferably both," said Mr. Burke.

Seventy percent of the brokerage's business was placed with admitted insurers in 1989, up from 65% in 1988.

"That's just a continuing reflection of the way the market's been going on," he said. "Current market conditions basically require admitted paper." Non-admitted

Continued on next page

The House of Expertise.



A N D S P E C I A L T Y I N S U R A N C E

Continued from previous page
insurers are permitted to write only coverage rejected by admitted insurance companies.

Tri-City places its business with more than 40 markets, with more than 25 of those writing at least $1 million in premium for Tri-City. Crum & Forster Inc. units, including The London Agency Inc. and Industrial Underwriters Insurance Co., write the most business.

"We have an excellent relationship with the premier underwriting organizations in the market," said Mr. Burke.

Noting that Tri-City generated more than $150 million in premium volume for the first six months of 1990, he predicts total premium volume will increase 12.5% to 20% to $280 million to $300 million for the year.

Internal growth has fueled that rise. "We have absolutely no acquisition plans," he said. Nor, he said, does Tri-City have any plans to open any new offices beyond its offices in New York, Chicago, Los Angeles and San Francisco. However, the firm does plan to "evaluate our options from time to time," he said.

Tri-City in September moved its New York headquarters to a more spacious office. Overall, its staff expanded to 80 employees from 65 between 1989 and 1990. Another six have been added in 1990.

Forty-two of that total are professionals, with the remaining 44 support staff, said Mr. Burke.

"We have the best professional team in the business," said Mr. Burke. "They're afforded the opportunities to practice in an environment that enhances their skills."

Mr. Burke said he also believes that Tri-City's private ownership is a big advantage. "We are independently owned and answer directly to our clients—no one else," he said.

Tri-City competes with neither retail brokers nor underwriters, he said.

"We do not send conflicting signals," said Mr. Burke. "We work very hard to ensure we don't."

Another advantage of Tri-City's structure, said Mr. Burke, is that "we have eight operating principals, and they are involved in our business on a day-to-day basis."

Besides Mr. Burke, other Tri-City principals are Executive Vps John Hahn, Ed Ulshafer, Alex Kullman, Dan Real, George Pagoumian, Tom Spinner and Mike Tilton.

In addition, Robert Gibson, Chuck Ciccarelli, Scott Gunnison, Donald Marshall, George Hilditch, Mike Moran, Tom Ciardello and David Cimino are senior vps, while Leo O'Reilly is chief financial officer.

Tri-City is a member of NAPSLO.

—By Judy Greenwald

Montgomery & Collins Inc.

3700 Wilshire Blvd., Suite 400, Los Angeles, Calif. 90010; 213-480-4501; fax: 213-384-2250

	1989	1988
Premium volume	$182,888,664	$199,453,594
Gross revenues	$15,834,423	$16,947,468
Employees	152	164
Commercial lines	100%	100%
Admitted business	70%	70%
Non-admitted	30%	30%

As the soft market spurs admitted insurers to compete for Montgomery & Collins Inc.'s larger accounts, the surplus lines broker is continuing to shift away from large-account excess liability and umbrella business.

At the same time, the CIGNA Corp. subsidiary has broadened its production base.

"I think we have developed a slightly different base of business, which includes second and third tier (policyholders), away from the major metropolitan areas. Though (metro areas) still form a major part of what we do, we are emphasizing getting out on production calls, acquiring business from new sources," said Robert P. Keul, president of the Los Angeles-based wholesaler.

M&C's shift in strategies has gradually helped slow the annual decline in M&C's premium volume since 1987 and, indeed, may have reversed the slide for the first six months of this year.

When the wholesaler began losing some of its umbrella accounts in the soft market, Mr. Keul explained, M&C "began to afford our customers access to property, D&O, E&O and professional liability, along with umbrella and excess."

In the past six months, umbrella and excess liability accounts have dropped to half of M&C's book of business, compared with 55% in 1989 and 75% to 80% two or three years ago.

And M&C still is being "literally forced up in a placement," or renewing existing business at higher attachment levels to keep an account, Mr. Keul said, though he noted that this is now occurring "to a lesser degree" than in 1989.

"The important concept is to keep that foothold so when the market shifts again, you have a presence," he said. M&C's retention rate is still about 75%, as it was in 1989.

But there is so much capacity that "a lot of" surplus lines business, particularly the larger accounts, "is being absorbed by the admitted market" as well as by non-admitted competitors, Mr. Keul said.

"Part of the decline in premium volume at M&C is the shift in the umbrella liability focus but secondarily, those bigger accounts are attractive to insurers of any size, shape or description," he said.

Small to medium-size accounts, however, "are showing more signs of stability. We feel sort of like we're rocking along the bottom" of the soft market, he said. "We have some sense that in some areas things are tightening up a little bit, but there's still a lot of capacity out there and a lot of competition."

Premium volume in 1989 fell 8.3% to $182.9 million from $199.5 million in 1988. That drop, however, was not as steep as the 25.7% drop in 1988 from $268.4 million in 1988 compared with 1987, and the even sharper drop of 38.9% in 1987 compared with 1986.

And estimated premium volume for the first half of 1990 "is up slightly," Mr. Keul said.

Declining premium volume in 1989 left Montgomery & Collins the fifth-largest U.S. surplus lines broker, down one spot from a year ago, and the 10th largest insurance wholesaler of any type.

Meanwhile, gross revenues dropped 6.6% to $15.8 million from $16.9 million in 1988. Again, that is an improvement over a 22.7% decline in 1987.

About 30% of its business was placed with non-admitted markets in 1989, "regrettably about the same" percentage as it placed with surplus lines insurers since 1987, Mr. Keul said.

"We would like to broaden out the non-admitted side of our business. But competitive conditions in the marketplace preclude dramatic expansion, simply because many non-admitted facilities have decided not to play that pricing game and compete for accounts that are not priced properly or (when) the form is too broad," he said.

Although some insurers are "still

Continued on next page

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Continued from previous page
aggressively going down. . .5% to 10%" on larger accounts, "some of our carriers who by definition are the true E&S insurers have definitely drawn the line and backed off," Mr. Keul explained.

"I have the ultimate respect for those companies, because there is a point where common sense has to prevail," he said. "They have set a walkaway price. And our volume with them is down slightly."

He would not identify the insurance companies.

The bulk of Montgomery & Collins' premium volume still is generated by large national retail brokers, including Marsh & McLennan Cos. Inc., Alexander & Alexander Services Inc., Johnson & Higgins, Sedgwick James Inc., Corroon & Black Corp. and Frank B. Hall & Co. Inc.

"Their volume overall has declined a little bit, not dramatically," said Mr. Keul. That that business is being offset by business from regional brokerages, according to Mr. Keul.

And, the alphabet brokers still come to M&C for "some exclusive facilities" particularly for construction risks, he said.


Mr. Keul

Some 40% of M&C's 1989 premium volume was generated by business for which the company acts as a managing general agent, down from 45% in the previous two years.

"Six or seven years ago, we were probably much higher than that, and we have worked diligently to balance out our activity and profile with a strong emphasis on broker orientation, and today that is clearly about 60% or so," Mr. Keul said.

M&C has binding authority for Pacific Employers Insurance Co. of Los Angeles, another CIGNA unit; Western World Insurance Co. in Ramsey, N.J.; Scottsdale Insurance Co. of Scottsdale, Ariz.; Guaranty National Insurance Co. of Englewood, Colo.; and some Lloyd's of London syndicates.

Pacific Employers writes excess liability and umbrella coverages exclusively for M&C.

According to Mr. Keul, the major markets to which M&C brokers business are: Admiral Insurance Co.; American International Group Inc. units; Allianz Insurance Co.; California Union Insurance Co., another CIGNA subsidiary; Crum & Forster Corp. units; Chubb Custom Insurance Co., a unit of Chubb Corp.; Evanston Insurance Co.; Fireman's Fund Insurance Cos.; First State Insurance Co.; The Home Insurance Cos.; Industrial Underwriters Insurance Co.; St. Paul Surplus Lines Insurance Co., a unit of The St. Paul Cos. Inc.; Transamerica Corp.; and Lloyd's of London underwriters.

Of these markets, many specialize in writing particular lines of coverage.

Cal Union, which writes primary and excess property and casualty, is M&C's top market for heavy construction risks, the broker's specialty.

Other insurers writing both excess liability/umbrella and excess property coverage for M&C are First State, The Home, Transamerica, AIG and Chubb.

Insurers that write only excess liability/umbrella business for M&C are: Admiral; Crum & Forster; Industrial Underwriters; St. Paul; Fireman's Fund; and General Star Indemnity Co.

Admiral, St. Paul and General Star also write primary casualty insurance.

D&O coverage is written by Crum & Forster, which—along with Admiral—also is M&C's market for professional liability coverage.

Property coverages are provided by Allianz, Associated International Insurance Co. and RLI Group.

Employers Re is M&C's market for excess workers compensation coverages.

M&C wrote more primary coverage and excess workers comp, auto and D&O coverage in 1989 than in 1988, Mr. Keul said.

"Some of those lines of coverage require a little more sophistication, a little broader understanding by people who handle that business. It's not something you can do overnight. You've got to study the product and get comfortable with it and learn how to handle it properly," he continued.

While Mr. Keul noted that "we historically have not come out with a lot of new products," the wholesaler has just introduced a pollution liability insurance program for underground petroleum storage tanks called tank insurance protection or TIP.

M&C is offering the product, which is designed for both petroleum marketers and non-marketers, because the broker believes it is "an underserved market," since several insurers have left the market or cut back.

Continued on next page

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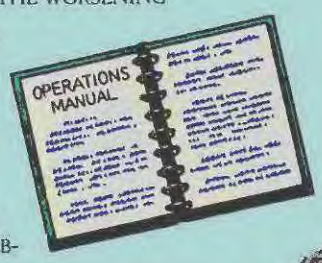
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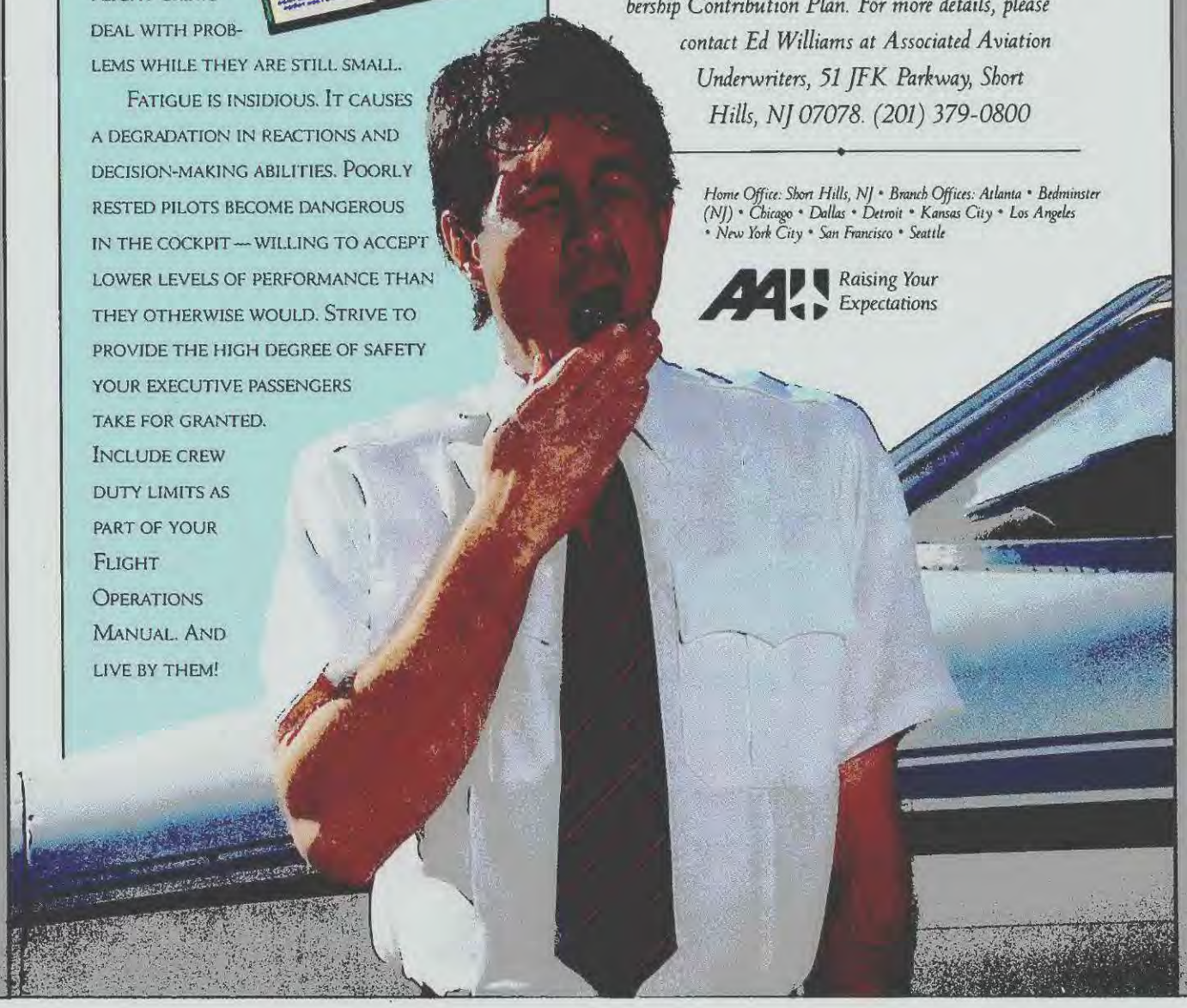
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Continued from previous page

"We're going to offer a very stable product. It will be very conservative and well-engineered, and it will be exclusive to us. We're really excited about it," Mr. Keul said.

The TIP program offers primary pollution liability coverage of $1 million per claim and $2 million annual aggregate. The claims-made policy underwritten by Illinois Union Insurance Co., a CIGNA unit, covers bodily injury, property damage and cleanup.

The policy is now available in 19 states but will be offered in other states throughout this year, Mr. Keul said.

"We have a book of umbrella business for oil jobbers," he said, which is "a nice place to start" in offering TIP coverage.

"Our oil and gas business has grown tremendously," he noted, adding that M&C hopes to write more umbrella coverage for oil and gas industry clients as a result of the new product.

With the exception of earthquake insurance, "there is excess capacity" for the lines of coverage that M&C places, Mr. Keul said.

"No line of coverage is suffering to the extent that you have to go through some sophisticated layering process to get the job done," he commented.

"There is no withdrawal" on the part of markets, "no retrenchment going on, and that probably won't go on for some time," Mr. Keul said.

However, earthquake insurance is "an area having some difficulty" in California, he noted. "It's always been limited, and now the demand is up," he said.

M&C made no acquisitions in 1989 and plans none this year. But Mr. Keul added, "We're always interested in considering it if the deal is right. The bottom line is profitability. While we're not expansive, we try to fine-tune our product and we've been successful at that."

Besides its home office in Los Angeles, Montgomery & Collins has offices in Boston; Buffalo, N.Y.; Charlotte, N.C.; Chicago; Columbus, Ohio; Dallas; Denver; Detroit; Hartford, Conn.; Honolulu; Houston; Indianapolis; Kansas City, Mo.; New Orleans; New York; Philadelphia; San Francisco and San Jose, Calif.

M&C had 152 employees at the end of 1989—72 of which were in production and underwriting. Total employee count was down 7.3% from 164 at the end of 1988.

Besides Mr. Keul, M&C's principal officers are Robert B. Angle, brokerage vp; and John T. Baily, Robert W. Chadwick and Michio Nekota, regional vps.

Montgomery & Collins is a member of AAMGA, NAPSLO and the Western Assn. of Insurance Brokers.

—By Louise Kertesz

Schinnerer still leads underwriting managers despite premium drop

The Schinnerer Group Inc.

2 Wisconsin Circle, Chevy Chase, Md. 20815-7003; 301-961-9800; fax: 301-951-5444

	1989	1988
Premium volume	$548,000,000	$569,000,000
Gross revenues	$47,413,000*	$48,365,000*
Employees	379	356
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

* *BI* estimate.

The soft commercial property/casualty insurance market is having only a modest impact on The Schinnerer Group Inc.

Schinnerer's 1989 premium volume of $548 million is down 3.8% from $569 million in 1988 and 6.6% from its all-time high of $587 million racked up in 1987.

However, that decline was less than those reported by most of the other Top 10 insurance wholesalers and Chevy Chase, Md.-based Schinnerer easily retained the No. 1 spot it has held since 1986 in the *Business Insurance* ranking of the nation's largest underwriting managers and managing general agents.

However, the decline in premium volume was sufficient enough to knock out Schinnerer from its ranking a year ago as the largest U.S. wholesaler of any kind. Surplus lines broker Swett & Crawford Group, which reported an 11.3% increase in premium volume to $557.8 million from $501.1 million, is now the nation's largest wholesaler, a position that Swett & Crawford held during most of the 1980s.

During the first six months of this year, Schinnerer's premium volume continued to fall modestly, dipping 4.9% to $243 million from $255 million during the first six months of 1989.

Schinnerer does not disclose its gross revenues. However, *BI* estimates 1989 revenues at $47.4 million, based on 8.5% of premium volume. Estimated 1988 revenues totaled slightly more than $48 million, while Schinnerer's 1987 revenues were estimated at $50 million.

Schinnerer, a subsidiary of Marsh & McLennan Cos. Inc., remains resilient in the soft market because policyholders support its long-time philosophy of basing rates on risk and experience, company executives say.

"To hold onto as much business as we have in a very competitive, soft market is a tribute to the insureds who have recognized the value of a long-term relationship as well as agents and brokers who support the concept of a long-term stable relationship based on risk-based prices," said Senior Vp Douglas C. Dolan Jr.

Mr. Dolan notes that there is an "awful lot of aggressive competition out there."

Indeed, nearly two dozen companies now write architects and engineers professional liability insurance—Schinnerer's flagship program, Mr. Dolan said. At the peak of the mid-1980s hard market, only two or three other companies wrote the coverage.

But during soft and hard markets alike, Schinnerer will continue to follow the same underwriting path that it has been on during more than five decades of operations, according to Mr. Dolan.

"The only way to underwrite is the right way. Year by year. Decade by decade. And that is deciding what the price should be based on the risk and experience and then set the price to that level," Mr. Dolan said.

A prime example of the philosophy is reflected in Schinnerer's architects and engineers professional liability insurance program.

The program, written by CNA Financial Corp., is now in its 34th year. It is endorsed by both the American Institute of Architects

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Continued from previous page
and the National Society of Professional Engineers.

Limits of up to $15 million are higher than those offered by any competitor, Mr. Dolan said.

Premium volume in the architects and engineers program, which comprises more than half of Schinnerer's business, declined slightly in 1989 as rates continued to ease due to good experience.

Aside from offering architects and engineers the highest professional liability insurance limits, Schinnerer is encouraging policyholders to work to reduce the number of claims against them.

For example, the company offers a 5% loss prevention premium credit for firms with good claims experience that implement a risk management program.

Schinnerer also sponsors an annual meeting to bring together defense attorneys who represent architects and engineers to discuss strategies for holding down claims.

These loss prevention efforts have been paying off.

Since 1983 the number of claims against architects and engineers insured through the Schinnerer program have fallen to 30 claims per 100 insured firms to 42 claims per 100 insured firms.

Improved claims experience also is paying off in other ways for architects and engineers in the Schinnerer program: CNA is now providing more than $1 million in "profit sharing" payments for eligible policyholders who were insured in 1985 or 1986.

Under this arrangement, CNA has agreed to provide policyholders with profit sharing payments when premium income—after claims, expenses and a reasonable profit are subtracted—is totaled.

"What is unique about the architects and engineers program is that CNA will 'cap' its profit," Mr. Dolan pointed out.

"Profits that accrue over that cap are returned to eligible policyholders with interest. This is another example of Schinnerer's and CNA's commitment to pure risk-base pricing, with the insurer making a reasonable but limited profit," Mr. Dolan said.

While continuity in underwriting philosophy remains in place at Schinnerer, there have been some program changes.

For example, two months ago Schinnerer completed replacing various units of Travelers Corp. with Transamerica Insurance Co. on its hospital excess professional liability insurance program. Travelers had been the insurer since the program began in 1978.

Mr. Dolan attributes the change to several factors.

He explained that Travelers wanted to limit reinsurers to certain companies, a restriction Schinnerer could not accept.

"We felt an obligation to reinsurance partners who had been on the program since 1978. We couldn't fulfill that commitment with the restrictions Travelers wanted to impose," Mr. Dolan said.

In addition, Travelers wanted to lower limits to $10 million from $28 million.

With Schinnerer and Travelers "agreeing to disagree," Schinnerer searched for a new insurer for the program, Mr. Dolan said.

Before Transamerica came on board the hospital excess professional liability insurance program, the company had been a reinsurer for other Schinnerer programs.

"The Transamerica people are professionals who we have dealt with for many years on other programs," Mr. Dolan said.

At the same time, Transamerica has been a leading insurer of specialty lines for many years.

"This is among the kinds of business that Transamerica is used to. In short, the right ingredients are all there for a long-term relationship," Mr. Dolan said.

Schinnerer also was able to bring the excess program's limits up to $35 million from $28 million when Travelers was the insurer.

Other aspects of the program remain unchanged. Excess coverage can be written over either a self-insured retention or primary insurance of $1 million per claim/$3 million aggregate.

While a new insurer is on board, Mr. Dolan said he does not expect any changes in rates for the hospital excess professional liability program during the year, following stable rates during 1989.

Premium volume has remained largely unchanged in the program over the 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 un-

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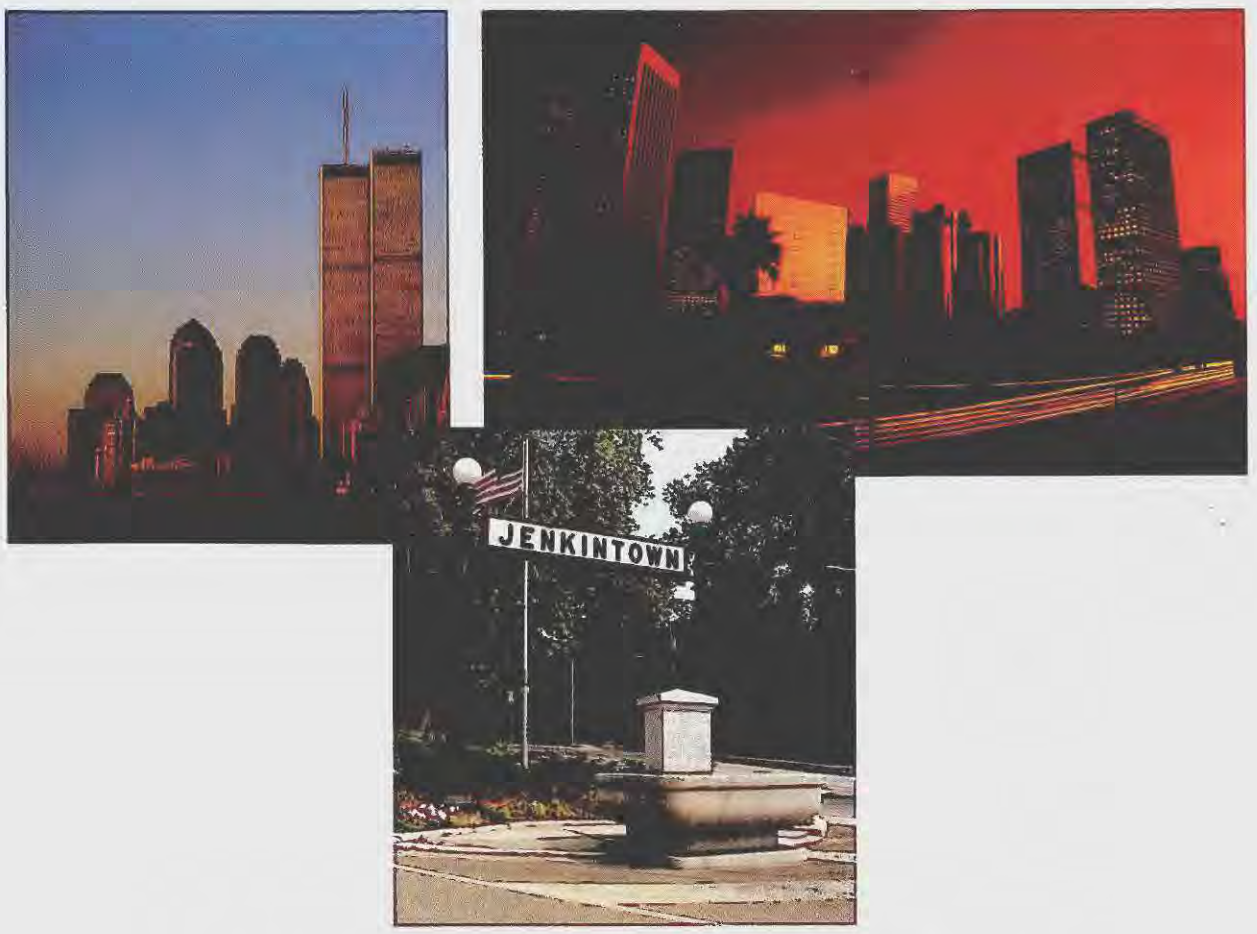
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Continued from previous page
derwriting earlier this year (*BI*, April 9; April 2).

But other U.S. and U.K. insurers have stepped up and taken pretty much what Weavers had offered and, in some cases, at prices lower than what Weavers had been charging, according to Mr. Dolan.

Travelers also has completely withdrawn from another Schinnerer program: errors and omissions coverage for real estate agents.

CNA, after a somewhat longer-than-expected transition period, now writes up to $5 million in limits in all 50 states.

CNA began to replace Travelers last year on the real estate E&O program, which is endorsed by the National Assn. of Realtors.

Travelers had told Schinnerer that it intended to stop writing the coverage in California because of poor experience in the state and because it feared that Proposition 103 would restrict rate increases it believed were needed.

Travelers, though, was willing to continue writing the coverage in all other states.

However, the National Assn. of Realtors wanted a national program available in all 50 states.

As a result, Schinnerer searched for an insurer that would write coverage in all states, which CNA agreed to do.

Except for California, Travelers had agreed to continue to write policies in those states in which CNA was waiting for approval for rates and forms.

As of last month, all 50 states have approved CNA's rates and forms.

But, during the transition period, some real estate E&O business slipped away to competitors.

A major part of that business was in California, where Travelers had pulled out before CNA's filings had been approved.

"That was a large part of our market," Mr. Dolan said.

Schinnerer also lost a modest amount of real estate E&O business in other states because it was somewhat distracted trying to keep the program—which was being underwritten for a few months by two different insurers—in place.


Mr. Dolan

Now that the real estate E&O program is again underwritten by only one insurer, Schinnerer believes it can regain some lost ground.

"During the year of transition, there was more slippage than we would have liked. We are hopeful that in 1990 and beyond that the business will be recouped. We believe the program is in a recovery and growth mode," Mr. Dolan said.

Aside from being able to offer the program nationwide, the Schinnerer real estate E&O program has other strengths, Mr. Dolan said.

"This is one of the few programs that offers coverage in all real estate speciality areas, including commercial and industrial sales and leasing, property management and real estate counseling," Mr. Dolan said.

Except for California, where CNA's rates were higher than those charged by Travelers, rates in the real estate E&O program have been steady over the last year.

Meanwhile, rates generally have continued to hold steady in Schinnerer's 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. of Short Hills, N.J., a unit of Chubb Corp.

Aside from its commercial insurance programs, Schinnerer also serves as underwriting manager for four risk retention groups:

- United Educators Insurance Risk Retention Group Inc., a Vermont-domiciled company.

United Educators provides educational institutions with up to $25 million of excess liability and $10 million of educators legal liability coverage.

- Beverage Retailers Insurance Co. Risk Retention Group, also licensed in Vermont.

The risk retention group provides up to $1 million of liquor liability coverage for taverns, restaurants and hotels.

- Title Insurance Assurance Co. Risk Retention Group, also licensed in Vermont.

Title Insurance offers agents performing title searches up to $1 million in E&O coverage.

- AAMOS Mutual Insurance Co. Risk Retention Group, which is licensed in Illinois.

AAMOS provides up to $150,000 in primary professional liability coverage for oral surgeons. It also offers policyholders $4.85 million of liability coverage excess of $150,000.

Of those four risk retention groups, United Educators has been growing the fastest: Its premium volume leaped nearly 50% to $12.8 million in 1989 from $8.6 million in 1988. Premium volume for the program, which now has more than 500 policyholders, is expected to be in the $16 million range this year.

In addition to its headquarters in Chevy Chase, Schinnerer maintains offices in New York, Chicago, Dallas, San Francisco, Bermuda, London, Ottawa and Toronto.

The Schinnerer Group Inc. serves as a holding company for its operating underwriting manager subsidiaries: Victor O. Schinnerer & Co. Inc., which does business in the United States; ENCON Insurance Managers of Ottawa, Schinnerer's Canadian underwriting manager; and Schinnerer & Co. Ltd. in London.

In addition, Schinnerer recently created Schinnerer Management Services Inc. in Chevy Chase, Md., which will handle certain company client functions, including risk management and loss prevention.

Schinnerer also is expanding Potomac Insurance Managers Inc., a unit that provides underwriting management services to risk retention groups and other alternative risk financing facilities.

About 95% of Schinnerer's premium volume is produced as an underwriting manager, with less than 5% as a managing general agent. Brokerage business accounts for less than 1% of Schinnerer's premium volume.

About 95% of Schinnerer's business was written through admitted insurers, the same as in recent years.

Currently, Schinnerer has 384 employees, up from 379 at the end of 1989.

James R. Stevens is president and Merrill B. Walker is executive vp of The Schinnerer Group Inc.

. Officers of Victor O. Schinnerer & Co. Inc. are Marshall A. Ames, executive vp, and Paul L. Genecki, Thomas F. Tucker, James Willging, John W. Colmer and Homer M. Sandridge, senior vps.

—By Jerry Geisel

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The London Agency Inc.

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	1989	1988
Premium volume	$412,418,000	$455,560,000
Gross revenues	NM	NM
Employees	326	331
Commercial lines	100%	100%
Admitted business	94%	95%
Non-admitted	6%	5%

NM-Not meaningful

Premium volume written by The London Agency Inc. is still falling in the lingering soft market, but the rate of descent has slowed.

The Atlanta-based underwriting management unit of Crum & Forster Inc. saw written premiums slide 9.5% last year to $412.4 million from $455.6 million in 1988. However, that's an improvement from a 17.9% drop in premiums in 1988.

And last year's decrease is not as bad as it appears. Two errors and omissions insurance programs for insurance agents were transferred from The London Agency to Crum & Forster Managers Group in Chicago. The programs were generating annual premiums of about $15 million for The London Agency.

John M. Griffin, chairman, president and chief executive officer of The London Agency, explained that "we promoted one person and lost another and suddenly we didn't have the expertise" to write the agents' E&O in Atlanta. "They do that for a living in Chicago."

If the $15 million in premiums had remained with the Atlanta office, The London Agency's premium drop would have been an even more respectable 6.1%.

The continuing slide in gross premiums is due largely to the competitive insurance market forces that are hammering away at other underwriting managers and intermediaries. But other factors are contributing to falling premiums.

"It would be mostly the effects of the soft market—prices going down," Mr. Griffin said. "Plus, we have become more disciplined in our pricing."

The London Agency establishes a "floor price" for the business it considers and won't write it for any less. Management aims to keep pricing levels well above that floor, Mr. Griffin remarked.

The London Agency's $412.4 million in premium volume recorded in 1989 placed the company second in the *Business Insurance* ranking of the top U.S. underwriting managers/managing general agents and third among all wholesalers.

The London Agency's premium volume includes business produced by subsidiaries Seaboard Underwriters Inc. in Burlington, N.C.; brokerage Floyd West & Co. in Dallas; and London Brokers Ltd. in Atlanta.

Of last year's $412.4 million in

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gross premiums, about $320 million or 78% was written by The London Agency.

Around $55 million, or 14%, was produced on a brokerage basis by Floyd West and London Brokers.

Seaboard contributed about 8% or $33 million in premium: $28 million as an underwriting manager and $5 million on a brokerage basis.

"We still have a select group of customers—about 25 wholesalers that deal with us and provide a vast majority of that premium," Mr. Griffin said. "And it's important to us to stay in close contact with them.

"We think it's important to have a limited number of sources that we work with and that's one of the reasons that we're successful," he added.

The London Agency continues to specialize in umbrella risks, offering limits of $10 million excess of $1 million. The limits were increased last year from $5 million.

The coverage is written on an occurrence form and most policies are written on behalf of International Insurance Co., another Crum & Forster unit.

The London Agency wrote about $241 million in umbrella insurance premiums, or three-quarters of its $320 million in premiums.

Umbrella business comprised about 65% to 70% of The London Agency's business in 1988.

So far this year, umbrella writings are about 8.8% ahead of those in 1989, said Mr. Griffin, who credits the improvement to the increased capacity and a high renewal rate.

The London Agency is renewing about 70% of its umbrella policies and "new business is steady," Mr. Griffin noted.

"It's our most profitable line of business and one in which we are very cautious in pricing," he said.

Although the increase in capacity spurred new placements, Mr. Griffin said The London Agency is undecided about whether to further boost the available limits.

"We've thought about it and we've asked our customers what they thought. It's been mixed on that, so we haven't made it a high priority. We'd much rather keep it controllable, keep the reinsurance controllable so we don't have a lot of reinsurance being ceded."

Dealing with "high-quality reinsurers" is more important than providing high limits, he said.

Although competition for umbrella business in general is fierce, "in the umbrella area we're in—which tends to be the more sophisticated, higher-premium type umbrella—there are fewer competitors," Mr. Griffin remarked. However, "that doesn't mean it isn't competitive, by any means."

Still, competition for the business is not as "price-intense" as it is for some standard lines, he said. "We like to compete more on terms, staying away from pricing as much as we can," Mr. Griffin said.

The London Agency also believes in "truly underwriting the account," he said.

The London Agency's philosophy of establishing floor prices means "we are absolutely sure every price on every policy is what we need to make a profit," Mr. Griffin said. "So we're comfortable that our pricing is adequate."

In recent months, umbrella prices have been firming throughout the marketplace, Mr. Griffin said. "Prices have bottomed out if not gone up a notch. It's nothing spectacular, but at least it's on the right side of the column."

Geographically, the umbrella business is spread throughout the country. States with the highest number of umbrella policyholders are generally the most populated, like New York and Texas, said Mr. Griffin. He includes Georgia, "because we're here."

The average premium for an umbrella policy is around $70,000, about the same average premium as The London Agency collected last year.

While standard companies compete for Main Street-type accounts, The London Agency prefers to use its underwriting expertise on more difficult, high-hazard accounts.

But some hazards are too risky even for The London Agency. It shuns such exposures as medical malpractice, pharmaceuticals, asbestos or potential pollutants, according to Mr. Griffin.

"We do write some Fortune 500 companies," he pointed out, "but they are not chemical or oil companies. We're probably most strong in the general construction area."

London Brokers, Floyd West and Seaboard have "all been steady" in the past year, Mr. Griffin observed. "No big changes."

London Brokers is treated "as independently as we can, even though they are owned by The London Agency," he said.

The 2-year-old facility concentrates on business based in the Southeast and places a broad range of commercial property/casualty coverages.

For umbrella business, the competion is less 'price-intense' than it is for some standard lines, says John M. Griffin of The London Agency. 'We like to compete more on terms, staying away from pricing as much as we can.'

"They're having a fairly good year," said Mr. Griffin.

The $55 million in premiums generated by London Brokers and Floyd West was "a fairly even split" between the two, according to Mr. Griffin.

This year's premium totals are shaping up to be "very similar" to 1989, he said.

Like London Brokers, Floyd West operates as a broker placing an array of property/casualty coverages, mostly for Texas-based businesses.

Floyd West now has a New Orleans office, which formerly operated as a branch of The London Agency.

"The London Agency formerly had a Tampa and New Orleans branch," Mr. Griffin explained. "Tampa decided to close and move the operation here to Atlanta."

Underwriters in New Orleans also were moved to Atlanta and the New Orleans office now functions as a brokerage branch of Floyd West.

The changes were made because "Tampa and New Orleans were both working directly with retailers," said Mr. Griffin, "and the overall strategy of The London Agency is to work with wholesalers."

In addition, by bringing underwriters to the Atlanta office, "we found we could gain some efficiencies and be more productive," he said. "We just see bigger, better business here in Atlanta."

The addition of four underwriters from the two branches gives The London Agency "a huge

Continued on next page

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Continued from previous page
productivity gain," Mr. Griffin remarked. "We're able to serve our wholesalers' needs a lot better."

The London Agency's overall employee count totaled 326 at the end of 1989, down from 331 at the end of the previous year.

Seaboard contributed $33 million of The London Agency's premiums, with $28 million of that generated as an underwriting manager.

Seaboard underwrites long-haul trucking liability insurance on behalf of Crum & Forster unit United States Fire Insurance Co. in Morristown, N.J.

Another $5 million in premiums came from business placed by Seaboard as a wholesale broker.

Long-haul trucking liability insurance is a "tough business," Mr. Griffin acknowledged. "It's a market where a lot of insurers are charging a higher price and another group of insurers are charging a substantially lower price. It's a very mixed market. Some of the companies are surplus lines carriers and some are admitted carriers."

It will be hard for some of the insurers charging the lowest rates to survive as underwriters of long-haul liability insurance, Mr. Griffin observed. "If we're charging a price that's at least $1,500 per unit more than they are and we're having a difficult time trying to make a dollar, I just don't understand how they can charge so much less."

Seaboard has raised its long-haul liability insurance rates 20% in the past year.

"Even the guys who were low have come up some," Mr. Griffin noted. "But there is still a pretty wide gap between them and players like us" that have pushed up rates for the coverage.

Raising rates, however, cost Seaboard some business, Mr. Griffin said.

"When you raise rates on long-haul trucking, you can almost guarantee that you will lose a certain amount of business. The trucking business doesn't make a lot of money itself, so they are very sensitive about saving as much money as they can."

Mr. Griffin pointed out that some trucking companies are quick to take advantage of savings by switching to lower-priced insurance.

'One of the things that insurance companies are working on is providing price stabilization. If we get back into a huge market swing like we did a few years ago, that would do nothing for our image but hurt us again,' Mr. Griffin says.

So far, the 20% rate hike hasn't been sufficient to offset the amount of lost business, he confirmed. "You can't worry about that. You've got to worry about getting the right price for the product and not worry about market share. If you go after market share in long-haul, it's going to be big trouble."

The loss of business at Seaboard and the absence of the agents' E&O business that was previously written at The London Agency have dampened first-half results in 1990.

Through June, The London Agency recorded premiums of $194.4 million, down about 4.3% from $203.1 million for the same period last year.

Like casualty premiums, property business is off as well. But Mr. Griffin said he isn't too concerned about lower property insurance volume because rates seem to be stabilizing.

Insurers are beginning to renew property insurance at expiring premiums, Mr. Griffin said. "We're seeing now, pretty generally, that you can renew a policy at the same expiring premium, assuming the same exposures."

The London Agency expects to generate property and inland marine premiums of $70 million to $75 million, down from $81 million in 1989.

During the first half of 1990, property and inland marine business generated $38 million in gross premiums.

Average premiums on property and inland marine accounts are about $20,000 to $22,000, according to Mr. Griffin.

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 94% is written with admitted insurers.

This year is shaping up to be a "good, profitable year for us," said Mr. Griffin. "That's good news," he added, although "we would like to see the market harden up a little bit more. Little by little is fine with me. I don't want to jump back into those big increases and decreases."

Mr. Griffin said he believes "most insurance companies are trying now to at least retain the business with the same premium if not a little bit more. It's difficult because we're all competing for new business and that's where you lose it."

The next hard market probably won't manifest itself in the same way as previous cycles that were marked by sudden and dramatic price swings, Mr. Griffin predicted.

"One of the things that insurance companies are working on is providing price stabilization. If we get back into a huge market swing like we did a few years ago, that would do nothing for our image but hurt us again.

"It's much more in our interest to keep rates reasonable and increase them at a slow pace just to keep up with inflation and our expenses or whatever our actual loss costs might be. I'd be much more interested in having business that ran nice, little, steady 3%, 4% and 5% increases every year than plus 40% one year and minus 20% the next year."

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 and the National Assn. of Independent Insurers.

—By Michael Bradford

Price Forbes North America

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	1989	1988*
Premium volume	$356,000,000	$362,500,000
Gross revenues	$32,000,000	$32,900,000
Employees	342	374
Commercial lines	100%	100%
Admitted business	25%	25%
Non-admitted	75%	75%

* Restated.

Price Forbes North America is the newest member of the Top 10 U.S. insurance wholesalers, ranking as the third-largest underwriting manager/managing general agent and the fourth-largest wholesaler overall.

However, Price Forbes' major operating unit is no stranger to the list.

Price Forbes is the holding company formed when its ultimate parent, Sedgwick Group P.L.C. of London, restructured its worldwide operations earlier this year (*BI*, June 18; Jan. 15). Price Forbes reports to Sedgwick Broking Services P.L.C. in London, which was formed in January to oversee all of Sedgwick's specialty brokerage operations.

One of Price Forbes' two major operating units, Dallas-based Crump E&S Group Inc., was the eighth-largest U.S. wholesaler and fourth-largest wholesale broker based on 1988 results (*BI*, Aug. 14, 1989).

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. It also places commercial auto and some non-cargo marine risks, such as shrimp boats.

In addition, Crump E&S also serves the financial services industry, gas utilities, municipalities and energy risks in Texas and California.

Sedgwick merged its Toronto-based wholesale brokerage unit, Euings Ltd., with Crump E&S Group in July 1989. That unit, now called Crump Euings Inc., operates as a Crump E&S branch office and focuses on Canadian business.

Price Forbes' other major unit is Southern Marine & Aviation Underwriters Inc., a wholesale brokerage and managing general agent in New Orleans, that specializes in energy, marine cargo, general aviation and aviation contractor risks.

SMAU also is an underwriting manager for its wholly owned subsidiary, Americas Insurance Co. of New Orleans.

A separate SMAU operating unit, New York-based wholesaler Sedgwick International Marketing Services Inc., exclusively handles "reverse-flow" business: business coming into the United States from Sedgwick Group in London. It primarily places business for energy-related risks.

The results of S.J. Petrakis Insurance Services Inc., which were formerly reported with Crump E&S Group's, are now reported as part of Sedgwick James North America, Sedgwick's U.S. retail brokerage operations. Price Forbes' 1988 results have been restated to reflect that change.

Petrakis—which markets coverage for municipalities, transit districts, school districts and solid waste facilities—had always operated autonomously from Crump E&S.

After taking into account the restructuring, Price Forbes' premium volume declined 1.8% to $356 million in 1989 from a restated $362.5 million in 1988.

Gross revenues declined 2.7% to $32 million in 1989 from $32.9 million in 1988.

However, Price Forbes reported that first-half premium volume rose nearly 6% to $189.4 million from $178.4 million in 1989. And gross first-half revenues grew 6.3% to $17 million in 1990 from $16 million in 1989.

Relatively stable 1989 results and improved first-half results this year came despite competitive market conditions and the increasing appetite of admitted insurers for many risks traditionally viewed as non-standard.

"We believe that some of the best opportunities come about in the most difficult times," said Marcus Payne, executive vp and chief operating officer of Crump E&S.

"If you use this time to really seek out the market needs and where you can add value, you're going to find a lot that you can do," he said.

"We have a saying printed in our office: 'We are confronted with insurmountable opportunities,' " added Orville D. Jones, president and chief executive officer of Crump E&S.

"In 1989, rates were dropping, and we had not gotten our operations completely reorganized and structured the way we wanted them to be. Now we have become more focused, and we act more as one group moving in one direction," Mr. Jones explained.

"We also have a bigger agency base and more products with SMAU on board, and they have a bigger agency base to sell from. The reorganization has had a very positive effect on both operations" and has given Crump E&S stronger ties with the London market, Mr. Jones added.

Continued on next page



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Stephen P. Dinsdale, president and chief operating officer of SMAU, agreed.

Explaining Price Forbes' slight revenue decline in 1989, Mr. Dinsdale said SMAU spent most of last year planning for 1990 and beyond, assuming that competitive market conditions would not abate.



Mr. Dinsdale

"We enhanced our products, became highly computerized in certain aspects of our operations and put a major emphasis on new production in 1990," he said.

Mr. Payne said Crump E&S anticipates stronger premium growth in the next year because several new products are appealing to a wider range of retail producers.

For example, in July the wholesaler opened a new profit center—Crump E&S Financial Services Inc. in Nashville, Tenn.—to market nationwide on a package or monoline basis:

- Financial institution bonds as well as 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, each with $5 million in limits per claim/$5 million aggregate.
- Directors and officers liability, trust errors and omissions, and corporate fiduciary liability coverages, each with $3 million in limits per claim/$3 million aggregate.

The unit also markets financial institutions excess liability, kidnap and ransom, and lenders' single interest coverages.

And the financial services unit is marketing a repossessed asset package that provides lending institutions that repossess properties with coverage for liability, property loss—including flood and earthquake losses—and loss of income due to a loss.

Limits for those coverages are negotiable, Mr. Payne said.

All financial institution coverages are underwritten by Lloyd's of London syndicates and non-admitted domestic insurers rated A+ by A.M. Best Co.

"We're really calling it a one-stop facility for the financial institution," Mr. Payne said.

Crump E&S also launched a new occurrence-based general liability program in July for contractors in Texas and adjacent states.

That program, which provides up to $1 million per occurrence/$2 million aggregate in limits, will be marketed nationally within a year.

The coverage is written by an A+-rated non-admitted insurer.

In June, Crump E&S began marketing an underground and above ground petroleum storage tank pollution program in 17 states, primarily in the West. It can also provide this coverage countrywide to national accounts, approved by the insurer, which Crump E&S would not name.

The program, which offers up to $1 million per incident/$2 million aggregate per insured location, covers government mandated cleanup costs, third-party bodily injury and property damage claims.

The program also covers damages resulting during tank loading and unloading and pre-existing conditions the policyholder identifies during the policy term.

The underground petroleum storage tank program also pays defense costs of either $100,000, $200,000 or $500,000 per pollution incident in addition to the policy limits.

The policy includes an automatic 12-month extended reporting period if the policy is canceled or not renewed by the insurer or the policyholder.

The pollution program, which is underwritten by an A+-rated non-admitted insurer, requires a minimum $5,000 per claims deductible and a minimum premium of $3,500.

"We think it is the broadest coverage of its kind on the market now," Mr. Jones said.

And, in Florida, Crump E&S recently began offering an occurrence-based liquor liability program that provides $1 million in limits per occurrence and aggregate for wholesale manufacturers, taverns, package liquor stores, restaurants and clubs.

Mr. Jones explained that Crump E&S "wanted to get more into niche businesses to try to smooth out the cycles in the E&S market." He predicted that "these new programs will be around for a long time."

Meanwhile, SMAU has enhanced many of its general marine and aviation products to give the unit a "broader base," which will help SMAU retain business and weather cycles, Mr. Dinsdale said.

"The type of business SMAU handles is not really program-type business," Mr. Dinsdale explained. "We handle all facets of aviation and energy and have facilities to handle whatever coverage the customer wants."

He added that most of the policies—particularly for energy-related risks—are manuscripted.

However, for the past 11 years, SMAU has marketed a nationwide aviation program sponsored by Washington D.C.-based Airport Operators Council International that provides broad-form airport liability coverage with limits of up to $300 million per occurrence and aggregate.

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America's E & O Authority

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Crump E&S also shed some business. In July it sold a book of personal lines marine business generated by its Huntington Harbor, Calif., office to an investor group, which also bought the office.

The business was sold, said Mr. Jones, because it "did not really fit our long-range goals."

However, Crump E&S will retain its G&M Marine Inc. office in New Orleans, which provides coverage to "brown water" commercial vessels, such as shrimp boats, he said.

Last fall, Crump E&S sold a branch office in Columbus, Ohio, to a local wholesale broker because it did not see "growth potential there," Mr. Jones said.

Meanwhile, Crump E&S opened offices in Boston last October and Irvine, Calif., in May.

Messrs. Jones, Dinsdale and Payne say they have yet to see any signs of capacity restrictions in the excess/surplus lines marketplace.

"There's plenty of capacity," Mr. Jones noted.

For example, Mr. Dinsdale said that SMAU has $300 million of in-house capacity for airport liability and that its worldwide capacity "is substantially in excess of that."

In fact, in both the energy and aviation fields, the Price Forbes units have not faced a situation in which they "could not fill the limits requested," he noted.

Both Mr. Jones and Mr. Dinsdale describe E&S prices as flat.

Mr. Jones said that most E&S insurers have set "walkaway" prices.

He noted that first-layer umbrella coverages and property coverages are leaving the surplus lines market more than any other lines because admitted insurers are most interested in them.

Admitted companies also have a greater appetite for D&O risks and large account business, he said.

However, at Crump E&S, the book of professional liability and D&O business doubled in volume in 1989 compared with 1988 and continues to grow in 1990, Mr. Jones said.

In 1989 and the first half of 1990, 25% of Price Forbes' total premiums were placed with admitted and 75% with non-admitted insurers, unchanged from 1988.

Price Forbes places about one-third of its business with various Lloyd's of London syndicates and London insurers.

Other insurers with which it places more than 5% of its business include various units of the Crum & Forster Inc., Hartford Insurance Group, units of Nationwide Mutual Insurance Co. and Transamerica Insurance Co.

Between 10% and 15% of Price Forbes' business is generated by Sedgwick Group brokers, Mr. Dinsdale said.

Sixteen percent of Price Forbes' 1989 premium volume was generated as an underwriting manager, 35% as a managing general agent and 49% as a wholesale broker.

Effective with the restructuring, Mr. Jones was given the additional title of chairman of Crump E&S, replacing Sidney A. Stewart, who remains vice chairman of Sedgwick James North America.

In addition to Mr. Jones and Mr. Payne, Patrick R. O'Brien, senior vp-finance and administration, is a top officer of Crump E&S.

Besides Mr. Dinsdale, the top officers of SMAU include 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.

Price Forbes reported 321 employees at the end of the first half —about 165 of whom were producers. Its 342 employees at year-end 1989 represented an 8.6% drop from 374 in 1988.

Mr. Jones attributed most of that reduction to the consolidation of Euings with Crump E&S.

The broker has added nine new producers in the last 12 months and 14 in the prior year, he noted.

Price Forbes is a member of both AAMGA and NAPSLO.

—By Linda J. Collins



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Crum & Forster Managers Group

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	1989	1988
Premium volume	$299,205,000	$318,779,000
Gross revenues	NA	NA
Employees	441	490
Commercial lines	100%	100%
Admitted business	38%	49%
Non-admitted	62%	51%

Crum & Forster Managers Group continues to seek product niches as it contends with the soft commercial insurance market, says David N. Thompson, chairman and chief executive officer of the Chicago-based underwriting manager.

The Crum & Forster Inc. unit also is beefing up its underwriting staff after having allowed attrition to thin its employee ranks, said Mr. Thompson.

With the consolidation of the former Crum & Forster Underwriting Managers of Illinois and Crum & Forster Managers of New York into Chicago-based Crum & Forster Managers now complete, Mr. Thompson said that the underwriting manager is poised to play an increasingly significant role in the marketplace.

Crum & Forster Managers' premium volume decreased 6.1% in 1989 from 1988, but Mr. Thompson said that the slight decrease will not force the group to abandon its philosophy of sacrificing volume if necessary to maintain adequate pricing.

Crum & Forster Managers underwrote $299.2 million premium in 1989, compared with $318.8 million a year earlier.

With the decrease in premium volume, CFM fell a notch to rank as the fourth-largest U.S. underwriting manager/managing general agent and the fifth-largest wholesaler of any kind.

The downward trend in premium volume continued during the first six months of 1990 as well, although at a considerably lower rate. The group's premium volume for the first half of this year was $133.4 million, compared with $138.3 during the comparable period of 1989, or a decrease of only 3.5%.

"Our volume overall has declined slightly as a result of our tenacity on pricing," said an unapologetic Mr. Thompson.

"We are one of those carriers that has a walkaway price. We are satisfied that we won't have to raise prices significantly in a hardening market," he explained.

CFM underwrites insurance on an admitted and non-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.

CFM placed 38% of its premiums with admitted insurers and 62% of its premiums with non-admitted insurers in 1989. In 1988, CFM had placed 49% of its premium volume with admitted insurers and the remainder with non-admitted companies.

Mr. Thompson said the change is "really just a mix of business issue. Much of our admitted business has become much more competitively targeted."

However, during the first six months of 1990, 76% of CFM's premium volume was placed in the admitted market, compared with only 43% a year earlier.

Dennis C. Gibbs, CFM's executive vp and chief financial officer, said that the trend toward the admitted market should continue.

"Percentage figures of the first six months are much more indicative of what we expect in the future," agreed Robert E. Stalker, marketing vp.

Mr. Thompson pointed out that the so-called "walkaway price" strategy, in which CFM sets a minimum price for a piece of business, is not unique to the underwriting manager but rather a policy established by Robert J. Vairo, chairman and chief executive officer of Crum & Forster Inc., and one followed by all Crum & Forster units.

Mr. Thompson said that he is "quite happy" with the business that CFM is writing. "We continue to look at our business results on an accident-year basis. Even though the volume's off, the results are good," he said.

CFM executives believe that a "consistently competitive insurance cycle" now exists, Mr. Thompson commented. "The valleys seem a lot longer than the peaks," he said.

Since the middle of last year, CFM has introduced two new products, said Mr. Stalker.

One, an errors and omissions policy for title insurance agents, was test-marketed in Florida. The program was such a success that it will be expanded to other parts of the country in the near future, said Mr. Stalker. The product has maximum limits of $1 million, he said, adding that there hasn't been any demand for higher limits.


Mr. Thompson

The other product is a directors and officers liability policy written for non-profit entities on an occurrence form, said Mr. Stalker. Right now, the product is aimed at directors and officers of golf courses, but should also be expanded in the near future, he said.

Other new products, which he declined to identify, are on the drawing board, and may be introduced later this year.

The new products mesh with CFM's longstanding emphasis on professional liability and directors and officers liability programs, said Mr. Stalker.

CFM currently offers about 25 products, the underwriting guidelines for which are contained in separate underwriting books.

CFM's major professional liability programs target: insurance agents and brokers, which include managing general agents; law firms with two to 100 attorneys, particularly if they emphasize defense work; small to medium-sized real estate firms; accounting firms of "all sizes and shapes but not Big 6 accountants;" architects and engineers; public and private schools, colleges and universities; and trustees and fiduciaries of commercial and non-profit entities.

Mr. Thompson added that CFM does not write D&O for financial institutions or environmental impairment liability insurance.

Some of CFM's programs are produced exclusively through certain brokerages. For example, a program for chartered public accountants is brokered by Rollins Burdick Hunter Co. of Chicago; a program for real estate appraisers is brokered through Myers Baker & Co., another Chicago brokerage; and New York-based Professional Coverage Managers is the producer of an architects and engineers program.

In addition to writing professional liability coverage, CFM writes D&O coverages, excess liability insurance and hard-to-place property coverage on both a primary and excess basis. CFM, for example, provides property coverage for coin and stamp dealers.

CFM generally quotes limits of up to $10 million, said Mr. Thompson.

Continued on next page

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"In order to be a significant factor in many of these lines, we want to have this capability," he said. In addition, available corporate D&O limits were increased to $5 million from $2 million this April.

The mix of CFM's business has not changed significantly during the past year. Professional liability and E&O generated 50% percent of the group's premium volume in 1989, a slight increase from 1988's 47%. D&O dropped to 21% from 22%, excess casualty fell to 18% from 19% and property fell to 11% from 12%.

A network of 729 brokers currently produces business for CFM, unchanged from last year, said Mr. Stalker.

If one large program produced by a retail broker is exempted from CFM's totals, wholesalers produce 75% of CFM's premium volume with the remainder produced by retailers, noted Mr. Thompson, who would not identify the broker or the program.

"We do business with independent wholesalers as well as wholesalers who are associated with large retailers," he said.

Wholesalers receive a 15% commission, retailers a 10% commission, he said. The commission percentages did not change in 1989.

CFM neither opened nor acquired any new offices in 1989 or thus far in 1990. The unit has three offices in addition to its Chicago headquarters: 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.

The consolidation of operations resulted in 'a very positive fit,' Mr. Thompson says.

The current corporate structure has been in place for only slightly more than a year. On May 23, 1989, Crum & Forster Managers of Illinois and its California and Florida branches combined with the then-separate New York operation to form Crum & Forster Managers Group.

The first year of combined operations shows that the consolidation resulted in "a very positive fit," Mr. Thompson said.

The only significant problem that emerged from the consolidation was a technical one: The computer system used by the Chicago office and its branches was not totally compatible with that used by New York. The systems had to be reworked accordingly, he said.

Because of the soft market, staff vacancies went unfilled, cutting the group's employee count to 441 at year-end 1989 from 490 at year-end 1988. He added, however, that CFM began beefing up its staff again early this year. By the end of June 1990, CFM's staff totaled 471, Mr. Thompson said, who added that most of the additions were in underwriting.

"We're making sure the underwriting department is adequately staffed to provide better customer service," said Mr. Stalker.

CFM also is building up a new loss control department in Chicago, said Mr. Thompson. The underwriting manager has already produced two loss-control videotapes for accountants and plans further videos designed to alert other professionals to possible E&O risks, he said.

Mr. Thompson said that providing professionals with loss control information has become an increasingly important part of CFM's customer service strategy.

CFM will complete its second decade of business next year, and has adopted a new slogan to take the underwriting manager into its second 20 years. "Score 2 for Service" puts emphasis on the customer, he said. The new slogan is also part of a campaign to give CFM "a somewhat higher profile" in the marketplace, he added.

Mr. Thompson said that the most significant management change was the promotion of Mr. Gibbs, formerly senior vp and chief financial officer, to executive vp. Mr. Gibbs retained his position as chief financial officer.

In addition to Messrs. Thompson and Gibbs, CFM's principal officers are Roger A. Quigley, senior vp and chief underwriting officer; Gary J. Ferguson, senior vp-claims; and Donald M. McGuire, senior vp-New York.

CFM is a member of both AAMGA and NAPSLO.

—By Mark A. Hofmann

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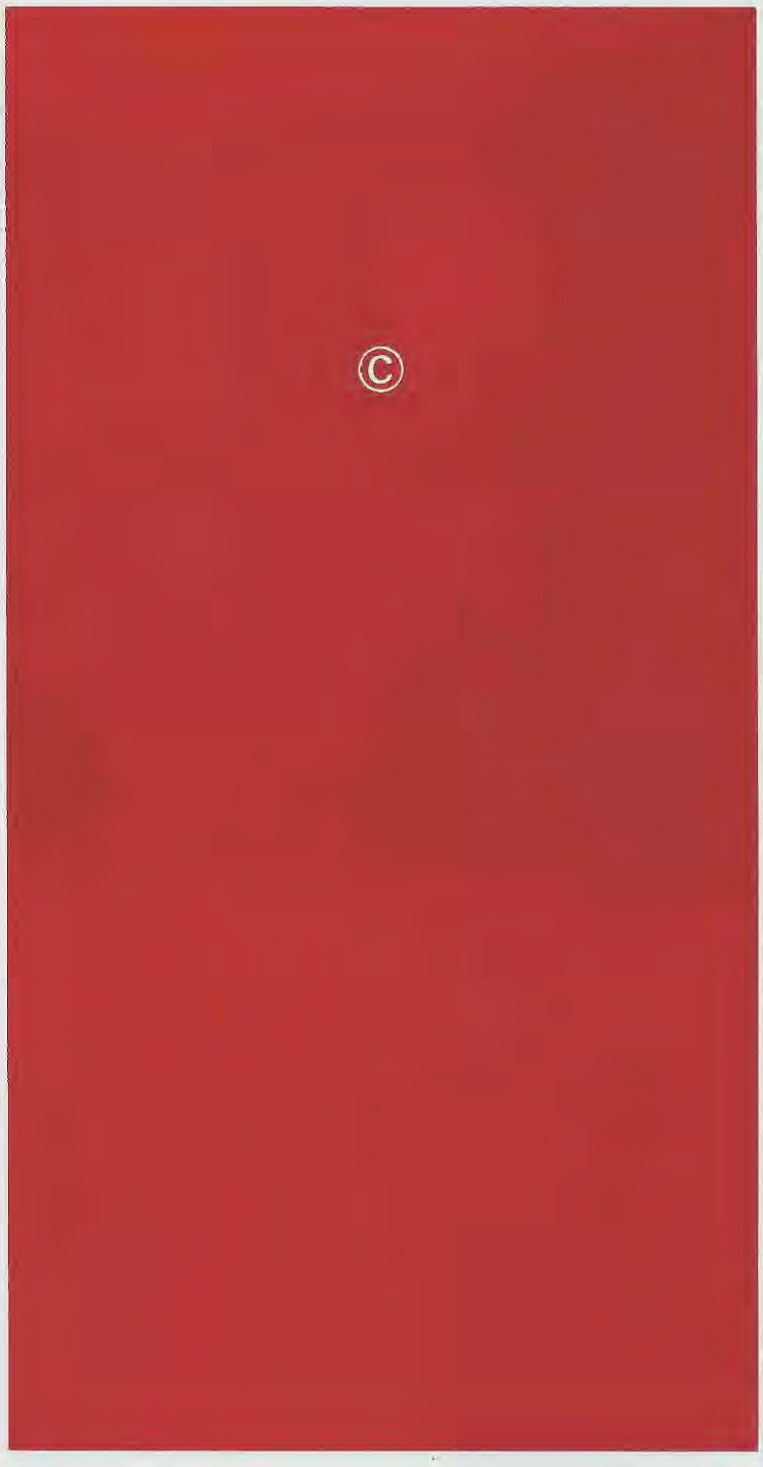
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Cameron & Colby Co. Inc.

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

	1989	1988
Premium volume*	$231,991,000	$282,570,000
Gross revenues	NA	NA
Employees	430	430
Commercial lines	100%	100%
Admitted business	48%	51%
Non-admitted	52%	49%

* Direct writings only; excludes reinsurance.

The Hartford Insurance Group units for which Cameron & Colby Co. Inc. writes direct insurance are waiting out the soft market and hoping for new underwriting opportunities to shore up eroding premium volume.

Boston-based Cameron & Colby, also a Hartford unit, writes direct insurance for First State Insurance Co., largely a surplus lines market, and New England Insurance Co., its admitted market counterpart.

The fifth-largest underwriting manager and ninth-largest wholesaler in the 1990 *Business Insurance* ranking also writes reinsurance for Hartford's New England Reinsurance Corp. subsidiary.

While huge catastrophe losses last year might have been expected to produce tightening in the property/casualty market, "the market turnaround that never happened" is Cameron & Colby's biggest disappointment of 1989, said Ralph J. Palmieri, president of Cameron & Colby, First State and New England Insurance.

This year, the underwriting manager is focusing on retaining its existing business in the face of soft market competition while holding the line on rate reductions it offers its clients, Mr. Palmieri said.

While expressing satisfaction at the firm's ability to hold onto accounts, Cameron & Colby officials cite competition on price and other policy conditions as the major cause of the overall erosion in its premium volume.

Gross direct written premiums at First State and New England Insurance fell 17.9% last year to $232 million from $282.6 million in 1988.

First State accounted for $157.4 million of last year's volume, down 31.2% from $228.8 million in 1988.

New England Insurance accounted for $74.6 million, up 38.7% from $53.8 million in 1988.

A key factor in the sharp drop in First State's volume and simultaneous rise at New England Insurance was Cameron & Colby's decision to "de-license" First State in Massachusetts, where it had written a large volume of business in 1988.

Cameron & Colby writes virtually identical risks for First State and New England Insurance, using the former when a non-admitted company is needed and the latter when an admitted market is required. It tries to offer policyholders both the non-admitted and admitted option in each state.

However, until last year, First State and New England Insurance were admitted in Massachusetts, leading to Cameron & Colby's decision to de-license First State.

As a result, a large block of business First State had written on an admitted basis moved to New England Insurance. First State's direct volume in Massachusetts dropped 82.6% last year to $9.7 million from $55.7 million in 1988.

Meanwhile, direct volume in Massachusetts for New England Insurance shot up to $36.4 million last year from $44,950 in 1988.

Earlier this year, Cameron & Colby undertook a similar exercise in California, where both First State and New England Insurance had been licensed.

However, this time New England Insurance was de-licensed, making it the group's non-admitted market for risks in California.

Mr. Palmieri explained that delicensing New England Insurance rather than First State was easier for logistical reasons. He noted that First State has long been established with a large book of business in California.

First State wrote $37.3 million on an admitted basis in California last year, while New England Insurance wrote $534,370.

The direct volume figures for the two insurers do not include reinsurance premiums assumed through a pool managed by parent Hartford Fire Insurance Co. Under the pooling arrangement, the two insurers cede all of their direct business to Hartford Fire while assuming a share of the pool's premiums, losses and expenses.

Though they continued to lose volume on a combined basis last year, First State and New England Insurance remained profitable and continued to add to their policyholder surplus, though at a slower rate than in 1988.

First State reported earned premiums of $149.4 million and an underwriting loss of $7.7 million. After adding $30.5 million in investment gains and figuring in taxes and other gains and losses, First State reported net income of $11.2 million and finished the year with surplus of $118.3 million.

While huge catastrophe losses last year might have been expected to produce tightening in the property/casualty market, 'the market turnaround that never happened' is Cameron & Colby's biggest disappointment of 1989, says Mr. Palmieri.

In 1988, First State reported an underwriting loss of $2.1 million, net income of $22.6 million and policyholder surplus of $108 million.

New England Insurance reported earned premiums of $77.3 million and an underwriting loss of $4 million in 1989. After including $16.6 million in investment gains and other gains and losses, the insurer finished the year with net income of $6.1 million and surplus of $62.4 million.

New England Insurance in 1988 reported an underwriting loss of $1.1 million, net income of $12.1 million and surplus of $56.6 million.

Including the reinsurance operations of New England Re, the three Cameron & Colby-managed companies reported earned premiums of $427.5 million in 1989, down 2.9% from $440.3 million in 1988.

Combined net income totaled $29.1 million last year, down 47.9% from $55.8 million in 1988, and surplus totaled $439.1 million, up 12% from $392 million in 1988.

In addition to its Boston office, Cameron & Colby has offices in Atlanta, Chicago, Los Angeles, New York and San Francisco.

Along with Mr. Palmieri, top officers include Lawrence S. Doyle, chief executive officer; and William Griffiths, Lynford M. Richardson and David R. Robb, executive vps.

Cameron & Colby is a member of NAPSLO.

—By Douglas McLeod



Directory of insurance wholesalers

A

ARC Excess & Surplus Inc.

300 Old Country Road, Mineola, N.Y. 11501; 515-747-4100; fax: 516-747-3633

	1989	1988
Premium volume.	$105,000,000	$100,000,000
Employees.....	22	21
Commercial lines.	100%	100%
Admitted business	85%	85%
Non-admitted....	15%	15%

Year founded: 1986.
Type of business: 100% broker.
Broker for: Primarily Aetna Life & Casualty Co., 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., Royal Indemnity Co., Tudor Insurance Co., Evanston Insurance Co., Associated International Insurance Co., Lexington Insurance Co., Agricultural Excess & Surplus 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 and Jan Landstrom.
Licensed in: New York and 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

	1989	1988
Premium volume.	$6,507,398	$5,386,895
Gross revenues...	$400,973	$372,582
Employees.....	6	6
Commercial lines.	100%	100%
Admitted business	40%	40%
Non-admitted....	60%	60%

Year founded: 1982.
Type of business: 20% managing general agent, 80% broker.
MGA for: Lincoln Insurance Co., Home Insurance Co.
Broker for: Primarily Federal Insurance Co., Interstate Fire & Casualty Co., Lexington Insurance Co., Homestead Insurance Co., North Atlantic Casualty & Surety Insurance Co. Inc., Gulf Insurance Co., Tudor Insurance Co., Admiral Insurance Co., CNA Financial Corp., The Home Insurance Co., First State Insurance Co.
Specialties: Errors and omissions, directors and officers liability, general liability.
Principal officers: Kevin Schuck, president; Don Baker, Byron Chenell and S. Todd, vps.
Licensed in: Florida.
Membership: NAPSLO, Florida Surplus Lines Assn., National Assn. of Professional Insurance Agents.

Alexander Howden North America

1705 Commerce Drive N.W., Atlanta, Ga. 30318; 404-351-5880

See profile on page 48.



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All American Agency Facilities Inc.

711 Margaret St., P.O. Box 41169, Jacksonville, Fla. 32203; 904-354-3532; fax: 904-632-2157

	1989	1988
Premium volume.	$45,000,000	$35,000,000
Gross revenues...	$3,000,000	$1,900,000
Employees.....	67	33
Commercial lines.	95%	95%
Admitted business	65%	62%
Non-admitted....	35%	38%

Year founded: 1981.
Parent company: W.R. Berkley Corp.
Type of business: 50% managing general agent, 50% broker.
MGA for: American Empire Surplus Lines Insurance Co., American Modern Home Insurance Co., Canal Insurance Co., Carolina Casualty Insurance Co., Colony Insurance Co., Edison Insurance Co., Essex Insurance Co., First Financial Insurance Co., Guaranty National Insurance Co., Union Standard Insurance Co.
Correspondent: Lloyd's of London.
Subsidiaries: Baltimore; Chicago; Denver; Jackson, Miss.; Des Moines, Iowa; Commercial General Agency, Jacksonville, Fla. and Charlotte, N.C.; Diversified X/S Underwriters Inc., Lincoln, Neb.; Tobey & Co., Portland, Ore. and Redmond, Wash.
Specialties: Commercial auto 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 and Mississippi.
Membership: NAPSLO.

All Risks Ltd.

1001 Cromwell Bridge Road, Suite 302, Towson, Md. 21204; 301-828-5810; fax: 301-828-8179

	1989	1988
Premium volume.	$16,500,000	$14,498,694
Gross revenues...	$1,650,000	$1,400,000
Employees.....	25	16
Commercial lines.	95%	85%
Admitted business	40%	40%
Non-admitted....	60%	60%

Year founded: 1964.
Type of business: 85% managing general agent, 15% broker.
MGA for: Scottsdale Insurance Co., Western World Insurance Co., Northland Insurance Co., National Indemnity Co., Colony Insurance Co., Hermitage Insurance Co., National Casualty Co., Mount Vernon Fire Insurance Co., Regis Insurance Co., American Empire Surplus Lines Inc., Sphere Drake Insurance Co. P.L.C., Terra Nova Insurance Co. Ltd.
Broker for: Primarily Employers Re Group, Grangers Mutual Insurance Co., Mid-Continent Insurance Co., Transamerica Insurance Co., Affiliated FM Insurance Co., Lexington Insurance Co., Interstate Insurance Co., Homestead Planet Insurance Co., United Capitol Insurance Co., Reliance National, Chubb Custom Insurance Co., Fireman's Fund Insurance Co., International Surplus Lines Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Richmond, Va.; York, Pa.
Specialties: Commercial automobile, commercial umbrellas, professional liability, property and casualty.
Principal officers: William Salladin and Martha Dicerson.
Contact: William Salladin.
Licensed in: Maryland; Delaware; Pennsylvania; Virginia; Washington, D.C.
Membership: NAPSLO.

Anderson & Murison Inc.

800 W. Colorado Blvd., Los Angeles, Calif. 90041; 213-255-2333; fax: 213-255-0957

	1989	1988
Gross revenues...	$2,717,526	$2,357,832
Employees.....	28	28
Commercial lines.	75%	75%

Continued on next page

Continued from previous page

Admitted business	25%	35%
Non-admitted	75%	65%

Year founded: 1965.
Type of business: 85% managing general agent, 15% broker.
MGA for: Acceptance Insurance Co., American Empire Surplus Lines Insurance Co., United National Insurance Co., Western World Insurance Co., Jefferson Insurance Co. of New York, Topa Insurance Co., First State Insurance Co., Sphere Drake Insurance Co. P.L.C., Aegon Insurance Co. Ltd.
Broker for: Primarily First State Insurance Co., Colonia Insurance Co., Topa Insurance Co., General Star Management Co., Tudor Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Monoline primary casualty, commercial property and packages, umbrella.
Principal officers: David F. Anderson, president; Horst L. Lechler, senior vp; Francisca Verzola, secretary.
Contact: David F. Anderson.
Licensed in: California.
Membership: AAMGA, NAPSLO, The Surplus Lins Assn. of California.

Anglo-American Ltd.

201 Bloomfield Ave., Verona, N.J. 07044; 201-239-7000

	1989	1988
Premium volume	$3,500,000	$3,400,000
Employees	5	6
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, Professional Insurance Agents, New Jersey Surplus Lines Assn.

Arlington/Roe & Co. Inc.

5546 Shorewood Drive, P.O. Box 20905, Indianapolis, Ind. 46220; 317-257-9123

	1989	1988
Premium volume	$9,738,796	$9,111,290
Gross revenues	$1,061,073	$1,006,000
Employees	23	21
Commercial lines	58%	60%
Admitted business	65%	65%
Non-admitted	35%	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., Clarendon Insurance Co., Empire Fire & Marine Insurance Co., Foremost Insurance Co., Midwest Mutual Insurance Co., National Indemnity Insurance Co., Nautilus Insurance Co., Northland Insurance Co., Northfield Insurance Co., Western Heritage Insurance Co., Guaranty National Insurance Co., Burlington Insurance Co., First Financial Insurance Co., Edison Insurance Co.
Broker for: Primarily International Surplus Lines Insurance Co., Employers Reinsurance Corp., CNA Financial Corp., Evanston Insurance Co., Fireman's Fund Insurance Cos., Lexington Insurance Co., American Live Stock Insurance Co., North Atlantic Casualty & Surety Insurance Co., Scottsdale Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Aetna Insurance Co., Reliance Insurance Co., Gulf Insurance Co., Transamerica Insurance Co., Columbia Mutual Casualty Co., Home Insurance Co. of Illinois, Tudor Insurance Co., Dearborn Insurance Co., Illinois Insurance Exchange, RLI Insurance Co.
Correspondent: Lloyd's of London.
Principal officers: James A. Roe, president; Nancy E. Young and Allen J. Grau, vps.
Licensed in: Indiana.
Membership: AAMGA, NAPSLO, Indiana Assn. of Professional Specialty Lines Offices, National Assn. of Professional Insurance Agents.

Associated Programs Inc.

919 Third Ave., New York, N.Y. 10022; 212-688-9700; fax: 212-319-7509

	1989	1988
Premium volume	$9,000,000	$4,800,000
Gross revenues	$1,200,000	$550,000
Employees	11	7
Commercial lines	100%	100%
Admitted business	100%	100%

* Support services provided by parent company
Year founded: 1987.
Parent company: Kornreich Insurance Services.
Type of business: 98% managing general agent, 2% broker.
MGA for: CIGNA Corp., Institute of London Underwriters Cos.
Broker for: Primarily International Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: 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 Underwriters Society.

AVRECO Inc.

10 S. LaSalle St., Chicago, Ill. 60603; 312-346-6161; fax: 312-580-0106

	1989	1988
Premium volume	$70,000,000	$79,900,000
Gross revenues	$4,200,000	$4,794,000
Employees	44	44
Commercial lines	100%	100%
Admitted business	30%	35%
Non-admitted	70%	65%

* Additional services provided by staff of related companies.
Year founded: 1962.
Type of business: 100% broker.
Broker for: Primarily Lexington Insurance Co., Employers Reinsurance Corp., California Union Insurance Co., Reliance Insurance Co., St. Paul Surplus Lines Insurance Co., The Home Group Inc., Chubb Custom Insurance Co., First State Insurance Co., Crum & Forster Managers Group.
Correspondent: Lloyd's of London.
Branch offices: New York; Cameron Excess, Scottsdale, Ariz.
Specialties: Hospital professional liability, umbrella 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; Washington, D.C.; Virginia; Arizona.
Membership: NAPSLO, Assn. of Lloyd's Brokers, Illinois Surplus Lines Assn., Chicago Board of Underwriters.

Continued on next page



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Guide to directory

The annual *Business Insurance* directory of wholesale marketers lists underwriting managers, managing general agents and surplus lines brokers that responded to a *Business Insurance* questionnaire.

The directory is published as an editorial service; there is no charge for companies to be listed.

Listings begin with the company name, address, telephone and facsimile numbers.

Next, companies were asked to provide premium volume; gross revenues; number of employees; percentage of premium volume placed as an underwriting manager, managing general agent and wholesale broker.

Business Insurance defines an underwriting manager as a company that handles all the affairs of the insurance company, including underwriting, reinsurance and claims, with the possible exception of investments of the insurance company.

A managing general agent is defined as having underwriting authority for an insurer, which includes the ability to determine rates on individual risks; it can bind and issue policies on behalf of the insurer. The managing general agent may or may not have reinsurance and claims supervision authority related to the insurance it has written.

A broker places business with markets but has no underwriting authority or binding authority without approval of the insurer.

Companies acting as underwriting managers were asked to list companies for which they have underwriting authority. Managing general agents gave the names of companies for which they have binding authority, while brokers supplied names of companies with which they place the most business. Also noted is whether a company is a correspondent for Lloyd's of London, defined as a surplus lines broker whose operations are made known to underwriters and which places business on a regular basis with a Lloyd's broker.

Following the financial information, the **year founded** and its **parent company** (if any) are noted. Locations of **branch offices** and **subsidiaries**, **specialties** (any commercial risk that comprises 25% or more of the company's annual premium volume) and names and titles of **principal officers** are also noted.

Companies' **memberships** in either of the two national surplus lines organizations—the National Assn. of Professional Surplus Lines Offices (NAPSLO) and the American Assn. of Managing General Agents (AAMGA)—as well as state surplus lines organizations are included. The name of a **contact** at the company for those wishing further information completes the listings.

In addition to this directory of wholesale marketers, a listing of excess and surplus lines insurers that responded to a *Business Insurance* questionnaire begins on page 39.

Although we make every effort to publish complete and accurate information, *Business Insurance* is unable to verify all figures supplied by participating companies.

Continued from previous page

B

Bailey Special Risks Inc.

P.O. Box 768, Hendersonville, Tenn. 37077-0768; 615-264-3977; fax: 615-264-3980

	1989	1988
Premium volume	$600,000	NA
Gross revenues	$60,000	NA
Employees	4	NA
Commercial lines	99%	NA
Admitted business	20%	NA
Non-admitted	80%	NA

Year founded: 1989.
Type of business: 20% managing general agent, 80% broker.
MGA for: Audubon Indemnity Co., Colony Insurance Co.
Broker for: Primarily Audubon Indemnity Co., Chubb Custom Insurance Co., Lexington Insurance Co., Fireman's Fund Insurance Co.
Specialties: Commercial umbrella, products liability.
Principal officers: James W. Edwards, chairman/president; Nancy T. Edwards, vp/secretary.
Contact: Jim Edwards.
Licensed in: Tennessee.

Beech Street Insurance Services

2550 5th Ave., Suite 730, San Diego, Calif. 92103; 619-235-0386; fax: 619-231-1448

	1989	1988
Premium volume	NA	NA
Gross revenues	$425,000	$440,000
Employees	4	4
Commercial lines	100%	100%
Admitted business	50%	50%
Non-admitted	50%	50%

Year founded: 1976.
Type of business: 60% managing general agent, 40% broker.
Broker for: Primarily Harbor Insurance Co., First State Insurance Co., RLI Insurance Co., Golden Eagle Insurance Co., United National Insurance Co., Illinois Insurance Exchange, Republic Western Insurance Co.
Correspondent: Lloyd's of London.
Specialties: General liability, product liability, completed operations and ship repairers legal liability.
Principal officers: Donald K. Lewis, president.
Licensed in: California.
Membership: NAPSLO.

Bjornson/Sentinel Managing General Agents

122 Broadway on the Skyway, Fargo, N.D. 58102; 701-232-2444; fax: 701-232-2529

	1989	1988
Premium volume	$7,500,000	$8,000,000
Gross revenues	$800,000	$900,000
Employees	18	18
Commercial lines	70%	70%
Admitted business	60%	50%
Non-admitted	40%	50%

Year founded: 1981.
Type of business: 99% managing general agent, 1% broker.
MGA for: Scottsdale Insurance Co., Capitol Indemnity Co., Essex Insurance Co., Nautilus Insurance Co., National Indemnity Co., Guaranty National Insurance Co., Transamerica Premiere Insurance Co.
Broker for: Crum & Forster Managers Group; Shand, Morahan & Co. Inc.; United States Aircraft Insurance Group.
Correspondent: Lloyd's of London.
Branch offices: Sioux Falls, S.D.; Bloomington, Minn.
Principal officers: Darrell Bjornson, president.
Licensed in: North Dakota, Minnesota, South Dakota and Montana.
Membership: AAMGA, NAPSLO.

J.H. Blades & Co. Inc.

P.O. Box 22003 Houston, Texas 77227-2003; 713-780-8770; fax: 713-780-2851

	1989	1988
Premium volume	$100,000,000	$100,000,000
Employees	46	38
Commercial lines	100%	100%

Year founded: 1952.
Type of business: 20% underwriting manager, 60% managing general agent, 20% broker.
Underwriting manager for: Houston Casualty Co.
Correspondent: Lloyd's of London.
Specialties: Energy risks.
Principal officers: Charles L. Bailey, president/chief operating officer; Martin J. Taylor and 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.

Bohrer, Croxdale & McAdoo Inc.

P.O. Box 2760, Springfield, Mo. 65801; 417-869-2550; fax: 417-869-5102

	1989	1988
Premium volume	$6,900,000	$7,200,000
Gross revenues	NA	NA
Employees	21	19
Commercial lines	95%	98%
Admitted business	4%	0%
Non-admitted	1%	2%

Year founded: 1977.
Type of business: 75% managing general agent, 25% broker.
MGA for: Northland Insurance Co., Scottsdale Insurance Co., Nautilus Insurance Co., Capitol Indemnity Corp., Penn America Insurance Co., Empire Insurance Co., General Agents Insurance Co. of America.
Broker for: Primarily First State Insurance Co., Crum & Forster Managers Corp., RLI Insurance Co., General Star Indemnity Co., Illinois Insurance Exchange, Fireman's Fund Insurance Co., National Casualty Co., Tudor Insurance Co., American International Group Inc.
Correspondent: Lloyd's of London.
Branch offices: Burlington, Kansas; Raytown, Mo.
Specialties: Trucking.
Principal officers: Yvonne Bohrer, president; Sydney Croxdale, vp; Sidney McAdoo, secretary/treasurer.
Contact: Sidney McAdoo.
Licensed in: Missouri, Kansas, Oklahoma and Illinois.
Membership: AAMGA, NAPSLO, Surplus Lines Assn. of Missouri.

Russell Bond & Co.

866 Ellicott Square Bldg., Buffalo, N.Y. 14203-2595; 716-856-8220; 800-333-7226; fax: 716-856-0403

	1989	1988
Premium volume	$6,900,000	$7,600,000
Gross revenues	NA	$685,000
Employees	15	15
Commercial lines	100%	100%
Admitted business	70%	70%
Non-admitted	30%	30%

Year founded: 1950.
Type of business: 30% managing general agent, 70% 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.
Principal officers: Kurt C. Bingeman, president; Alan A. Hall, executive vp; 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.

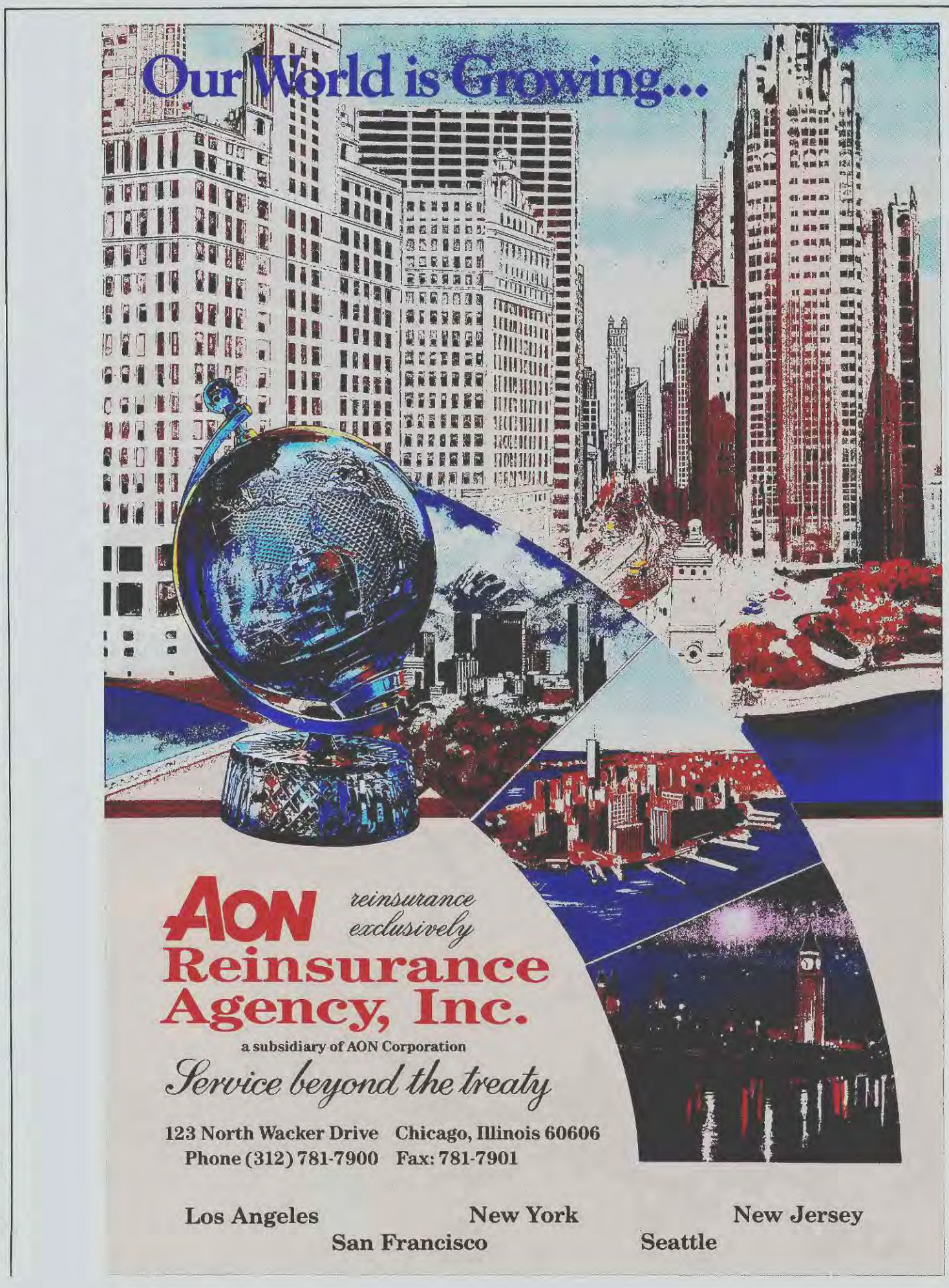
Brentwood Services Inc.

213 A Ward Circle, Brentwood, Tenn. 37027; 615-371-9211; fax: 615-371-1412

	1989	1988
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: 1990.
Type of business: 100% broker.
Broker for: Primarily Transamerica Insurance Co., National Reinsurance Corp., AIG Insurance Co.
Specialties: Excess workers compensation, insurance agents and brokers professional liability.
Principal officers: Richard D.

Continued on next page



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Title
Company Name
Address
P.O. Box/Suite
City State Zip

Continued from previous page
Hammer, president.
Licensed in: Mississippi, Kentucky and Tennessee.

W. Brown & Associates Insurance Services

4675 MacArthur Court, Suite 770, Newport Beach, Calif. 92660; 714-851-2060; fax: 714-851-2155

	1989	1988
Premium volume	$15,000,000	$12,680,000
Employees	12	7
Commercial lines	100%	100%
Admitted business	35%	20%
Non-admitted	65%	80%

Year founded: 1987.
Type of business: 30% underwriting manager, 50% managing general agent, 20% broker.
Underwriting manager for: Virginia Surety Co. Inc., Dearborn Insurance Co.
MGA for: Scottsdale Insurance Co.
Correspondent: Lloyd's of London.
Subsidiaries: W. Brown & Associates Property & Casualty Insurance Services.
Specialties: Aviation, general contractors, mobile home parks, homeowner associations.
Principal officers: William W. Brown, W. Scott Brown, John W. Knobs, Vincent Zimmerer Jr., Brian English.
Contact: W. Scott Brown.
Licensed in: California.
Membership: NAPSLO.

Brown & Riding Insurance Services Inc.

107 South B St., San Mateo, Calif. 94401; 415-579-0172; fax: 415-344-2406

	1989	1988
Premium volume	$8,379,000	$7,315,000
Employees	14	12
Commercial lines	100%	100%
Admitted business	65%	60%
Non-admitted	35%	40%

Year founded: 1980.
Type of business: 100% broker.
Broker for: Primarily Harbor Insurance Co., Admiral Insurance Co., Transcontinental Insurance Co., International Surplus Lines Insurance Co., First State Insurance Co., Lexington Insurance Co., RLI Insurance Co., Associated International Insurance Co., Interstate Fire & Casualty Insurance Co.
Branch offices: Los Angeles.
Specialties: Product liability, general liability, commercial umbrella and excess liability, directors and officers, all risk policies, difference in conditions.
Principal officers: B. Peter Brown, chairman, Chris A. Brown, president, Ramon C. Howing, Kaycie L. Palmer and Richard B. Schlesinger, vps.
Contact: Ramon C. Howing.
Licensed in: California.
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

	1989	1988
Premium volume	$93,000,000	$73,000,000
Gross revenues	$11,000,000	$9,000,000
Employees	195	145
Commercial lines	99%	99%
Admitted business	20%	20%
Non-admitted	80%	80%

Year founded: 1969.
Parent company: H.W. Kaufman Financial Group Inc.
Type of business: 65% managing general agent, 35% broker.
MGA for: Scottsdale Insurance Co., Colony Insurance Co., Evanston Insurance Co.
Broker for: Primarily Admiral Insurance Co., United Capitol Insurance Co., Centrex Underwriters Inc.
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; Springfield and St. Louis, Mo.
Subsidiaries: Royal Premium Budget 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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Baltimore, Maryland 21203
(301) 625-5383 FAX(301) 625-5381
Veronica Cryan, Manager

All American Agency Facilities
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Ridgeland, Mississippi 39157
(601) 957-9888 FAX(601) 957-9894
Carolyn J. Gray, Vice President

Diversified X/S Underwriters
100 North 84th Street, Suite 100
P.O. Box 5788
Lincoln, Nebraska 68505
(402) 483-2727 FAX (402) 483-4075
Kenneth R. Baker, Vice President

Commercial General Agency
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Charlotte, North Carolina 28222
(704) 366-2612 FAX(704) 364-6341
Robert L. Lowery, Vice President

Tobey & Company
319 S. W. Washington St., Suite 720
Portland, Oregon 97204
(503) 223-2484 FAX (503) 222-6835
Glenn A. Tobey, President

Tobey & Company
16650 N. E. 79th Av., Suite 200
P.O. Box 2769
Redmond, Washington 98073
(206) 883-2900 FAX (206) 867-5051
Thomas L. Norkool, President

W. R. Berkley Corporation Subsidiary

C

Cambridge General Agency

1825 Sacramento St., San Francisco, Calif. 94109; 415-441-8500; fax: 415-922-7168

	1989	1988
Premium volume	$50,000,000	$47,000,000
Employees	75	75
Commercial lines	90%	90%
Admitted business	20%	20%
Non-admitted	80%	80%

Year founded: 1966.
Underwriting manager for: Scottsdale Insurance Co., Penn-America Insurance Co., Illinois Insurance Exchange.
MGA for: Scottsdale Insurance Co., Penn-America Insurance Co., Lloyd's of London.
Broker for: Primarily Scottsdale Insurance Co., Penn-America Insurance Co., Illinois Insurance Exchange.
Correspondent: Lloyd's of London.
Branch offices: Covina, Fresno and San Diego, Calif.
Principal officers: A. Mason Blodgett, president/owner; Paul Janofsky and James Blodgett, vps.
Contact: A. Mason Blodgett.
Licensed in: California, Arizona and Nevada.
Membership: AAMGA, NAPSLO.

Cameron & Colby Co.

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

See profile on page 70.

Carpenter & Moore Insurance Services Inc.

111 Pine St., Suite 777, San Francisco, Calif. 94111; 415-433-1001; fax: 415-433-5148

	1989	1988
Premium volume	15,000,000	12,000,000
Employees	8	6
Commercial lines	100%	100%
Admitted business	80%	35%
Non-admitted	20%	65%

Year founded: 1986.
Type of business: 100% broker.
Broker for: Primarily Aetna Insurance Co., Reliance Insurance Co., Zurich American Insurance Co., The Home Group Inc.
Correspondent: Lloyd's of London.
Specialties: Directors and officers liability, errors and omissions.
Principal officers: James W. Moore, president; Kinsey L. Carpenter, executive vp.
Contact: James W. Moore.
Licensed in: California.
Membership: NAPSLO, Western Assn. of Insurance Brokers, Society of Insurance Brokers, Western States Surplus Lines Assn.

Castle Insurance Associates Inc.

84 State St., Boston, Mass. 02109; 617-367-9550; fax: 617-367-9543

	1989	1988
Premium volume	$12,800,000	NA
Gross revenues	$819,083	NA
Employees	9	NA
Commercial lines	100%	NA
Admitted business	35%	NA
Non-admitted	65%	NA

Year founded: 1988.
Type of business: 15% managing general agent, 85% broker.
MGA for: American Empire Surplus Lines Insurance Co., Lexington Insurance Co.
Broker for: Primarily General Star Indemnity Co., International Insurance Co., California Union Insurance Co., First State Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Providence, R.I.
Specialties: Umbrella liability, product liability, errors and omissions, general liability.
Principal officers: Francis J. Vincent, president; Richard F. Coughlin and Charles J. McCarthy, vps; Patricia A. O'Driscoll, treasurer.
Contact: Francis J. Vincent.
Licensed in: Massachusetts.
Membership: NAPSLO.

Centrex Underwriters Inc.

P.O. Box 171176, Memphis, Tenn. 38187; 901-362-7246; fax: 901-366-9736

	1989	1988
Premium volume	$1,033,000	$2,064,000
Employees	5	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.

Century Underwriters Inc.

1414 Investment Bldg., 239 Fourth Ave., Pittsburgh, Pa. 15222; 412-281-7252; 412-281-9415

	1989	1988
Premium volume	$4,792,000	$5,942,000
Gross revenues	$462,896	$496,751
Employees	8	8
Commercial lines	89%	89%
Admitted business	68%	70%
Non-admitted	32%	30%

Year founded: 1965.
Type of business: 19% managing general agent, 81% broker.
Broker for: Primarily Rockwood Group, The Home Group Inc.
Correspondent: Lloyd's of London.
Specialties: Automobile physical damage.
Principal officers: Harry Pat Cawley, president/secretary; Irene Barbera, vp; Alice Cawley, treasurer.
Licensed in: Pennsylvania and West Virginia.
Membership: NAPSLO, Pennsylvania Surplus Lines Assn., Pennsylvania Independent Agents Assn.

Chicago Underwriting Group Inc.

211 W. Wacker Drive, Chicago, Ill. 60606; 312-750-8800; fax: 312-750-8965

	1989	1988
Premium volume	$20,000,000*	$20,000,000*
Employees	17	19
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.
Underwriting manager for: Old Republic Insurance Co. and affiliated companies.
Subsidiaries: CHUG Insurance Brokers Inc. and CHUG Services Inc., Chicago; Upper Peninsula Insurance Co., Jackson, Miss.; CHUG Services (Bermuda) Ltd., Hamilton, Bermuda.
Specialties: Directors and officers liability, non-medical professional liability.
Principal officers: Martin J. Perry, president; William J. Schwass, senior vp; Bart Westcott, senior vp; 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

	1989	1988
Premium volume	$112,641,000	$141,510,000
Gross revenues	$11,200,000	$14,000,000
Employees	94	94
Commercial lines	95%	95%
Admitted business	5%	5%
Non-admitted	95%	95%

Year founded: 1978.
Parent company: INA Financial Corp.
Type of business: 100% underwriting manager.
Underwriting manager for: California Union Insurance Co., Illinois

Continued on next page

Continued from previous page
Union Insurance Co., Century Indemnity Co.

Branch offices: Chicago; Lawrenceville, N.J.

Specialties: Property and casualty.

Principal officers: Michael P. Fujii, president; Robert S. Cernok, vp-western region; John P. Rugee, vp-eastern region; Harold 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,
Springfield, Mo. 65808-9005;
417-883-3277; fax: 417-883-3277

	1989	1988
Premium volume	**$8,758,194**	$7,027,771
Gross revenues	**$1,087,865**	$866,623
Employees	**16**	14
Commercial lines	**99%**	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., Edison Insurance Co., Essex Insurance Co., Guaranty National Insurance 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.

Specialties: Bars, restaurants, tavern packages, commercial auto liability, long-haul trucking.

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, Independent Insurance Agents of America Inc., Professional Insurance Agents.

Compass Insurance Group of Agencies

805 Fairmount Ave., Glendale,
Calif. 91203; 818-507-1980;
fax: 818-507-1133

	1989	1988
Premium volume	**$7,200,000**	$8,900,000
Gross revenues	**$795,000**	$934,500
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.

Corporate Advisors Inc.

910 Skokie Blvd., Suite 204,
Northbrook, Ill. 60062;
708-564-5820; fax: 708-564-5828

	1989	1988
Premium volume	**$1,054,000**	$1,080,000
Gross revenues	**$131,000**	$125,000
Employees	**3**	3
Commercial lines	**98%**	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.

Principal officers: Louis W. Biegler, president; C.M. Murphy, vp/secretary; William L. Biegler, vp.

Contact: Louis W. Biegler.

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

	1989	1988
Premium volume	**$25,000,000**	$13,000,000
Gross revenues	**$2,500,000**	$1,300,000
Employees	**32**	25
Commercial lines	**100%**	100%
Admitted business	**1%**	1%
Non-admitted	**99%**	99%

Year founded: 1981.

Type of business: 100% managing general agent.

Correspondent: Lloyd's of London.

Branch offices: Birmingham, Ala.; Minneapolis.

Specialties: Medical stop-loss.

Principal officers: Raybon E. Cox, William Krantz, Terri Moriarty and Derek Cox.

Licensed in: Indiana.

Membership: NAPSLO, Professional Insurance Agents, Self Insurance Institute of America.

Cravens, Dargan & Co. Pacific Coast

3700 Wilshire Blvd., Suite 530, Los Angeles, Calif. 90010;
213-480-4400; fax: 213-480-4608

	1989	1988
Premium volume	**$23,267,337**	$26,774,255
Gross revenues	**$5,808,398**	$4,648,108
Employees	**61**	57
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.

Principal officers: Kenneth W. Woods, chairman; Donald M. Shorey,

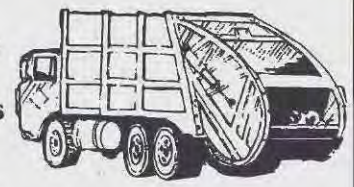
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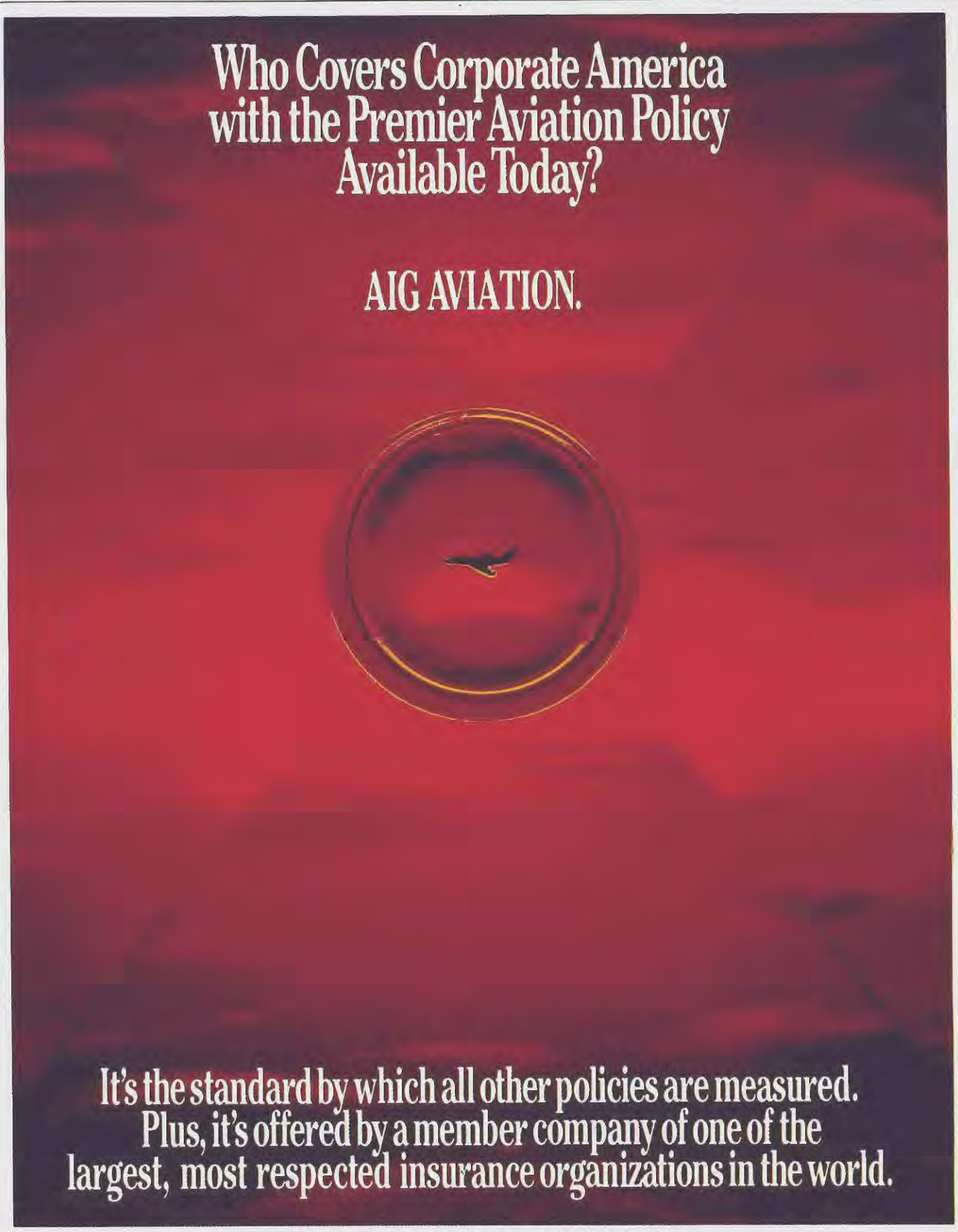


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Continued from previous page
president; Arthur C. Werden and William E. Rucker, vps; Jean K. McGranahan, assistant vp.
Contact: Donald M. Shorey.
Licensed in: California and Washington.

Crum & Forster Managers Group

200 S. Wacker Drive, Chicago, Ill. 60606; 312-993-6300; fax: 312-876-6369

See profile on page 68.

D

D.R.I. Ltd.

71 Murray St., New York, N.Y. 10007; 212-227-6160; fax: 212-608-1704

	1989	1988
Premium volume	**$7,000,000**	$6,800,000
Employees	**7**	6
Commercial lines	**100%**	100%
Admitted business	**40%**	60%
Non-admitted	**60%**	40%

Year founded: 1984.
Type of business: 100% broker.
Broker for: Primarily Calvert Insurance Co., Royal Group Inc., Galaxy Insurance Co., Zurich-American Insurance Group.
Specialties: Long-haul trucking, surety, stock throughput, marine.
Principal officers: Barry L. Kochman, president; Dudley Holoday and Michael LaRubbio, vps.
Contact: New York.
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

	1989	1988
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: 1990.
Type of business: 57% managing general agent, 43% broker.
MGA for: Reliance Insurance Co. of Illinois.
Broker for: Primarily Mount Hawley Insurance Co., Lexington Insurance Co., Admiral Insurance Co.
Specialties: Energy risks.
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 Dallas.

Doran Excess Underwriters Inc.

6240 Carlisle Pike, P.O. Box 1417, Mechanicsburg, Pa. 17055; 717-697-4626; fax: 717-697-7506

	1989	1988
Premium volume	**$18,217,000**	$23,721,000
Gross revenues	**$1,276,600**	$1,762,500
Employees	**7**	7
Commercial lines	**100%**	100%
Admitted business	**1%**	1%
Non-admitted	**99%**	99%

Year founded: 1975.
Parent company: Doranco Inc.
Type of business: 99% underwriting manager, 1% broker.
Underwriting manager for: United National Group, Diamond State Insurance Co., Hallmark Insurance Co.
Broker for: Primarily United National Insurance Co., Diamond State Insurance Co., Hallmark Insurance Co Inc.
Specialties: Excess hospital medical malpractice.
Principal officers: Ronald G. Hihn, president; William K. Lindemuth, vp; Deborah L. Grivens, vp/general counsel; Elizabeth D. Firestone, treasurer; Yvonne L. Shiner, secretary.
Contact: Ronald G. Hihn.
Licensed in: Pennsylvania.
Membership: NAPSLO.

E

ECS Underwriting Inc.

One E. Uwchlan Ave., Suite 300; Exton, Pa. 19341; 215-269-6731; fax: 215-524-5354

	1989	1988
Premium volume	**$64,500,000**	$48,700,000
Employees	**61**	36
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: Reliance National Risk Specialists, Planet Insurance Co.
Broker for: Primarily Reliance Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa., United Capitol Insurance Co., New York Marine & General Insurance Co., Shand Morahan & Co. Inc., Lexington Insurance Co.
Subsidiaries: ECS Brokerage.
Specialties: Environmental liability, chemical industry, hazardous waste material transportation.
Principal officers: William Kronenberg III, president/chief executive officer; David M. Rosenberg, executive vp; Frank A. Piliero, senior vp; Mark Vuono, vp.
Contact: ECS Marketing Dept., 215-269-6731; 800-327-1414.
Licensed in: Pennsylvania.
Membership: NAPSLO.

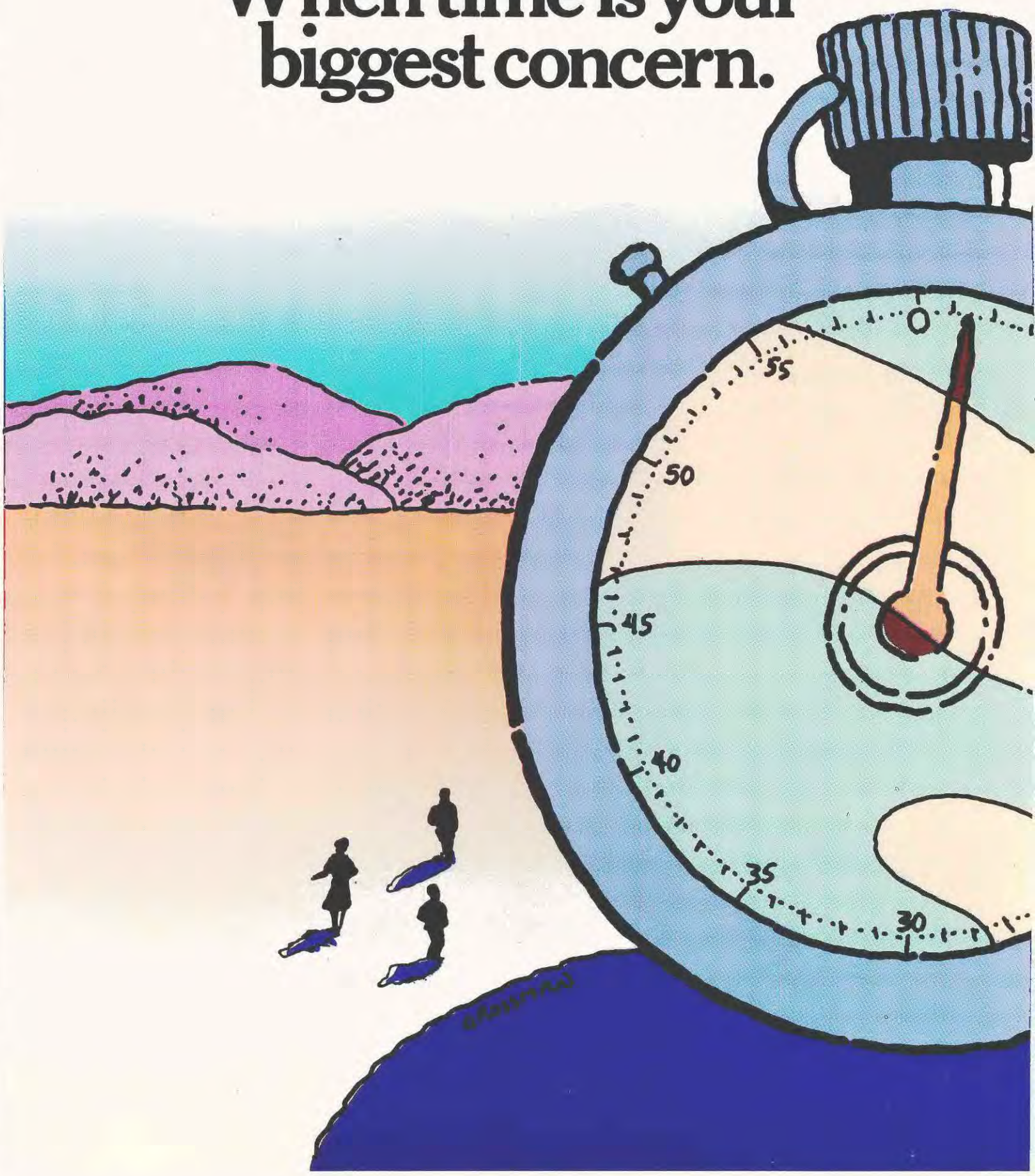
E&S Facilities Inc.

31 Inverness Center, Suite 280 Birmingham, Ala. 35242; 205-969-1700; fax: 205-991-2588

	1989	1988
Premium volume	**$27,000,000**	$31,000,000
Gross revenues	**$2,700,000**	$3,100,000
Employees	**29**	33
Commercial lines	**100%**	100%
Admitted business	**45%**	50%
Non-admitted	**55%**	50%

Year founded: 1975.
Type of business: 30% managing general agent, 70% broker.
MGA for: Lexington Insurance Co., Employers National Insurance Co., Carolina Casualty Insurance Co., First Financial Insurance Co., Burlington Insurance Co., RLI Insurance Co., Valiant Insurance Co., Colony Insurance Co., Underwriters Indemnity Co.
Broker for: Primarily First State Insurance Co., Admiral Insurance Co., Fireman's Fund Insurance Cos., Lexington Insurance Co., Transamerica Insurance Co., The Home Group Inc., Valiant Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa., United National Insurance Co., C.V. Starr, Colony Insurance Co.
Branch offices: Atlanta; Longwood, Fla.
Subsidiaries: Unicorn Premium Finance, Birmingham, Ala.
Specialties: Umbrella and excess casualty, transportation.
Principal officers: Don J. Pate, chairman; Charles H. Garrison, pres-
Continued on next page

When time is your biggest concern.



Continued from previous page
ident; D.L. Lackey, executive vp; Sondra Pate, secretary/treasurer.

Contact: Don J. Pate.

Licensed in: Alabama, Florida, Georgia, Mississippi and North Carolina.

Membership: NAPSLO, Broker and Managing Agents of Alabama.

ESL Inc.

1900 Derry St., Harrisburg, Pa. 18104; P.O. Box 1458, Harrisburg, Pa. 17105; 717-255-6820; fax: 717-255-6826

	1989	1988
Premium volume	$3,365,618	$3,299,283
Gross revenues	$319,901	$262,819
Employees	4	4
Commercial lines	98%	98%
Admitted business	57%	56%
Non-admitted	43%	44%

Year founded: 1980.

Parent company: Pennsylvania National Mutual Casualty Insurance Co.

Type of business: 42% managing general agent, 58% broker.

MGA for: Harco National Insurance Co., Lincoln General Insurance Co., Utica Mutual Insurance Co.

Broker for: Primarily Scottsdale Insurance Co., Lexington Insurance Co., International Surplus Lines Insurance Co., Evanston Insurance Co.

Specialties: Long haul trucking in Pennsylvania.

Principal officers: D.D. Walters, president; Robert S. Schade, executive vp; Kenneth R. Shutts, secretary and counsel; Kenneth L. Shaffer, treasurer.

Contact: Robert S. Schade.

Licensed in: Pennsylvania, Alabama, Maryland, North Carolina, New Jersey, 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

	1989	1988
Premium volume	$34,540,070	$30,712,224
Gross revenues	$3,174,224	$2,674,861
Employees	52	46
Commercial lines	94%	98%
Admitted business	100%	100%

Year founded: 1981.

Parent company: Eastern America Financial Group.

Type of business: 30% underwriting manager, 67% managing general agent, 3% 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.

Broker for: Primarily General Accident Insurance Co. of Puerto Rico, Utica Mutual Insurance Co., The 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.

Environmental Liability Managers Inc.

866 Ellicott Square Bldg., Buffalo, N.Y. 14203; 716-847-1227; 800-677-6779; fax: 716-856-0403

	1989	1988
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: 1990.

Parent company: Kurt C. Bingeman/Smith Special Risk Associates.

Type of business: 100% broker.

Broker for: Primarily Front Royal Insurance Co.

Branch offices: Pearl River, N.Y.

Specialties: Environmental impairment liability primarily for underground storage tanks.

Principal officers: Kurt C. Bingeman, president; Mark M. Smith, executive vp; Alan A. Hall, vp.

Licensed in: New York.

Excess & Surplus Lines Insurance Brokers

13848 Ventura Blvd., Suite A, Sherman Oaks, Calif. 91423; 818-990-8860; fax: 818-990-4530

	1989	1988
Premium volume	$13,696,000	$15,218,000
Gross revenues	$1,560,000	$1,730,000
Employees	14	15
Commercial lines	90%	85%
Admitted business	58%	72%
Non-admitted	42%	28%

Year founded: 1975.

Type of business: 20% managing general agent, 80% broker.

MGA for: American Empire Surplus Lines Insurance Co., Indemnity Underwriters Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Contracting.

Principal officers: J.C. Boyer, president; Melba Alcazar and Jim Thomas, vps.

Contact: Jerry C. Boyer.

Licensed in: California, Arizona, Hawaii and Illinois.

Membership: NAPSLO.

Ex-Plus Agency Inc.

915 W. 55th St., Western Springs, Ill. 60558; 708-246-7475; fax: 708-246-7660

	1989	1988
Premium volume	$3,311,500	$3,795,500
Gross revenues	$429,207	$431,482
Employees	9	9
Commercial lines	99%	99%
Admitted business	93.3%	93%
Non-admitted	6.7%	7%

Year founded: 1983.

Type of business: 94% managing general agent, 6% broker.

MGA for: Harco National Insurance Co., Edison Insurance Co., Essex Insurance Co., General Agents Insurance Co. of America.

Broker for: Primarily Illinois Insurance Exchange, Merit Insurance Co., North Atlantic Casualty & Surety Insurance Co., R.L.I. Insurance Co., Marine Office of America Corp.

Specialties: 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

Farmington Management Inc.

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

	1989	1988
Premium volume	$60,000,000	$75,000,000
Employees	18	18

Continued on next page

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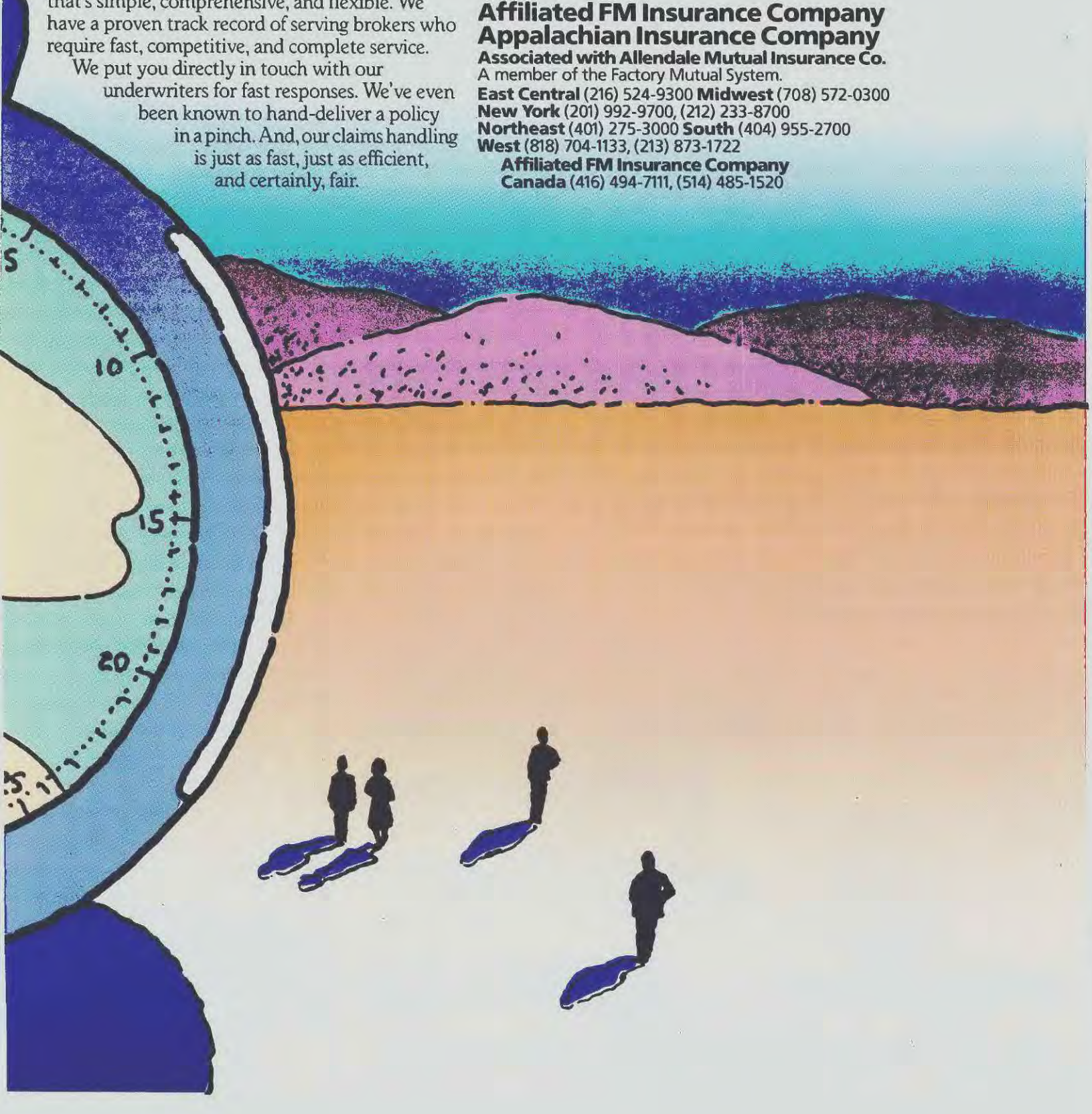
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West (818) 704-1133, (213) 873-1722
Affiliated FM Insurance Company
Canada (416) 494-7111, (514) 485-1520



Continued from previous page

Commercial lines	**100%**	100%
Admitted business	**100%**	100%

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.

Francis Special Risk Inc.

800 North Kings Highway, Cherry Hill, N.J. 08034; 609-482-2522; fax: 609-482-0554

	1989	1988*
Premium volume	**$17,750,000**	$10,875,000
Gross revenues	**$1,225,000**	$792,000
Employees	**9**	5
Commercial lines	**100%**	100%
Admitted business	**10%**	15%
Non-admitted	**90%**	85%

* Figures are for six months of 1988.
Year founded: 1988.
Type of business: 100% broker.
Broker for: Primarily Admiral Insurance Co., American International Group Inc., Crum & Forster Managers Group, The Home Group Inc., Shand, Morahan & Co.
Branch offices: Independence, Ohio.
Specialties: General liability, product liability, professional liability, medical products and home health care products.
Principal officers: John J. Francis, president; Arthur J. Pagnini, executive vp/secretary; Anita Wuhr, vp.
Contact: John J. Francis.
Licensed in: Pennsylvania, New Jersey and Ohio.

G

Gateway Underwriters Agency Inc.

319 N. 4th St., St. Louis, Mo. 63102; 314-621-7000; fax: 314-621-1422

	1989	1988
Premium volume	**$4,314,332**	$4,588,401
Employees	**8**	9
Commercial lines	**100%**	100%
Admitted business	**51%**	42%
Non-admitted	**49%**	58%

Year founded: 1954.
Parent company: Berkshire Hathaway Inc.
Type of business: 87% managing general agent, 13% broker.
MGA for: National Indemnity Co., Nautilus Insurance Co., Western World Insurance Co. Inc.
Broker for: Primarily Admiral Insurance Co., Tudor Insurance Co.
Specialties: Commercial and public auto liability.
Principal officers: Alan Marlette, president; Patsy Woolem, secretary/treasurer.
Contact: Alan Marlette.
Licensed in: Illinois and Missouri.
Membership: NAPSLO, Surplus Lines Assn. of Missouri.

Gemblock Associates Inc.

24 W. 45th St., New York, N.Y. 10036; 212-302-5599; fax: 212-302-4149

	1989	1988
Premium volume	**$3,000,000**	$2,000,000
Employees	**5**	5
Commercial lines	**99%**	100%
Admitted business	**100%**	100%

Year founded: 1985.
Parent company: Eyl Group.
Broker for: Primarily Chubb Corp., Albany Insurance Co.
Subsidiaries: Security Transit Insurance Brokerage, New York.
Specialties: Jewelers block, furriers block, fine arts and blanket bonds, armored car, cash in transit.
Principal officers: Peter L. Eyl, president; Frederick J. Nielson, vp.
Licensed in: New York.
Membership: Professional Insurance Wholesalers Assn.

General Star Management Co.

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

	1989	1988
Premium volume	**$176,292,776**	$153,992,409
Employees	**173***	161*
Commercial lines	**100%**	100%
Admitted business	**26.5%**	32%
Non-admitted	**73.5%**	68%

* Additional services provided by staff of related company.
Year founded: 1978.
Parent company: General Re Corp.
Type of 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 P. Brooks, president; Samuel C. Anderson, Ronald S. Austin and Russell D. Hendrickson, vps; Charles N. Venezia, second vp.
Membership: AAMGA, NAPSLO.

Geneva International

200 W. Madison St., Suite 1900, Chicago, Ill. 60606; 312-855-0590; fax: 312-855-0620

	1989	1988
Premium volume	**$37,882,000**	$31,180,000
Gross revenues	**$3,175,000**	$2,612,500
Commercial lines	**100%**	100%
Admitted business	**10%**	10%
Non-admitted	**90%**	90%

Year founded: 1985.
Type of business: 99% underwriting manager, 1% broker.
Underwriting manager for: LUI Insurance Syndicate Inc., LUI Insurance Syndicate Number Two Inc.
Principal officers: Richard E. Foss, B. Marrs and F. McGovern.
Contact: Richard E. Foss.
Licensed in: Illinois.

Glanvill Special Risk

90 John St., New York, N.Y. 10038; 212-619-4220; fax: 212-766-1019

	1989	1988
Premium volume	**$66,734,277**	$44,560,000
Gross revenues	**$4,884,000**	$3,741,000
Employees	**47**	31
Commercial lines	**100%**	100%
Admitted business	**52%**	65%
Non-admitted	**48%**	35%

Year founded: 1980.
Parent company: JIB Holdings Inc.
Type of business: 22% managing general agent, 78% broker.
MGA for: Scottsdale Insurance Co., General Agents Insurance Co. of America, National Casualty Insurance Co.
Broker for: Primarily Agricultural Excess & Surplus Lines Insurance Co., First State Insurance Co., Marine Office of America, Reliance Insurance Co., Travelers Insurance Co., Zurich Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Houston, San Francisco.
Specialties: Stock through put, marine and inland marine, energy risks.
Principal officers: Roger S. Walsh, chairman, Arthur J. Forenza Jr.,president; Lawrence P. Mennes and Venita Cappel, senior vps; Jane H. Vender Velde, vp.
Contact: Roger S. Walsh.
Licensed in: New York, New Jersey, California and Texas.
Membership: AAMGA, NAPSLO, Insurance Brokers Assn. of New York, Professional Insurance Wholesalers Assn. of New York, Western States Surplus Lines Assn.

Global Facilities Inc.

146 Merrick Road, P.O. Box 743, Lynbrook, N.Y. 11563; 516-599-3800; fax: 516-599-3930

	1989	1988
Premium volume	**$4,897,500**	$4,675,000
Employees	**4**	4
Commercial lines	**98%**	98%
Admitted business	**95%**	95%
Non-admitted	**5%**	5%

Year founded: 1977.
Type of business: 80% managing general agent, 20% broker.
MGA for: Colonia Insurance Co., Mount Vernon Fire Insurance Co., New York Merchant Bankers Mutual Insurance Co., First Central Insurance Co.
Broker for: Primarily Galaxy Insurance Co., Royal Excess Insurance Co., Calvert Insurance Co., Providence Washington Insurance Co.
Correspondent: Lloyd's of London.
Principal officers: Robert Shapiro, president; Sheldon Bagatell, vp.
Contact: Robert Shapiro.
Licensed in: New York and New Jersey.
Membership: NAPSLO, Professional Insurance Wholesalers Assn. of New York.

Harry W. Gorst Co. Inc.

805 Fairmont Ave., Glendale, Calif. 91203; 818-507-0900; fax: 818-507-1133

	1989	1988
Premium volume	**$26,500,000**	$28,300,000
Gross revenues	**$2,600,000**	$2,750,000
Employees	**30**	30
Commercial lines	**68%**	65%
Admitted business	**18%**	20%
Non-admitted	**82%**	80%

Year founded: 1968.
Type of business: 80% managing general agent, 20% broker.
MGA for: Scottsdale Insurance Co., Western Heritage Insurance Co., Topa Insurance Co., T.H.E. Insurance Co., American Bankers Insurance Co., U.S. & Continental Reinsurance Co., Terra Nova Insurance Co. Ltd., Sphere Drake Insurance Co. P.L.C., St. Katherine Insurance Co. Ltd., British Insurance Co. Ltd., Bishopsgate Insurance Ltd., Employers Reinsurance Corp., Orion Insurance Co., Scottish Lion Insurance Co. Ltd.
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 279, Morrisville, Pa. 19067; 215-295-0725; fax: 215-295-1780

	1989	1988
Premium volume	**$4,500,000**	$2,000,000
Employees	**8**	8
Commercial lines	**100%**	100%
Admitted business	**10%**	15%
Non-admitted	**90%**	85%

Year founded: 1971.
Type of business: 1% managing general agent, 99% broker.
MGA for: Lincoln Insurance Co.
Broker for: Primarily California Union Insurance Co., First State Insurance Co., Assicurazioni Generali S.p.A., Agricultural Excess & Surplus Lines Insurance Co., Houston Casualty Co., Lexington Insurance Co., Home Insurance Co. of Illinois.
Specialties: Mercantile and retail accounts, wholesale food.
Principal officers: Philip J. Corso Sr., president; Ronald J. Kellett, executive vp; Philip J. Corso Jr. and Lee S. Stacy, vps.
Contact: Ronald J. Kellett.
Licensed in: Pennsylvania.
Membership: NAPSLO, Pennsylvania Surplus Lines Assn.

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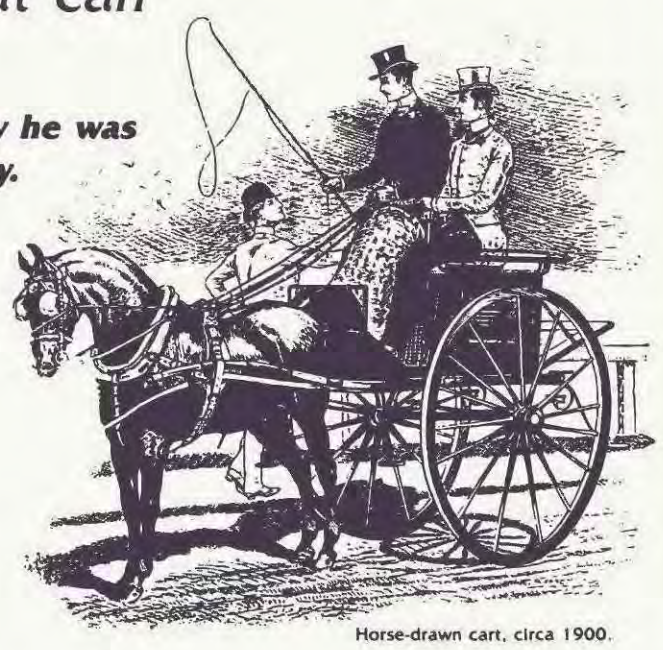
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Horse-drawn cart, circa 1900.

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Continued from previous page

Greenwich American Underwriters Inc.

P.O. Box 290757, Nashville, Tenn. 37229-0757; 25 Century Blvd., Suite 401, 1 Lakeview Place, Nashville, Tenn. 37214; 615-391-4428; fax: 615-883-0428

	1989	1988
Premium volume	$7,786,647	$5,271,725
Gross revenues	$693,357	$541,292
Employees	12	10
Commercial lines	100%	100%
Admitted business	50%	40%
Non-admitted	50%	60%

Year founded: 1981.
Parent company: RCA.
Type of business: 60% managing general agent, 40% broker.
MGA for: Carolina Casualty Insurance Co., Audubon Indemnity Co., Lexington Insurance Co., Essex Insurance Co., General Agents Insurance Co. of America, Colony Insurance Co., Illinois Insurance Exchange.
Broker for: Primarily Illinois Insurance Exchange, Fireman's Fund Insurance Cos., National Union Fire Insurance Co., First State Insurance Co., United National Insurance Co., The Home Group Inc., Albany Insurance Co., Reinsurance Corp. of New York, American Live Stock Insurance Co., Royal Indemnity Co., RLI Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Long-haul trucking, garages, financial institutions, liquor liability, livestock, product liability.
Principal officers: Hunter Armistead, chairman; Benjamin C. Armistead, president; Gertrude S. Caldwell, vp; James Southall, underwriting manager.
Contact: Trudy Caldwell.
Licensed in: Tennessee, Alabama, Arkansas, Florida, Georgia, Indiana, Kansas, Kentucky, Louisiana, Missouri, Mississippi, Nebraska, North Carolina, North Dakota, Virginia and West Virginia.
Membership: NAPSLO, Professional Insurance Agents.

Gresham & Associates Inc.

7193 Jonesboro Road, P.O. Box 547, Morrow, Ga. 30260; 404-961-8810; fax: 404-961-0124

	1989	1988
Premium volume	$28,026,741	$33,474,987
Gross revenues	$3,091,832	$3,249,628
Employees	39	37
Commercial lines	100%	100%
Admitted business	45%	50%
Non-admitted	55%	50%

Year founded: 1979.
Type of business: 50% managing general agent, 50% broker.
MGA for: Scottsdale Insurance Co., National Casualty Insurance Co., Essex Insurance Co., General Agents Insurance Co. of America.
Broker for: Primarily International Insurance Co., Royal Group Inc., First State Insurance Co., Transamerica Insurance Co., Chubb Custom Insurance Co., Gotham Insurance Co., Lexington Insurance Co., United National Insurance Co., Admiral Insurance Co., RLI Insurance Co., Reliance National Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Palm Beach Gardens, Fla.; Nashville.
Principal officers: James V. Gresham, chairman; William A. Burger, president; James A. Gresham, senior vp; Gail Gresham, secretary/treasurer.
Contact: James A. Gresham.
Licensed in: Georgia, Tennessee and 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

	1989	1988
Premium volume	$9,268,462	$9,074,226
Gross revenues	$1,838,320	$1,988,683
Employees	11	11
Commercial lines	99%	99%
Admitted business	20%	20%
Non-admitted	80%	80%

Year founded: 1958.
Type of business: 35% underwriting manager, 60% managing general agent, 5% broker.
Underwriting manager for: Americana Excess & Reinsurance Corp., Paratransit Risk Retention Group of Maryland Inc.
MGA for: Ulico Casualty Co.
Broker for: Primarily CNA Insurance Cos.
Correspondent: Lloyd's of London.
Specialties: public transportation risk, association professional liability, labor union errors and omissions.
Principal officers: Neil R. Pouppirt, president; Michael Kosednar, vp.
Contact: Neil R. Pouppirt.
Membership: NAPSLO.

L.E. Harris Agency Inc.

1353 Holton Lane, Langley Park, Md. 20783; 301-439-4700; fax: 301-439-5800

	1989*	1988*
Premium volume	$10,869,000	$11,797,000
Gross revenues	$1,731,166	$1,522,280
Employees	14	15
Commercial lines	98%	98%
Admitted business	33%	35%
Non-admitted	67%	65%

* Fiscal years ended Sept. 30.
Year founded: 1922.
Type of business: 59% managing general agent, 41% broker.
MGA for: Aetna Life & Casualty Co., Burlington Insurance Co., First Financial Insurance Co., Jefferson Insurance Co. of New York, Monticello Insurance Co., National Indemnity Insurance 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, 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, mortgage impairment, errors and omissions.
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; Washington, D.C.; Virginia.
Membership: AAMGA, NAPSLO, Specialty Underwriters of Virginia Inc.

Huycke General Agency

2900 Boniface Parkway, Suite 200, Anchorage, Alaska 99504; 907-338-0491; fax: 907-338-7234

	1989	1988
Premium volume	$2,506,746	$3,045,000
Gross revenues	$427,258	$424,284
Employees	6	6
Commercial lines	95%	97%
Admitted business	5%	3%
Non-admitted	95%	97%

Year founded: 1976.
Type of business: 100% managing general agent.
MGA for: American Family Home 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

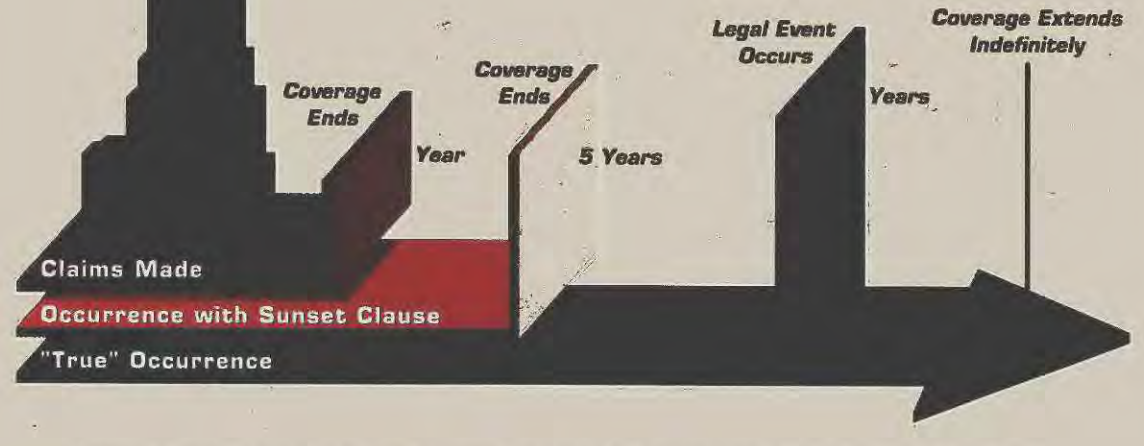
Independent Insurance Wholesalers Inc.

722 S.W. 2nd Ave., Suite 340, Portland, Ore. 97204-3130; 503-224-1956; fax: 503-224-3010

	1989	1988
Premium volume	$8,500,000	$7,600,000
Gross revenues	$820,000	$740,000
Employees	9	9
Commercial lines	100%	100%
Admitted business	30%	30%
Non-admitted	70%	70%

Continued on next page

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PROFESSIONAL ENVIRONMENTAL CONTRACTORS, INC.

105 Campus Drive, University Square, Princeton, New Jersey 08543-7006

Continued from previous page

Year founded: 1983.
Type of business: 20% managing general agent, 80% broker.
MGA for: Western World Insurance Co., Nautilus Insurance Co., Columbia Casualty Co.
Broker for: Primarily Agricultural Excess & Surplus Lines Insurance Co., Western Alliance Insurance Co., General Star Indemnity Co., Chubb Custom Insurance Co.
Correspondent: Lloyd's of London.
Principal officers: Robert K. Stahl, president; Thomas E. Sawyer, vp; Shellie L. Stahl, secretary.
Contact: Robert K. Stahl.
Licensed in: Oregon.
Membership: NAPSLO, Surplus Lines Assn. of Oregon.

Insurance Facilities Inc.

140 N. Main Ave., Sioux Falls, S.D. 57102-0599; 605-336-0798; fax: 605-336-9789

	1989	1988
Premium volume	$5,940,811	$6,951,191
Gross revenues	$784,896	$795,969
Employees	23	19
Commercial lines	50%	42%
Admitted business	85%	91%
Non-admitted	15%	9%

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 Co., General Star Indemnity Co., Evanston Insurance Co., Insurance Co. of Evanston, National Casualty Insurance Co., Hartford Steam Boiler & Inspection Insurance Co., Western National Mutual Insurance Co.
Broker for: Primarily Crum & Forster Managers Group, Shand, Morahan & Co., Employers Reinsurance Co., 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.

221 W. Oakland Park Blvd., Fort Lauderdale, Fla. 33311; 305-537-5522; fax: 305-566-7848

	1989	1988
Premium volume	$15,000,000	$9,000,000
Gross revenues	$3,734,577	$2,600,874
Employees	20	35
Commercial lines	100%	100%
Admitted business	95%	65%
Non-admitted	5%	35%

Year founded: 1978.
Parent company: Viceroy Underwriters.
Type of business: 95% managing general agent, 5% broker.
MGA for: Transportation Casualty Insurance Co.
Broker for: Primarily United Capitol Insurance Co., The Home Group Inc., Illinois Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Orlando, Fla.
Specialties: Commercial automobile.
Principal officers: Philip E. Morgaman, chief executive officer; Joseph R. Peiso, executive vp; Michael S. Hanuschak and Dennis A. Smith, vps.
Contact: Joseph R. Peiso.
Licensed in: Florida.
Membership: NAPSLO, Forida 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

	1989	1988
Premium volume	$25,679,721	$26,151,710
Employees	8	8
Commercial lines	100%	100%
Admitted business	27.9%	15.8%
Non-admitted	72.1%	84.2%

Year founded: 1980.
Parent company: Rebsamen Insurance Inc.
Type of business: 17.8% managing general agent, 82.2% broker.
MGA for: Employers National Insurance Co., Scottsdale Insurance Co., Lincoln Insurance Co.
Broker for: Primarily American International Group Inc., The London Agency, Employers National Insurance Co., Scottsdale Insurance Co., Southern Risk Specialists, Lexington Insurance Co., Tudor Insurance Co., Western World Insurance Co., United Capitol Insurance Co., Fireman's Fund Insurance Cos., Reliance National Insurance Co., The St. Paul Cos. Inc.
Principal officers: Charles Harper, president; Jack Garrison, senior vp; Stephen F. Hoffmann, vp; Max Campbell, secretary/treasurer.
Contact: Stephen F. Hoffmann.
Licensed in: Arkansas.
Membership: NAPSLO.

Insurors Nationwide Service Agency Inc.

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

	1989	1988
Premium volume	$12,488,203	$8,807,729
Gross revenues	$1,503,374	$1,185,761
Employees	24	19
Commercial lines	100%	100%
Admitted business	NA	NA
Non-admitted	NA	NA

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.
Contact: Robert H. Garwood II, vp.
Membership: NAPSLO.

Inter-Atlantic Insurance Services Inc.

7699 Biscayne Blvd., Miami, Fla. 33138; 305-751-2800; fax: 305-758-7346

	1989	1988
Premium volume	$13,000,000	$6,500,000
Gross revenues	$3,000,000	$1,000,000
Employees	20	15
Commercial lines	10%	10%
Admitted business	10%	10%
Non-admitted	90%	90%

Year founded: 1988.
Type of business: 90% managing general agent, 10% broker.
Broker for: Primarily American International Group Inc., Albany Insurance Co.
Correspondent: Lloyd's of London.
Subsidiaries: Inter-Atlantic Insurance Adjustors Inc.; Palacio, Weinraub & Foster Inc.; Palacio & Weinraub Inc.
Specialties: Marine, commercial auto physical damage.
Principal officers: Alan P. Weinraub, president; Irving R. Weinraub, senior vp; James Gallaudet, vp; Amalia Weinraub, secretary/treasurer.
Contact: James Gallaudet.
Licensed in: Florida, New York and New Jersey.
Membership: Florida Surplus Lines Assn.

Interline Insurance Services Inc.

12641 E. 166th St., Cerritos, Calif. 90701; 213-926-5061; fax: 213-926-0224

	1989	1988
Premium volume	$5,870,843	$1,245,187
Employees	8	4
Commercial lines	100%	100%
Admitted business	20%	50%
Non-admitted	80%	50%

Year founded: 1982.
Parent company: Crest Financial Corp.
Type of business: 90% managing general agent, 10% broker.
MGA for: Guaranty National Insurance Co., Marine Office of America Corp.
Correspondent: Lloyd's of London.
Specialties: Commercial auto, professional liability, errors and omissions, directors and officers liability, fiduciary liability.
Principal officers: Charles J. Escalante, president; Gustavo Ramirez, assistant vp.
Contact: Charles J. Escalante.
Licensed in: California.

International Managers & Brokers Ltd.

200 S. Wacker Drive, Chicago, Ill. 60606; 312-993-7510; fax: 312-876-6369

	1989	1988
Premium volume	$2,981,988	$3,118,763
Gross revenues	$204,524	$215,950
Employees	4	5
Commercial lines	100%	100%
Admitted business	80%	65%
Non-admitted	20%	35%

Year founded: 1971.
Parent company: Crum & Forster Managers Corp. (Ill.).
Type of business: 100% broker.
Broker for: Primarily International Insurance Co., Interstate Indemnity Co., Illinois Insurance Exchange, Virginia Surety Co., International Surplus Lines Insurance Co.
Specialties: Directors and officers liability, errors and omissions, professional liability.
Principal officers: David N. Thompson, chairman; Norman R. Reid, president; Robert E. Stalker, Dennis Gibbs and Gary Ferguson, vps.
Contact: Bo Gursky, operations manager.
Licensed in: Illinois.
Membership: Chicago Board of Underwriters, Surplus Lines Assn. of Illinois, Marine Multi-Peril Society of Chicago, Illinois Insurance Exchange Brokers Assn., Lloyd's Brokers Assn.

International Placement Services Inc.

7710 Carondelet, Suite 433, St. Louis, Mo. 63105; 314-725-8394; fax: 314-725-4317

	1989	1988
Gross revenues	$1,335,000	$1,309,000
Employees	16	16
Commercial lines	100%	100%
Admitted business	40%	30%
Non-admitted	60%	70%

Year founded: 1981.
Type of business: 10% managing general agent, 90% broker.
MGA for: American Excess & Surplus Lines Insurance Co., Empire Fire & Marine Insurance Co., First Financial Insurance Co., Penn-America Insurance Co., Lincoln Insurance Co., Northfield Insurance Co., Nautilus Insurance Co., CIGNA Corp.
Broker for: Primarily American International Group Inc., Fireman's Fund Insurance Cos., Transamerica Insurance Co., First State Insurance Co., Illinois Insurance Exchange, Midwest Employers Casualty Co., St. Paul Surplus Lines Insurance Co., United Capitol Insurance Co., CIGNA Corp., General Accident Corp. of America, Hartford Insurance Group, Safety Mutual Casualty Corp.
Correspondent: Lloyd's of London.
Specialties: Self-insurance, fronted programs.
Principal officers: Richard J. Eichhorn, president; Gary G. Uhlemeyer, executive vp; Robert Fagan, vp-property; Sheri Rau, binding unit manager; Ranjan Ratna, casualty broker; Michael Eichhorn, marketing representative.
Contact: Richard J. Eichhorn.
Licensed in: Missouri.
Membership: NAPSLO.

Interstate Excess Inc.

1471 Woodward Ave., Suite 104, Bloomfield Hills, Mich. 48013; 313-338-3232; fax: 313-338-4436

	1989	1988
Premium volume	$6,871,500	$6,691,700
Gross revenues	$345,632	$325,436
Employees	6	5
Commercial lines	100%	100%
Admitted business	57%	51%
Non-admitted	43%	49%

Year founded: 1972.
Type of business: 100% broker.
Broker for: Primarily United Capitol Insurance Co., Crum & Forster Managers Group, Stonewall Surplus Lines Insurance, American Continental Insurance Co.
Subsidiaries: Interstate Healthcare Inc., Bloomfield Hills, Mich.
Specialties: Product liability, hospital professional liability.
Principal officers: Charles E. Marlin, John F. Flaherty, Donald C. Marlin and Katherine V. Marlin.
Contact: Charles E. Marlin.
Licensed in: Michigan.
Membership: Michigan Surplus Lines Agents Assn.

J

Jaeger & Haines Inc.

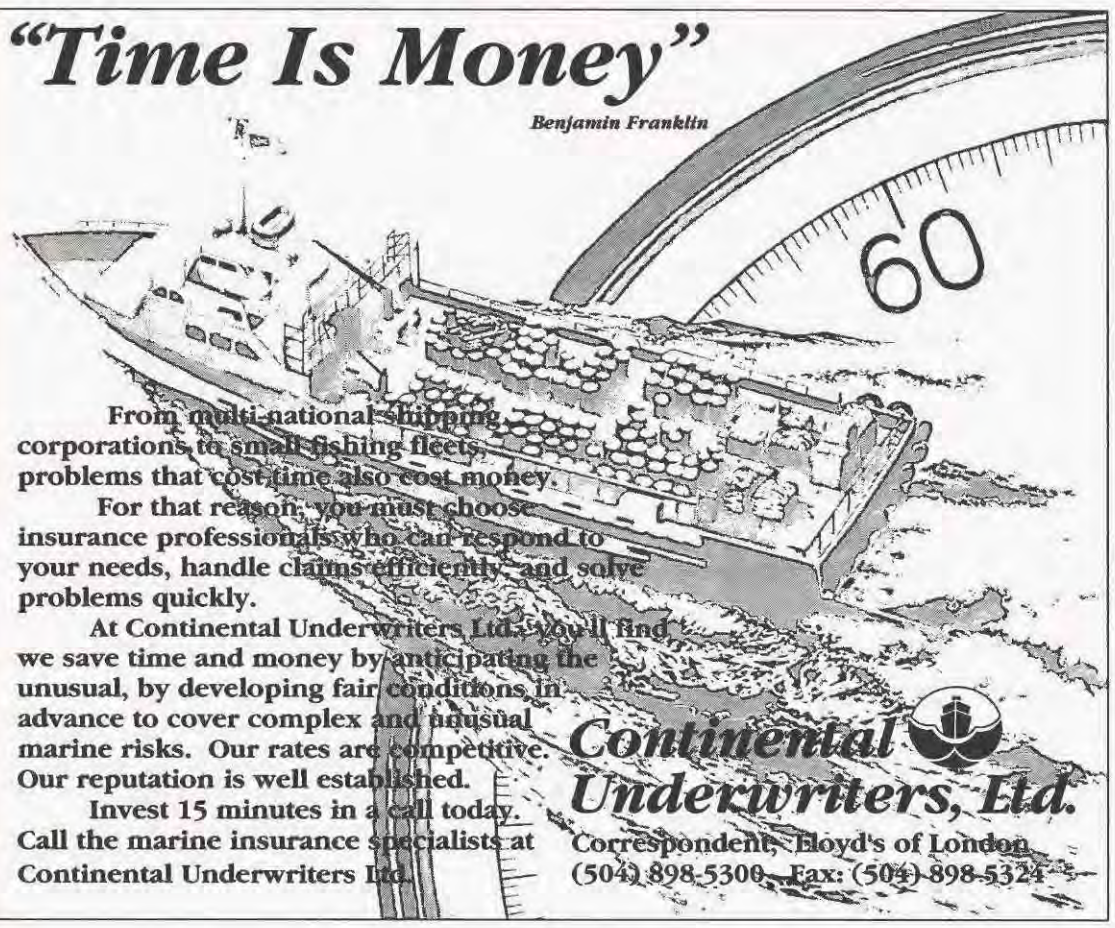
P.O. Box 1623, Fayetteville, Ark. 72702; 501-521-2551; fax: 501-521-3195

	1989	1988
Premium volume	$9,000,000	$9,000,000
Employees	25	25
Commercial lines	70%	70%
Admitted business	35%	30%
Non-admitted	65%	70%

Year founded: 1976.
Type of business: 90% managing general agent, 10% broker.
Correspondent: Lloyd's of London.
Principal officers: Larry Haines, chairman; Mike Johnson, president; Ed Elliott, Matt Carter and Mary Huff, vps.
Contact: Larry Haines.
Licensed in: Arkansas, Missouri, Oklahoma and Tennessee.
Membership: AAMGA, NAPSLO.

Continued on next page

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Continued from previous page

R.L. Jarrett Inc.

7557 Rambler Road, Suite 650,
Dallas, Texas 75231;
214-696-4700; fax: 214-692-5830

	1989	1988
Premium volume.	$11,396,325	$11,604,209
Gross revenues...	$991,882	$901,688
Employees.....	24	25
Commercial lines.	100%	100%
Admitted business	30%	30%
Non-admitted....	70%	70%

Year founded: 1968.
Parent company: U.S. Risk Insurance Group Inc.
Type of business: 15% managing general agent, 85% broker.
Broker for: Primarily Aetna Casualty & Surety Co., Reliance Insurance Co., First State Insurance Co., Admiral Insurance Co., Lexington Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Houston and Austin, Texas.
Specialties: Professional liability.
Principal officers: Randall Goss, chairman/chief executive officer; John Whiteside, president; Gerald Browning, executive vp; Richard Barrett, senior vp; Pat Sutton, vp.
Licensed in: Texas, Oklahoma and Louisiana.
Membership: NAPSLO, Texas Surplus Lines Assn.

JJ Jeffers Insurance Brokerage

26601 Agoura Road, Calabasas,
Calif. 91302; 818-880-0668;
fax: 818-880-8616

	1989	1988
Premium volume.	$5,443,000	$3,224,000
Gross revenues...	$457,000	$297,000
Employees.....	3*	2*
Commercial lines.	100%	100%
Admitted business	30%	40%
Non-admitted....	70%	60%

* Additional services provided by staff of parent company.
Year founded: 1983.
Parent company: Superior National Group.
Type of business: 100% broker.
Broker for: Primarily Illinois Insurance Exchange, Topa Insurance Co., Providence Washington Insurance Co., The Home Group Inc., Golden Bear Insurance Co., Landmark Insurance Co., Fireman's Fund Insurance Cos., United National Insurance Co., United Capitol Insurance Co., Evanston Insurance Co., Reliance National Insurance Co., Crusader Insurance Co., Dearborn Insurance Co.
Subsidiaries: Superior National Insurance Co., Calabasas, Calif.
Specialties: Difficult risks, general contractors.
Principal officers: Janet J. Jeffers.
Licensed in: California.
Membership: NAPSLO, Western Assn. Insurance Brokers, Surplus Lines Assn.

Don R. Jensen & Co.

100 S. Wacker Drive, Suite 2030,
Chicago, Ill. 60606; 312-939-5240;
fax: 312-435-2818

	1989	1988
Premium volume.	$8,000,000	$8,000,000
Employees.....	7	9
Commercial lines.	100%	100%
Admitted business	75%	70%
Non-admitted....	25%	30%

Year founded: 1931.
Type of business: 30% managing general agent, 70% 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., Mt. 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.

P.O. Box 40998, Houston, Texas
77240-0998; 713-462-6223;
fax: 713-462-5447

	1989	1988
Premium volume.	$8,200,286	$6,419,819
Gross revenues...	$805,766	$696,635
Employees.....	12	10
Commercial lines.	100%	100%
Admitted business	15%	15%
Non-admitted....	85%	85%

Year founded: 1982.
Type of business: 75% managing general agent, 25% broker.
MGA for: Lexington Insurance Co., Sphere Drake Insurance Co. P.L.C., Homestead Insurance Co.
Broker for: Primarily Evanston Insurance Co., United Capitol Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Oil and gas, including oil lease operators, rig contractors, rig physical damage and bakers blanket bonds.
Principal officers: Marcus D. Jensvold, president; M. Doris Le Fevre, executive vp; William D. Wurdeman, vp; Susan Wicker, assistant vp.
Contact: M. Doris Le Fevre.
Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn., Professional Insurance Agents, Independent Insurance Agents of America.

JIMCOR Agency Inc.

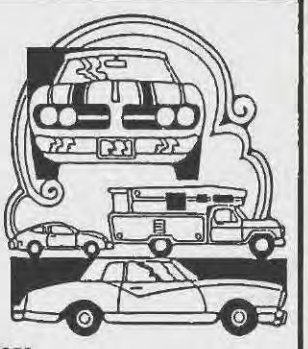
P.O. Box 890, Westwood, N.J.
07675; 201-666-8600;
fax:201-666-5792

	1989	1988
Premium volume.	$9,800,000	$7,600,000
Gross revenues...	$880,000	$722,000
Employees.....	18	15
Commercial lines.	95%	90%
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., Mt. Vernon Insurance Co., Penn-America Insurance Co., Western World Insurance Co., Tudor Insurance Co., Terra Nova Insurance Co., Calvert Insurance Co.
Broker for: Primarily Illinois Insurance Exchange, United National Insurance Co, California Union Insurance Co., Calvert Insurance Co., Tudor Insurance Co., Associated International Insurance Co.

Continued on next page

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Continued from previous page
Branch offices: New York; 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 Levey, vps; Richard Schecher, resident vp.
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

George Knight & Associates Inc.

9810 E. 42nd St., Suite 225, Tulsa, Okla. 74146; 918-664-0253; fax: 918-622-8748

	1989	1988
Premium volume	**$5,200,000**	$5,500,000
Gross revenues	**$712,000**	$726,000
Employees	**8**	8
Commercial lines	**100%**	100%
Admitted business	**10%**	10%
Non-admitted	**90%**	90%

Year founded: 1976.
Type of business: 100% managing general agent.
MGA for: Essex Insurance Co., Sphere Drake Insurance Co. P.L.C., First State Insurance Co., Homestead Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Auto racing, spectator liability, special events.
Principal officers: George Knight Jr., president; Willa R. Cazzell, secretary/treasurer.
Contact: George Knight Jr.
Licensed in: Oklahoma, Kansas, Missouri, Texas and Florida.
Membership: NAPSLO, Oklahoma Surplus Lines Assn.

L

Langan & Co. Inc.

5940 Tahoe Drive S.E., Grand Rapids, Mich. 49546; 616-942-8930; fax: 616-942-1449

	1989	1988
Premium volume	**$25,226,000**	$35,727,653
Gross revenues	**$1,779,102**	$2,393,904
Employees	**15**	18
Commercial lines	**100%**	100%
Admitted business	**54%**	52%
Non-admitted	**46%**	48%

Year founded: 1981.
Type of business: 6% managing general agent, 94% broker.
MGA for: First State Insurance Co.
Broker for: Primarily Affiliated FM Insurance Co., California Union Insurance Co., Century Indemnity Co., International Insurance Co., International Surplus Lines Insurance Co., The North River Insurance Co., Employers Reinsurance Co., First State Insurance Co., Fireman's Fund Insurance Cos., General Star Indemnity Co., The Home Insurance Co., Home Insurance Co. of Illinois, Illinois Insurance Exchange, Illinois Union Insurance Co., Lexington Insurance Co., National Union Fire Insurance Co., Reliance National Insurance Co., Royal Indemnity 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; George Stone, vp; Terri Kelley, secretary; Kathleen Davis, assistant vp.
Contact: James Langan.
Licensed in: Michigan.
Membership: NAPSLO, Independent Insurance Agents of America Inc., Independent Insurance Agents of Michigan.

Langan & Co. of Illinois Inc.

100 S. Wacker Drive, Suite 1510, Chicago, Ill. 60606; 312-750-9161; fax: 312-750-0741

	1989	1988*
Premium volume	**$7,168,000**	NA
Gross revenues	**$398,000**	NA
Employees	**3**	NA
Commercial lines	**100%**	NA
Admitted business	**50%**	NA
Non-admitted	**50%**	NA

* Company reorganized in 1989.
Year founded: 1984.
Type of business: 100% broker.
Broker for: Primarily CIGNA Corp., First State Insurance Co., Home Insurance Co. of Illinois, Illinois Insurance Exchange, The Insurance Co. of the State of Pennsylvania, International Insurance Co., Lexington Insurance Co., Reliance National Insurance Co., Royal Indemnity Co.
Principal officers: James F. Langan, president; Lisa Nather, vp; Bill Wilczynski, assistant vp.
Licensed in: Illinois.
Membership: NAPSLO, Independent Insurance Agents of Illinois, Independent Insurance Agents of America Inc.

The London Agency Inc.

1230 W. Peachtree St. N.W., Atlanta, Ga. 30309; 404-875-9641; fax: 404-874-4498

See profile on page 65.

London American Risk Specialists Inc.

9301 Southwest Freeway, Suite 630, Houston, Texas 77074; 713-777-6404; fax: 713-777-5471

	1989	1988
Premium volume	**$17,631,391**	$14,508,920
Gross revenues	**$1,123,206**	$927,008
Employees	**16**	16
Commercial lines	**100%**	100%
Admitted business	**41%**	38%
Non-admitted	**59%**	62%

Year founded: 1984.
Type of business: 20% managing general agent, 80% broker.
MGA for: Western World Insurance Co., Burlington Insurance Co., Scottish Lion Insurance Co. Ltd., AEGON Reinsurance Co. of America, Sphere Drake Insurance Co. P.L.C., St. Katherine Insurance Co. Ltd.
Broker for: Primarily Aetna Casualty & Surety Co., First State Insurance Co., Admiral Insurance Co., Interstate Fire & Casualty, Travelers Indemnity Co., Fireman's Fund Insurance Cos., Marine Office of America Corp., The Home Insurance Co., Lexington Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Dallas.
Principal officers: Brian Brecker, president; Ken Keathley, Roy Shoultz, Karl Emerly and Mike Driscoll, vps.
Contact: Ken Keathley.
Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn.

LoVullo Associates Inc.

689 Main St., Buffalo, N.Y. 14203; 716-856-3065; fax: 716-856-8057

	1989	1988
Premium volume	**$9,300,000**	$8,781,000
Employees	**24**	20
Commercial lines	**74%**	79%
Admitted business	**75%**	63%
Non-admitted	**25%**	37%

Type of business: 80% managing general agent, 20% broker.
MGA for: American Modern Home Group, Evanston Insurance Co., Jefferson Insurance Group, Midwest Mutual Insurance Co., National Casualty Co., National Indemnity Co., Northland Casualty Co., Essex Insurance Co., Kansas Fire & Casualty Co., Scottsdale Insurance Co.
Broker for: Primarily Providence Washington Group, Landmark American Insurance Co., Fireman's Fund Insurance Cos., Tudor Insurance Co., United National Insurance Co., Calvert Insurance Co., Chesapeake Casualty Co.
Correspondent: Lloyd's of London.
Principal officers: Leonard S. LoVullo, chairman/secretary; Leonard T. LoVullo, president/treasurer; Paul W. LoVullo, vp.
Contact: Leonard T. LoVullo.
Licensed in: New York.
Membership: AAMGA, NAPSLO, Professional Insurance Wholesalers Assn. of New York State Inc.

M

Maclean, Oddy & Associates Inc.

1445 Ross Ave., Suite 3900, Dallas, Texas 75240; 214-855-7700

	1989	1988
Gross revenues	**$5,531,000**	$5,380,000
Employees	**40**	40
Commercial lines	**100%**	100%
Admitted business	**50%**	50%
Non-admitted	**50%**	50%

Year founded: 1983.
Type of business: 3% managing general agent, 97% broker.
Broker for: Primarily Lexington Insurance Co., St. Paul Insurance Cos. Inc., Fireman's Fund Insurance Cos., Commonwealth Insurance Co., Mutual Marine Office Inc., New York Marine Managers Inc., Allianz Insurance Group, Reliance Insurance Cos.
Correspondent: Lloyd's of London.
Specialties: Energy, utilities, transportation, heavy manufacturing.
Principal officers: R.B. Oddy, chairman; Anita Chanpong, president; John Miller, Miles Lowein and E.J. Souza, executive vps.
Contact: Robert Crawford, chief administrative officer.
Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn.

Markel Service Inc.

4551 Cox Road, Glen Allen, Va., 23060; 804-747-0136; fax: 804-965-1600

	1989	1988
Premium volume	**$97,907,000**	$75,888,000
Gross revenues	**$17,522,000**	$13,058,000
Employees	**411**	103
Commercial lines	**97%**	97%
Admitted business	**52%**	45%
Non-admitted	**48%**	55%

Year founded: 1930.
Parent company: Markel Corp.
Type of business: 80% managing general agent, 20% broker.
MGA for: Scottsdale Insurance Co., National Casualty Insurance Co., Insurance Co. of Evanston, Frontier Insurance Co., Northland Insurance Co., Burlington Insurance Co., The General Insurance Co. of Trieste & Venice.
Broker for: Primarily Investors Insurance Co. of America, Chesapeake Casualty Co., 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 Schirek and John Dunbar, senior vps.
Contact: John K. Latham.
Licensed in: Virginia, Alaska, Texas, New York, Pennsylvania, Ohio, Minnesota, District of Columbia, Wisconsin and Maryland.
Membership: NAPSLO.

Market Action General Insurance Brokers

1570 Brookhollow, Suite 218, Santa Ana, Calif. 92705; 714-641-1125

	1989	1988
Premium volume	**$14,242,049**	$6,584,365
Gross revenues	**$1,687,692**	$732,181
Employees	**27**	19
Commercial lines	**100%**	100%
Admitted business	**25%**	35%
Non-admitted	**75%**	65%

Year founded: 1987.
Type of business: 45% managing general agent, 55% broker.
MGA for: Essex Insurance Co., Scottsdale Insurance Co., General Agents Insurance Co. of America, Nautilus Insurance Co.
Broker for: Primarily Firemen's Insurance Co. of Washington, D.C., Western International Insurance Co., Illinois Insurance Exchange, Topa Insurance Co., RLI Insurance Co., Associated International Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: North Hollywood, San Diego and San Francisco, Calif.; Las Vegas, Nev.
Specialties: Directors and officers liability, errors and omissions.
Principal officers: Basil Moir, chairman; James M. Yates, president; James Hippard, executive vp; Norm Amick, senior vp.
Contact: James M. Yates.
Licensed in: California, Nevada.
Membership: NAPSLO.

Miami Valley Excess & Surplus Agency Inc.

2787 Orchard Run Road, Dayton, Ohio 45449; 513-438-0491; fax: 513-438-9834

	1989	1988
Premium volume	**$1,600,000**	$1,250,000
Gross revenues	**$216,000**	$150,000
Employees	**4**	3
Commercial lines	**100%**	100%
Admitted business	**75%**	65%
Non-admitted	**25%**	35%

Year founded: 1985.
Type of business: 90% managing general agent, 10% broker.
MGA for: Lincoln Insurance Co., Century Surety Co., American Empire Surplus Line, Cardinal Casualty Co., First Financial Insurance Co., Adriatic Insurance Co.
Broker for: Primarily United National Insurance Co., Guaranty National Insurance Co.
Principal officers: Fred C. Wootan, president; Barbara A. Wootan, vp; Gregory Seibel, assistant vp.
Contact: Fred C. Wootan.
Licensed in: Ohio.
Membership: Ohio Assn. of Professional Surplus Lines Offices.

Mining Insurance Markets Inc.

P.O. Box 55825, Birmingham, Ala. 35255-5825; 205-933-9162; fax:205-930-9118

	1989	1988
Premium volume	**$3,200,000**	$3,000,000
Employees	**3**	3
Commercial lines	**100%**	100%
Admitted business	**100%**	100%

Year founded: 1985.
Parent company: CGH Investments Inc.
Type of business: 100% broker.
Broker for: Primarily American Mining Insurance Co., American Mining Insurance Co. of Tennessee, Royal Insurance Co. of America.
Specialties: Mining risks.
Principal officers: Chandler F. Cox Jr., president; Kenneth A. Hoyle, vp; Edward 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

See profile on page 60.
Continued on next page

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Continued from previous page

Moore Excess Inc.

1 Center St., P.O. Box 565, Croton Falls, N.Y. 10519; 914-277-3955; 914-277-3572

	1989	1988
Premium volume	$8,000,000	$10,000,000
Employees	10	10
Commercial lines	99%	99%
Admitted business	50%	40%
Non-admitted	50%	60%

Year founded: 1977.
Type of business: 70% managing general agent, 30% broker.
MGA for: United States Liability Insurance Co., Nautilus Insurance Co., Hermitage Insurance Co.
Broker for: Primarily General Star National Insurance Co., New England Insurance Co., International Insurance Co.
Principal officers: Robert J. Moore, president; John A. Buckley, executive vp; Marie Muscarella and Ellen M. Leahy, vps; Claire Navin, secretary.
Contact: John A. Buckley.
Licensed in: New York.
Membership: NAPSLO, Professional Insurance Wholesalers Assn. of New York Inc.

N

NAS Ltd.

100 S. Wacker, Chicago, Ill. 60606; 312-726-2186

	1989	1988
Premium volume	$16,579,000	$19,445,000
Gross revenues	$1,500,000	$1,541,000
Employees	13	12
Commercial lines	100%	100%
Admitted business	70%	70%
Non-admitted	30%	30%

Year founded: 1975.
Type of business: 10% managing general agent, 90% broker.
Broker for: Primarily International Insurance Co., First State Insurance Co., Admiral Insurance Co., United National Insurance Co., St. Paul Insurance Cos. Inc., General Star Indemnity Co., Illinois Insurance Exchange.
Branch offices: Philadelphia, Indianapolis.
Specialties: Public entities, hospital.
Principal officers: T. Cath, president; J. Bogart, executive vp; Tom Sieks, R. Munce and J. Gesicki, vps.
Contact: T. Cath, J.Bogart.
Licensed in: Illinois, Indiana, New Jersey, Pennsylvania.
Membership: NAPSLO, National Assn. of Lloyds Brokers, Chicago Board of Underwriters, Insurance Agents of America.

The NORCO Agency Inc.

6308 Woodman, Suite 204, Van Nuys, Calif. 91401; 818-782-1912; fax: 818-786-6838

	1989	1988
Premium volume	$6,700,000	$6,405,000
Gross revenues	$820,000	$700,000
Employees	11	10
Commercial lines	20%	20%
Admitted business	95%	95%
Non-admitted	5%	5%

Year founded: 1960.
Type of business: 100% managing general agent.
MGA for: Century-National Insurance Co., Chicago Insurance Co., Sutter Insurance Co., Topa Insurance Co.
Specialties: Commercial auto and fire.
Principal officers: Norman J. Levine, president; Adelyne F. Levine, vp/secretary/treasurer.
Contact: Norman J. Levine.
Licensed in: California.
Membership: AAMGA, NAPSLO, California Surplus Line Assn.

North Island Group Inc.

30 Park Ave., Manhasset, N.Y. 11030; 516-365-7440; fax: 516-365-7392

	1989	1988
Premium volume	$46,000,000	$42,000,000
Employees	45	42
Commercial lines	95%	95%
Admitted business	90%	92%
Non-admitted	10%	8%

Year founded: 1976.
Type of business: 50% managing general agent, 50% broker.
MGA for: National Union Fire Insurance Co. of Pittsburgh, Pa.; United States Liability Insurance Co.
Broker for: Primarily General Star Indemnity Co., Hermitage Insurance 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., Royal Surplus Lines Insurance Co., Fireman's Fund Insurance Cos.
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.; Dan Mail Facilities, New York.
Subsidiaries: Warwick Re Insurance Corp., Warwick, R.I.
Specialties: Social services institutions, including professional liability.
Principal officers: Michael A. Orlando, president; Dennis Loggie, John Orlando and William Battistini, vps; Euclid Maggiani, secretary.
Licensed in: New York, Pennsylvania, New Jersey, Rhode Island and Connecticut.
Membership: NAPSLO, Professional Insurance Wholesalers Assn.

O

Oakside Management Corp./Westport Management Group Ltd.

366 Veterans Memorial Highway, Commack, N.Y. 11725; 516-543-4680; fax: 516-543-5138

	1989	1988
Premium volume	$8,305,238	$7,917,969
Gross revenues	$834,212	$797,753
Employees	11	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 Insurance Co.
Specialties: Municipality and law enforcement, professional liability excluding physicians and dentists.
Principal officers: Arthur E. Torrington, president; John W. Lepre, treasurer/chief financial officer; Janet M. Wesche and Martin Cholewa, vps, Patricia Geucia, controller.
Contact: Arthur E. Torrington.
Licensed in: New York and Illinois.
Membership: NAPSLO.

Overstreet & Newell Inc.

5505 Peachtree Dunwoody Road, Suite 100, Atlanta, Ga. 30342; 404-843-3394; fax: 404-255-5347

	1989	1988
Premium volume	$10,000,000	$6,500,000
Gross revenues	$1,200,000	$750,000
Employees	15	13
Commercial lines	70%	30%
Admitted business	75%	75%
Non-admitted	25%	25%

Year founded: 1978.
Type of business: 70% managing general agent, 30% broker.
MGA for: Lincoln Insurance Co., Jefferson Insurance Co., Essex Insurance Co., First Financial Insurance Co., Burlington Insurance Co., Colony Insurance Co., Frontier Insurance Co.
Broker for: Primarily First State Insurance Co., Royal Surplus Lines Insurance Co., Appalachian Insurance Co.
Principal officers: Roy Overstreet, president; Terry Newell, executive vp; Linda Pullim, assistant vp; Wanda Raper, casualty manager.
Licensed in: Georgia, Florida and Virginia.
Membership: AAMGA, NAPSLO.

P

PW West Insurance Services Inc.

500 Sansome St., Suite 410, San Francisco, Calif. 94110; 415-765-1526; fax: 415-765-0904

	1989	1988
Premium volume	$3,317,670	NA
Employees	4	NA
Commercial lines	100%	NA
Admitted business	70%	NA
Non-admitted	30%	NA

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: Donald Mitchell, administrative manager.
Licensed in: Arizona, California, Colorado, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming, Montana, Idaho, Alaska, Hawaii.

PWN Underwriting Managers Inc.

4 Liberty Square, Boston, Mass. 02109; 617-482-0600; fax: 617-426-6988

	1989	1988
Premium volume	$1,237,591	NA
Employees	6	4
Commercial lines	100%	100%
Admitted business	2%	NA
Non-admitted	98%	NA

Year founded: 1988.
Parent company: PW Group.
Type of business: 100% underwriting manager.
Underwriting manager for: Providence Washington Insurance Co. of Alaska, Western Alliance Insurance Co.
Specialties: Program business for banks.
Principal officers: Christopher C. Dawson, president; William P. Twomey, executive vp.
Contact: Donnalynn Johnson.
Licensed in: All states except Arkansas, Minnesota and New Mexico.

Paige-Ruane Inc.

983 Old Eagle School Road, Suite 616, Wayne, Pa. 19087; 215-254-9890; fax: 215-254-9893

	1989	1988
Premium volume	$12,813,509	$14,358,901
Gross revenues	$1,435,234	$1,475,044
Employees	8	8
Commercial lines	100%	100%
Admitted business	50%	50%
Non-admitted	50%	50%

Year founded: 1981.
Type of business: 95% managing general agent, 5% broker.
MGA for: Planet Insurance Co., United National Group.
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 secretary.
Contact: Lisa Shaffran.
Licensed in: Pennsylvania.
Membership: NAPSLO.

Preferred General Agency of Alaska Inc.

4300 B St., Suite 402, Anchorage, Alaska 99503; 907-563-5676; fax: 907-564-9855

	1989	1988
Premium volume	$5,761,467	$5,012,476
Gross revenues	$330,290	NA

Continued on next page

The London Agency, Inc.

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Spotlight report

Continued from previous page

Employees	18	16
Commercial lines	100%	100%
Admitted business	10%	5%
Non-admitted	90%	95%

Parent company: Providence Washington Group.
Type of business: 30% underwriting manager, 50% managing general agent, 20% broker.
Underwriting manager for: Providence Washington Insurance Co.
MGA for: Northfield Insurance Co., Northland Insurance Co., Nautilus Insurance Co., General Agents Insurance Co.
Broker for: Primarily RLI Insurance Co., Associated International Insurance, United Capitol Insurance Co., Resure Inc.
Correspondent: Lloyd's of London.
Principal officers: Charles J. Beytebiere, president; Curt C. Beytebiere, branch manager.
Contact: Curt C. Beytebiere.
Licensed in: Alaska.
Membership: AAMGA, NAPSLO.

Price Forbes North America

7557 Rambler Road, Suite 350, Dallas, Texas 75231, 214-891-5970. fax: 214-891-5929; 610 Poydras St., New Orleans, La. 70130, 504-524-4131, fax: 504-525-0313

See profile on page 66.

Professional Excess Affiliates Corp.

60 E. 42nd St., Suite 401, New York, N.Y. 10165; 212-490-8060; fax: 212-682-9576

	1989	1988
Premium volume	$9,000,000	$8,000,000
Employees	8	7
Commercial lines	100%	100%
Admitted business	60%	75%
Non-admitted	40%	25%

Year founded: 1986.
Type of business: 100% broker.
Broker for: Primarily Reliance Insurance Co., Evanston Insurance Co., Insurance Co. of Evanston, Lexington Insurance Co.; Illinois Insurance Exchange, The Home Group Inc., International Surplus Lines Insurance Co., London-based companies.
Branch offices: Edison, N.J.
Specialties: Architects and engineers professional liability, environmental and asbestos consultants errors and omissions.
Principal officers: Roy J. Bavaro, president; Lisa M. Cohen, vp.
Contact: Lisa Cohen.
Licensed in: New York and New Jersey.
Membership: AAMGA, NAPSLO, Professional Insurance Wholesalers Assn., Professional Insurance Agents, Excess Line Assn. of New York.

Professional Indemnity Management Co.

120 S. Riverside Plaza, Suite 960, Chicago, Ill. 60606; 312-876-1666; fax: 312-876-1776

	1989	1988
Premium Volume	2,200,000	1,200,000
Employees	3	3
Commercial lines	100%	100%
Admitted business	20%	20%
Non-admitted	80%	80%

Year founded: 1987.
Type of business: 100% managing general agent.
MGA for: Homestead Insurance Co.
Specialties: Professional liability for accountants.
Principal officers: James M. Romano, president; Michelle A. Duffett, executive vp.
Licensed in: Illinois.
Membership: Professional Liability Underwriting Society.

Professional Managers Inc.

2 N. Riverside Plaza, Suite 1460, Chicago, Ill. 60606; 312-559-0101; fax: 312-559-0167

	1989	1988
Premium volume	$20,000,000	$18,000,000
Employees	16	14
Commercial Lines	100%	100%
Non-admitted	100%	100%

Year founded: 1981.
Type of business: 100% managing general agent.
MGA for: Lexington Insurance Co., General Star Indemnity Co.
Correspondent: Lloyd's of London.
Specialties: Architects, engineers and contractors professional liability, errors and omissions.
Principal officers: John Van Cleave, president; Guy R. Calhoun, executive vp.
Licensed in: Illinois.
Membership: NAPSLO.

Program Underwriters Group

3363 West Commercial Blvd., Fort Lauderdale, Fla. 33309; 305-485-9442; fax: 305-485-9401

	1989	1988
Premium volume	$36,000,000	$36,500,000
Gross revenues	$5,400,000	$5,475,000
Employees	60	70
Commercial lines	100%	100%
Admitted business	15%	10%
Non-admitted	85%	90%

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., Interstate Fire Insurance Co., Indemnity Underwriters Insurance.
Broker for: Primarily Liberty National Fire Insurance Co., Sheffield Insurance Co., American Universal Insurance Co., The Home Insurance Co. of Indiana, Michigan Mutual Insurance Co., United Capitol Insurance Co., Pennsylvania Lumbermans Mutual Insurance Co., Capacity Insurance Co.
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. and Program Underwriters Financing Inc., Fort Lauderdale, Fla.
Principal officers: Lawrence J. Buto, president; Frances T. Buto, secretary/treasurer.
Contact: Edward L. Lustigman, vp.
Licensed in: Florida and Alabama.
Membership: AAMGA, NAPSLO, Florida Surplus Lines Assn.

R

RISC Inc.

750 N. St. Paul, Suite 990, Dallas, Texas, 75201; 214-922-9898; fax: 214-979-0893

	1989	1988
Premium volume	$22,000,000	$23,000,000
Gross revenues	$1,900,000	$1,875,000
Employees	21	21
Commercial lines	100%	100%
Admitted business	25%	20%
Non-admitted	75%	80%

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

	1989	1988
Premium volume	$11,000,000	$12,000,000
Gross revenues	NA	NA
Employees	24	27
Commercial lines	100%	100%

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Reader Reply Service

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Business Insurance

FREE LITERATURE FOR READERS

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G ☐ Ins Broker
H ☐ Ins/Reins Co
I ☐ Actry/Conslt
J ☐ Attorney
K ☐ Adj/Apprs
L ☐ TPA
M ☐ Healthcare Inst
N ☐ Other _____

2. Number of employees:
1 ☐ 150 or less
2 ☐ 151 - 499
3 ☐ 500 - 999
4 ☐ 1,000 - 4,999
5 ☐ 5,000 or more
6 ☐ Unknown

3. My title is best defined as:
A ☐ Administrative Mgt
B ☐ Financial Mgt
C ☐ Risk Mgt
D ☐ Benefits Mgt
E ☐ Loss prevention Mgt
F ☐ Other _____

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1 ☐ recommend only
2 ☐ specify
3 ☐ approve

5. Do you now receive a personally addressed copy of Business Insurance?
A ☐ Yes
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Please print clearly

Name _____
Title _____
Company _____
Address _____
City _____ State _____ Zip _____
Phone ( ) _____

Continued from previous page

Admitted business	50%	50%
Non-admitted....	50%	50%

Year founded: 1849.
Parent company: Rathbone, King & Seeley Inc.
Type of business: 20% managing general agent, 80% broker.
MGA for: American Star Insurance Co.; Price Forbes North America; Steel, Burrell & Jones.
Broker for: Primarily Admiral Insurance Co., Crum & Forster Managers Group, Navigators Insurance Co., Topa Insurance Co., Transco Insurance Services.
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.
Licensed in: California and Washington.
Membership: NAPSLO.

Repath Associates Inc.

4301 Hillsboro Road, Suite 314, Nashville, Tenn. 37215; 615-297-1739; fax: 615-297-3796

	1989	1988
Premium volume.	$23,000,000	$22,000,000
Gross revenues...	$1,328,000	$1,280,000
Employees.....	13	11
Commercial lines.	100%	100%
Admitted business	15%	15%
Non-admitted....	85%	85%

Year founded: 1984.
Type of business: 5% managing general agent, 95% broker.
MGA for: American Empire Surplus Lines Insurance Co.
Broker for: Primarily American International Group Inc., American Empire Surplus Lines Insurance Co., California Union Insurance Co., Chubb Corp., Columbia Casualty Co., Fireman's Fund Insurance Co., First State Insurance Co., The Home Group Inc., Interstate Fire & Casualty Insurance Co., Investors Insurance Co. of America, RLI Insurance Co., The Royal Insurance Group, Transamerica Insurance Co., Tudor Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Houston; Columbus, Ohio; Grand Rapids, Mich.
Specialties: Product liability.
Principal officers: Derek J. Repath, president; Wayne N. Sanders, senior vp; May S. Bell, vp; Ralph Costanzo, Edward A. Gorman and Verla Roberts, vps.
Licensed in: Arizona, Indiana, Massachusetts, Michigan, Missouri, New York, Ohio, Wisconsin, North Carolina, Florida, Illinois, Pennsylvania, Virginia, New Jersey, Louisiana.
Membership: NAPSLO.

S

SMIS Inc.

600 Beacon Parkway W., Suite 950, Birmingham, Ala. 35209; 205-945-8855; fax: 205-945-8856

	1989	1988
Premium volume.	$7,500,000	$4,500,000
Gross revenues...	$750,000	$450,000
Employees.....	18	12
Commercial lines.	100%	100%
Admitted business	10%	10%
Non-admitted....	90%	90%

Year founded: 1980.
Type of business: 30% underwriting manager, 15% managing general agent, 55% broker.
MGA for: Lincoln General Insurance Co.
Broker for: Primarily Colony Insurance Co., Liberty National Insurance Co., American International Group Inc.
Branch offices: Lexington, Ky.
Specialties: Product liability, mining risks.
Principal officers: James H. Godfrey Jr., president; David M. Condon, vp/general counsel.
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

	1989	1988
Premium volume.	$5,500,000	$6,000,000
Employees.....	16	17
Commercial lines.	80%	80%
Admitted business	80%	85%
Non-admitted....	20%	15%

Year founded: 1931.
Type of business: 70% managing general agent, 30% broker.
MGA for: Aegon Insurance Co. (U.K.) Ltd., American Reliable Insurance Co., Empire Fire & Marine Insurance Co., Evanston Insurance Co., First Financial Insurance Co., Guaranty National Insurance Co., Insurance Co. of Evanston, Landmark American Insurance Co., Nautilus Insurance Co., Sphere Drake Insurance Co. P.L.C., Empire Indemnity Insurance Co.
Broker for: Primarily Guaranty National Insurance Co., Lexington Insurance Co., Mt. Hawley Insurance Co., RLI Insurance Co., St. Katherine Insurance Co. P.L.C., Terra Nova Insurance Co. Ltd.
Correspondent: Lloyd's of London.
Subsidiaries: Gateway Premium Budget Inc., Belleville, Ill.
Specialties: Illinois liquor liability and related property and liability, truck liability and physical damage.
Principal officers: C. Jack Miller, president/chief executive officer; Steven C. Miller, executive vp.
Contact: C. Jack Miller.
Licensed in: Illinois.
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 62.

Shand, Morahan & Co. Inc.

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

	1989	1988
Premium volume.	$94,048,000	$110,780,000
Employees.....	290	331
Commercial lines.	100%	100%
Admitted business	22%	20%
Non-admitted....	78%	80%

Year founded: 1970.
Parent company: F-M Acquisition Corp.
Type of business: 100% underwriting manager.
Underwriting manager for: Evanston Insurance Co., Insurance Co. of Evanston, National Specialty Insurance Co.
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. Pro-

Continued on next page

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Continued from previous page
chaska Jr., chairman/chief executive officer; Robert H. Libby, president/chief operating officer; Richard A. Adler, Robert N. Liston and Paul W. Springman, executive vps; Steven K. Lauer, senior vp/treasurer/chief financial officer.

Contact: Steven K. Lauer.
Membership: AAMGA, NAPSLO.

Thomas F. Sheehan

5200 Town Center Road, Suite 309, Boca Raton, Fla. 33486; 407-362-0117; fax: 407-362-0115

	1989	1988
Premium volume	$5,840,000	$25,585,798
Gross revenues	$365,672	$2,968,569
Employees	6	12
Commercial lines	100%	100%
Admitted business	50%	90%
Non-admitted	50%	10%

Year founded: 1952.
Type of business: 50% managing general agent, 50% broker.
Correspondent for: Lloyd's of London.
Broker for: Primarily Old Republic Insurance Co., Reliance National Special Risks, Dearborn Insurance Co.
Affiliate: Sheehan Underwriting Agency Inc.
Specialties: Architects and engineers, lawyers, directors and officers liability.
Principal officers: Thomas F. Sheehan and Terrence P. Sheehan.
Contact: Thomas F. Sheehan.
Membership: AAMGA.

Sherwood Insurance Services

201 California St., San Francisco, Calif. 94111; 415-956-3236; fax: 415-956-1204

	1989	1988
Premium volume	$93,700,000	$96,000,000
Gross revenues	$8,015,000	$7,900,000
Employees	58	60
Commercial lines	100%	100%
Admitted business	85%	85%
Non-admitted	15%	15%

Year founded: 1978.
Type of business: 15% managing general agent, 85% broker.
Broker for: Primarily Associated International Insurance Co., Allianz Underwriters Insurance Co., The Home Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Los Angeles.
Specialties: California earthquake risks.
Principal officers: Donald K. Sherwood, chairman/chief executive officer; James Barnes, president-northern division; David Hartoch, president-southern division.
Contact: Donald K. Sherwood.
Licensed in: California.
Membership: NAPSLO.

Leon F. Skinner Agency Inc.

1258 Sibley Tower Bldg., Rochester, N.Y. 14604; 716-232-3585; 800-836-4430; fax: 716-232-2173

	1989	1988
Premium volume	$6,710,000	$6,100,000
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 Cavalier Building, Nashville, Tenn. 37205; 615-356-2900; fax: 615-356-3795

	1989	1988
Premium volume	$6,858,732	$7,566,051
Gross revenues	$1,013,442	$897,114
Employees	16	17
Commercial lines	90.1%	98.9%
Admitted business	66.4%	69.1%
Non-admitted	33.6%	30.9%

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., Dependable Insurance Co., Thomas Jefferson Insurance Co., Nautilus Insurance Co., Sphere Drake Insurance Co. P.L.C., Aegon Insurance Group (U.K.) Ltd., Transamerica Insurance Co., Premium Insurance Co., National Liability & Fire Insurance Co.
Broker for: Primarily RLI Insurance Co, Illinois Insurance Exchange, Mt. Hawley Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Commercial trucking.
Principal officers: Edward J. Knish, president; Roy F. Boarden, executive vp/secretary; Jan Bessire, vp; Faye Bain, treasurer.
Contact: Edward J. Knish.
Licensed in: Tennessee.
Membership: AAMGA, NAPSLO, Independent Insurance Agents of America Inc., Professional Insurance Agents.

Sovereign Group International Inc.

242 Main St., P.O. Box 70, Staten Island, N.Y. 10307; 718-317-7000; fax: 718-317-8809

	1989	1988
Premium volume	$23,000,000	$21,000,000
Gross revenues	$1,840,000	$1,680,000
Employees	20	25
Commercial lines	100%	100%
Admitted business	75%	80%
Non-admitted	25%	20%

Year founded: 1975.
Type of business: 80% managing general agent, 20% broker.
MGA for: Scottsdale Insurance Co., National Casualty Co., First Central Insurance Co.
Broker for: Primarily International Insurance Co., General Star National Insurance Co., United National Insurance Co., Calvert Insurance Co., Reinsurance Corp. of New York Group.
Correspondent: Lloyd's of London.
Branch offices: New York; 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.
Principal officers: William J. Lynch, chairman; Daniel J. Lynch, president; William F. Lynch and Joseph Certo, vps.
Licensed in: New York, New Jersey, Pennsylvania, Massachusetts, Georgia and Florida.
Membership: AAMGA, NAPSLO, Professional Insurance Agents, Independent Insurance Agents of America Inc., New Jersey Surplus Lines Assn., Pennsylvania Surplus Lines Assn., Professional Insurance Agents & Wholesalers.

Special Program Management Inc.

2 Hudson Place, Hoboken, N.J. 07030; 201-798-5100; fax: 201-798-9064

	1989	1988
Premium volume	$15,755,000	$15,680,000
Employees	10*	10*
Commercial lines	100%	100%
Admitted business	12%	16%
Non-admitted	88%	84%

* Additional services provided by staff of Calvert Insurance Co.
Year founded: 1987.
Parent company: Willis Faber P.L.C.
Type of business: 100% underwriting manager.
Underwriting manager for: Associated International Insurance Co., Calvert Insurance Co.
Specialties: Directors and officers liability, pension trust fiduciary liability.
Principal officers: James R. Martocci, president; Marjorie B. Feit, assistant vp.
Membership: AAMGA.

Specialty Insurance Services Inc.

6624 Merrill Road, P.O. Drawer 11869, Jacksonville, Fla. 32239-1869; 904-743-4314; fax: 904-743-5657

	1989	1988
Premium volume	$3,994,680	$4,450,206
Gross revenues	$577,044	$596,431
Employees	15	16
Commercial lines	94%	95%
Admitted business	50%	40%
Non-admitted	50%	60%

Year founded: 1979.
Type of business: 100% managing general agent.
MGA for: Empire Insurance Group, Agricultural Excess & Surplus, Lincoln Insurance Co., Penn-America Insurance Co., St. Katherine Insurance Co. P.L.C.
Correspondent: Lloyd's of London.
Subsidiaries: Specialty Insurance Services Inc., Brunswick, Ga.
Specialties: Commercial property and automobile.
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, National Society of Chartered Property/Casualty Underwriters Excess & Surplus Section.

Swett & Crawford

3699 Wilshire Blvd., Los Angeles, Calif. 90010; 213-251-1200; fax: 213-487-1874

See profile on page 46.

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Fax (312) 621-0262

T

TCO Insurance Services

2029 Village Lane, Solvang, Calif. 93463; 805-688-4995; 805-688-2668

	1989	1988
Premium volume	$69,000,000	$63,000,000
Gross revenues	$15,000,000	$16,000,000
Employees	175	175
Commercial lines	100%	100%
Non-admitted	100%	100%

Year founded: 1977.
Type of business: 100% underwriting manager.
Underwriting manager for: United National Insurance Co., Alpine Insurance Co., Transco Syndicate No. 1.
Branch offices: Chicago.
Principal officers: Peter J. O'Shaughnessy, president; Steven C. Shinn, Richard G. Kersten and Craig L. Rice, executive vps; Erik Hallberg, Richard P. Shemitis, Jerry Hart and John Clark, senior vps.
Contact: Peter J. O'Shaughnessy.
Licensed in: California and Illinois.

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

	1989	1988
Premium volume	$10,520,000	$9,450,000
Gross revenues	$1,393,000	$1,300,000
Employees	29	27
Commercial lines	45%	25%
Admitted business	60%	70%
Non-admitted	40%	30%

Year founded: 1980.
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 Royal Surplus Lines Insurance Co., Appalachian Insurance Co., International Surplus Lines Insurance Co., Select Insurance Co.
Branch offices: Lubbock, Texas.
Subsidiaries: Gulf States Insurance Co., Oklahoma City.
Specialties: Commercial general liability, property, low-value dwellings.
Principal officers: Ann Cangelosi, president; Sam Cangelosi and Don Cangelosi, vps; Don Meyer, secretary/treasurer.
Contact: Sam Cangelosi.
Licensed in: Texas.
Membership: AAMGA, Texas Surplus Lines Assn.

Kenneth I. Tobey Inc.

2201 Sixth Ave., Suite 1101, Seattle, Wash. 98121; 206-448-5500; fax: 206-448-5507

	1989	1988
Premium volume	$21,000,000	$18,000,000
Gross revenues	$2,545,000	$1,941,000
Employees	55	46
Commercial lines	70%	60%
Admitted business	80%	90%
Non-admitted	20%	10%

Year founded: 1933.
Type of business: 95% managing general agent, 5% broker.
MGA for: Leader National Insurance Co., Occidental Fire & Casualty Insurance Co. of North Carolina, General Agents Insurance Co. of America, Empire Fire & Marine Insurance Co., Dependable Insurance Co., Commonwealth General Insurance Group, Heart of America Fire & Casualty Co., Chicago Insurance Co., Acceptance Insurance Co., First Financial Insurance Co.
Broker for: Primarily Chubb Custom Insurance Co., Crum & Forster Managers Group, Interstate Indemnity Co.
Correspondent: Lloyd's of London.
Branch offices: Beaverton, Ore.
Specialties: Logging and lumber related risks.
Principal officers: Harold Anderson, Irene Story and Bruce Anderson.
Contact: Bob Higley.
Licensed in: Alaska, Washington, Oregon, Idaho and Montana.
Membership: AAMGA, NAPSLO.

Tri-City Insurance Brokers Inc.

110 William St., New York, N.Y. 10038; 212-732-1360; fax: 212-619-5202

See profile on page 59.

Trinity E&S Insurance Services Inc.

44-100 Monterey Ave., Suite 208, Palm Desert, Calif. 92260; 619-341-2595; fax: 619-341-2885

	1989	1988
Premium volume	$8,000,000	$6,700,000
Gross revenues	$915,000	$825,000
Employees	11*	10*
Commercial lines	99%	99%
Admitted business	40%	50%
Non-admitted	60%	50%

* Additional services provided by staff of parent company.
Year founded: 1985.
Parent company: Exstar Financial Corp.
Type of business: 40% managing general agent, 60% broker.
MGA for: Penn-America Insurance Co.
Broker for: Primarily Illinois Insurance Exchange, Topa Insurance Co., Marine Office of America Corp.
Branch offices: San Rafael and Chula Vista, Calif.
Specialties: Contractors primary liability.
Principal officers: Peter J. O'Shaughnessy, chairman; Thomas J. Gassen, president; Richard G. Kersten, secretary; Craig L. Rice, treasurer.
Contact: Thomas J. Gassen.
Licensed in: California.
Membership: NAPSLO.

Trinity MGA Insurance Services

44-100 Monterey Ave., Suite 208, Palm Desert, Calif. 92260; 619-341-2595; fax: 619-341-2885

	1989	1988
Premium volume	$2,708,000	$2,053,000
Gross revenues	$314,000	$266,000
Employees	7	5
Commercial lines	100%	100%

Type of business: 100% managing general agent.
MGA for: Penn-America Insurance Co.
Branch offices: San Rafael and Palm Desert, Calif.
Principal officers: Thomas J. Gassen, president; Steven C. Shinn, Richard G. Kersten and Craig L. Rice, executive vps; Peter J. O'Shaughnessy, chairman.
Contact: Thomas J. Gassen.

Tri-State General Insurance Agency Ltd.

P.O. Box 2719, Salisbury, Md. 21802; 301-546-1255; fax: 301-546-3953

	1989	1988
Premium volume	$10,300,000	$11,200,000
Gross revenues	$1,437,245	$1,724,694
Employees	33	32
Commercial lines	100%	100%
Admitted business	3%	3%
Non-admitted	97%	97%

Year founded: 1979.
Type of business: 95% managing general agent, 5% broker.
MGA for: Guaranty National Insurance Co., Bryanson Insurance Co. Ltd., AEGON Group, Burlington Insurance Co., Lincoln Insurance Co., Bishopsgate Insurance Ltd., Terra Nova Insurance Co. Ltd., First Financial Insurance Co., Orion Insurance Co., Scottish Lion Insurance Co. Ltd.
Broker for: Primarily Markel Corp., Rhulen Agency, Tudor Insurance Co., ARC Excess & Surplus Inc.
Correspondent: Lloyd's of London.
Branch offices: West Chester and Harrisburg, Pa.; Richmond, Va.; Cherry Hill, N.J.
Subsidiaries: Tri-State General Insurance Agency of Virginia; Tri-State General Insurance Agency of New Jersey.
Principal officers: Ed Dickerson Sr., chief executive officer; Ed Dickerson III, president; Nellie Beals, treasurer; Eileen Dickerson, secretary.
Contact: Ed Dickerson Sr.
Licensed in: New Jersey; Pennsylvania; Washington, D.C.; Delaware; Maryland; Virginia.
Membership: NAPSLO.

Continued on next page

Continued from previous page

U

U.S. & Overseas Agencies Inc.

1693 Stuyvesant Ave., Union, N.J. 07083; 201-964-5950; fax: 201-964-9487

	1989	1988
Premium volume.	$4,030,000	$5,380,000
Gross revenues...	$647,000	$653,000
Employees.....	13	14
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., Foremost Insurance Co.
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 Insurance Agency Inc.

5910 N. Central Expressway, Suite 1580, Dallas, Texas 75206; 214-891-6440; fax: 214-891-6442

	1989	1988
Premium volume.	$15,158,000	$12,317,000
Gross revenues...	$1,573,000	$1,250,000
Employees.....	15	13
Commercial lines.	100%	100%
Admitted business	5%	5%
Non-admitted....	95%	95%

Year founded: 1976.
Type of business: 5% underwriting manager, 85% managing general agent, 10% broker.
Broker for: Primarily Appalachian Insurance Co., Evanston Insurance Co., Lexington Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Austin, Texas.
Specialties: Public officials and law enforcement liability.
Principal officers: Randall G. Goss, president; Caren P. Roberts and L.M. Wesson Jr., vps; Doug Williams, vp/chief financial officer.
Contact: L.M. Wesson Jr.
Licensed in: Texas.
Membership: NAPSLO.

Underwriters Management Associates Inc.

95 White Bridge Road, Suite 216, Nashville, Tenn. 37205; 615-356-7272; fax: 615-356-2635

	1989	1988
Premium volume.	$12,944,794	$11,832,663
Gross revenues...	$1,223,017	$1,147,085
Employees.....	15	14
Commercial lines.	100%	100%
Admitted business	100%	100%

Year founded: 1983.
Type of business: 100% managing general agent.
MGA for: Reliance Insurance Group.
Specialties: Petroleum distributors, heating oil dealers, gas dealers and distributors, truck stops, petroleum carriers, retail service station chains.
Principal officers: William M. Sutcliffe, president/chief executive officer; Don R. Jordan, chairman; W. Lee Corbett, secretary.
Contact: William M. Sutcliffe.
Licensed in: Tennessee.

W

Bernard Warschaw Insurance Sales Agency Inc.

1180 S. Beverly Drive, Suite 301, Los Angeles, Calif. 90035; 800-537-7362; fax: 213-286-2526

	1989	1988
Premium volume.	$7,600,000	NA
Employees.....	6	NA
Commercial lines.	0%	NA
Admitted business	50%	NA
Non-admitted....	50%	NA

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.
Contact: Bernard Warschaw.
Licensed in: California.

Willis Faber Holdings Inc.

3075 Orchard Vista Drive, S.E., Grand Rapids, Mich. 49546; 616-942-8000; fax: 616-942-0870

See profile on page 51.

Windsor Insurance Intermediaries Inc.

25 S.E. Second Ave., Suite 1140, Miami, Fla. 33131; 800-848-1838; fax: 305-381-6577

	1989	1988
Premium volume.	$8,000,000	$6,000,000
Gross revenues...	$600,000	$450,000
Employees.....	7	5
Commercial lines.	100%	100%
Non-admitted....	100%	100%

Year founded: 1987.
Parent company: Sefton Group of Cos.
Type of business: 90% managing general agent, 10% broker.
MGA for: Usher Insurance Co. Ltd.
Broker for: Primarily Latin American Property & Casualty Insurance Co. Inc., Homestead Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Liquor liability.
Principal officers: Michael D. Bainbridge, president; Jack Ruffing, vp; Jody Campbell, secretary/treasurer.
Licensed in: Florida.
Membership: NAPSLO, Florida Surplus Lines Agents Assn.

Wood & Co. Inc.

5335 Triangle Parkway, Suite 300, Norcross, Ga. 30092; 404-448-7148; 800-476-4703; fax: 404-448-7105

	1989	1988
Premium volume.	$32,843,858	$30,442,760
Gross revenues...	$2,286,958	$2,003,780
Employees.....	19	17
Commercial lines.	100%	100%
Admitted business	35%	30%
Non-admitted....	65%	70%

Year founded: 1984.
Parent company: McGriff, Seibels & Williams Inc.
Type of business: 5% managing general agent, 95% broker.
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., Interstate Fire & Casualty Insurance Co.
Correspondent: Lloyd's of London.
Principal officers: Bruce Wood, president/treasurer; Evelyn Wood, vp/secretary; Mike Rimbey, George Showalter and Don Swift Jr., vps.
Contact: Bruce Wood.
Licensed in: Georgia.
Membership: NAPSLO, Georgia Surplus Lines Assn.

Worldwide Facilities Inc.

3530 Wilshire Blvd., Suite 1400, Los Angeles, Calif. 90010; 213-380-4670; fax: 213-384-1501

	1989	1988
Premium volume.	$29,000,000	$28,000,000
Gross revenues...	$1,750,000	$1,680,000
Employees.....	24	23
Commercial lines.	100%	100%
Admitted business	40%	40%
Non-admitted....	60%	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 Co., General Star Indemnity Co., Gotham Insurance Co., Illinois 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 National 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

	1989	1988
Premium volume.	$31,332,700	$36,467,606
Employees.....	82	71
Commercial lines.	100%	100%
Non-admitted....	100%	100%

Year founded: 1985.
Parent company: Weicholz Financial Group.
Type of business: 100% underwriting manager.

Underwriting manager for: Preferred National Insurance Co., Britamco Underwriters Inc.
Specialties: Restaurants, garages, retail, liquor liability, health clubs.
Principal officers: Stephen Weicholz, president; Myron A. Burdge, executive vp; Albert S. Solomon, treasurer; Ian G. Walker, vp; Charles W. Carter Jr., national marketing manager.

Contact: Charles W. Carter Jr.
Licensed in: All states except New York, New Hampshire, New Jersey, Maine, Massachusetts, Connecticut, Rhode Island and Nevada.
Membership: AAMGA. ■

Surplus lines industry is targeted by states for extra tax revenues

By STACY ADLER

Much of the recent regulatory activity affecting the surplus lines insurance industry has been directed at reforming tax laws, according to an industry leader.

"In recent days, tax has become a four-letter word," said Richard Bouhan, executive director of the National Assn. of Professional Surplus Lines Offices Ltd. in Kansas City, Mo., which represents both wholesalers and surplus lines insurers.

For example, earlier this year New York changed its law to allow brokers to allocate surplus lines taxes on multi-state risks according to the location and value of the risk, he said.

In addition, on July 1, New York began assessing a 3.6% tax on surplus lines coverage for New York risks that are not placed through a New York-licensed broker, according to Mr. Bouhan.

Previously, the New York Insurance Department could only collect taxes on surplus lines risks placed by New York-licensed brokers.

About half the states now impose such "direct placement" taxes on surplus lines risks placed without a state-licensed broker, according to Mr. Bouhan.

In Florida, the surplus lines tax was nearly doubled. Effective July 1, the tax was raised to 5% from 3%. An earlier proposal would have increased the rate to 9%, which would have made the Florida tax the highest in the nation, equal to the 9% rate in Puerto Rico.

In other regulatory developments, the National Assn. of Insurance Commissioners recently issued several model laws that affect the surplus lines market. And new regulations in several states also directly affect that marketplace.

However, "in the last year or so there were fewer changes in the surplus lines law than we anticipated," said NAPSLO's Mr. Bouhan.

More regulations were expected, he said, because states often try to pass new rules restricting use of surplus lines when insurance capacity is abundant.

"Surplus lines insurers are perceived to be less needed in a soft market," explained Mr. Bouhan.

As the market continues to soften, Mr. Bouhan predicted there would be more and more surplus lines regulatory activity.

NAPSLO's biggest concern in the last year has been over the NAIC Managing General Agents Act.

The model law, adopted by the NAIC in September, requires insurers and regulators to increase their scrutiny of MGAs (*BI*, Sept. 25, 1989).

To date, the model law has been enacted in Missouri, Kansas and Nebraska. Similar legislation is being considered in Delaware, Illinois, Louisiana, Michigan, Ohio and Nevada.

Continued on next page

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State regulation

Continued from previous page

NAPSLO, whose members include MGAs, is concerned by provisions in the law increasing the number of different state licenses required for MGAs. Those rules would mean agents would have to purchase additional bonds to meet financial responsibility requirements in different states, according to Mr. Bouhan.

The model law does not create a new MGA license, but it does require MGAs to be licensed producers in the states where the insurers for whom they hold a pen are domiciled. Currently, most MGAs have producer licenses only in the states where they write business.

"It is burdensome and unnecessary to force MGAs to get licenses in states where they do no business," said NAPSLO's Mr. Bouhan. And, once an MGA does get the additional license, "who knows what additional requirements the states will create for continuing licensing?" he asked.

The additional licensing requirements also mean that MGAs must obtain costly multiple bond placements, explained Mr. Bouhan.

"A one-bond requirement would have been sufficient," he said.

The NAIC also recently approved a model law increasing capital and surplus requirements for most alien and foreign non-admitted insurers to $15 million from $6 million. (*BI*, Dec. 25, 1989).

NAPSLO originally opposed the model law, fearing it would inhibit the formation of small, niche-market surplus lines insurers.

As a result, the NAIC created an exception in the model law that allows the insurance commissioner to approve an insurer with only $4.5 million in capital and surplus, if the regulator finds the insurer to be well-managed with a favorable financial history.

MGA licensing rules in the NAIC's model law are 'burdensome and unnecessary,' says Mr. Bouhan.

"Some flexibility was built into the model bill to allow the formation of smaller insurance companies at a lower capital amount at the discretion of the commissioner," explained Mr. Bouhan, who said NAPSLO now generally supports the model law.

The NAIC also revised its Model Prior Approval Rating Law to make it clear that the surplus lines insurers are not included within the purview of the act, he said.

Several states also passed regulations that affect the surplus lines marketplace.

For example, a new Connecticut law provides for non-resident licensing of surplus lines brokers. The law, which is to take effect Oct. 1, allows a broker based in a state other than Connecticut to receive a Connecticut license and do business in Connecticut.

"The license is a mechanism for Connecticut to collect additional taxes," said Mr. Bouhan.

Non-resident brokers must pay the state's 4% annual tax on the gross premiums charged to policyholders by insurers.

In addition, there is a $250 application fee for a non-resident brokers license. The license is valid for two years, but can be renewed for an additional two-year period for a $500 fee.

Previously, out-of-state brokers had to place Connecticut risks through Connecticut brokers, explained Lisa A. Stimson, an examiner in the Connecticut Insurance Department.

Montana created a stamping office to handle the clerical work associated with the surplus lines industry.

Among other things, the new office will receive surplus lines affidavits and fees, explained Cheryl Fowler, bureau chief-policyholder services in the Montana Insurance Department.

Previously these functions were performed by the Insurance Department, she said.

Several other states are also considering regulatory changes that would affect the surplus lines market.

For example, Colorado is in the process of amending its surplus lines law so that it would be somewhat more difficult for a surplus lines broker to secure and document declinations of coverage by admitted insurers, said Mr. Bouhan. ■

NAPSLO board changes criteria for membership, draws criticism

By MICHAEL BRADFORD

KANSAS CITY, Mo.—The National Assn. of Professional Surplus Lines Offices has tightened its membership requirements, catching some insurance companies and wholesalers in the squeeze.

In a recent "requalification," the trade group informed about 30 wholesalers and about 15 insurance companies that they no longer met membership criteria. About 500 wholesalers and 150 insurance companies are members.

The organization's board of directors last year decided to check qualifications to determine whether companies remained eligible for membership, said Richard Bouhan, executive director of the Kansas City, Mo.-based group.

Although there are several criteria for membership, under one NAPSLO requirement a broker must do at least 75% of its business as a wholesaler and cannot receive more than 25% of its premium volume from an affiliated retailer.

Retail brokers are not eligible for membership.

Of the 30 wholesalers found unqualified for NAPSLO membership, only three were declared ineligible for not meeting the percentage test. The others did not qualify for a variety of reasons.

Insurance companies did not face similar requirements for membership when the board initially began checking on wholesalers' qualifications. But the board subsequently decided that NAPSLO's insurance company members must receive at least 75% of their premium volume from unaffiliated wholesalers.

That standard tripped up all 15 of the insurers found ineligible.

"The wholesale system is the key factor," said Mr. Bouhan. Members, he noted, "must be supportive of the wholesale system."

Among the "several criteria" NAPSLO members are required to meet, "these two tend to be the major ones," according to Mr. Bouhan.

Members that have been declared ineligible for membership now have until Aug. 1, 1991, to prove that they meet the standards.

Response from wholesalers and insurers has been mixed, according to Mr. Bouhan.

Some disqualified members of the trade group have indicated they plan to appeal, Mr. Bouhan said. But others have indicated that their "structure and direction are different from NAPSLO" and have dropped their membership in the group.

Mr. Bouhan would not identify the companies that have been declared ineligible.

One company that will drop out is Alexander Howden North America, the nation's second-largest wholesale broker and the sixth-largest wholesaler of any type.

Because more than 25% of Howden North America's business comes from parent broker Alexander & Alexander Services Inc., the Atlanta-based wholesaler has been declared ineligible under the NAPSLO standards.

"We're obviously disappointed," said Chairman Daniel E. Kestenbaum.

Howden North America felt the threshold was set arbitrarily by NAPSLO, Mr. Kestenbaum said, adding that "we can't see how that serves NAPSLO and our segment of the industry."

Thomas S. Bloom, a NAPSLO board member and president of Willis Faber Holdings Inc. in Grand Rapids, Mich., said the group's board decided on the requalification process partly because some members obviously were not wholesalers.

"A number of people clearly did not come close to meeting the membership requirements," said Mr. Bloom.

"Some of them had business that was 90% retail. I wonder why they wanted to join in the first place," he said.

Mr. Bloom also noted that many wholesalers and insurers that became members several years ago have changed their operations to a point where they "wouldn't qualify today. . .or the criteria was less defined when they became members."

Willis Faber Holding units McAlear Associates Inc. in Grand Rapids and Major Surplus Holdings in New York both met the standards for remaining NAPSLO members, said Mr. Bloom.

Dues lost from members who didn't meet the standards may not hurt NAPSLO. The group recently tripled the annual charge for members' branch offices to $150 per location.

Basic dues remain at $575 for brokers and $725 for insurance company members. ■

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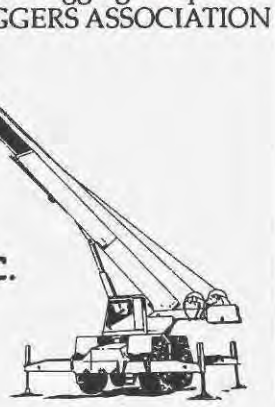
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Panel to study AIDS vaccine liability

Effort may encourage risk taking

By STACY ADLER

SAN DIEGO—A multidisciplinary panel will be formed to study the legal liabilities associated with a future AIDS vaccine, a prominent trial lawyer announced at the annual Assn. of Trial Lawyers of America convention last month.

The group should be composed of plaintiffs' and defense lawyers, scientists and insurers, said Robert L. Habush, secretary of the Roscoe Pound Foundation, a legal educational group. Mr. Habush offered to take the lead in forming the group.

The goal will be to suggest a system for managing the risks associated with a vaccine for acquired immune deficiency syndrome and to develop a system for compensating those injured by the vaccine, he said.

We need people "who can think this thing through intelligently to identify the proper risks," added Mr. Habush. "If there is an unavoidably unsafe aspect to the vaccine, there can be a mechanism of compensation set up."

Dr. Jonas Salk, who developed polio vaccine, is working on an AIDS vaccine and strongly encouraged Mr. Habush to form the group.

Dr. Salk said he is concerned fear of liability could keep a vaccine off the market or delay it.

"When I began my work three or four years ago, I wondered why it was that there was an avoidance of studies on use of the whole virus. . .the answer was that it might possibly carry a risk," he said.

Many vaccines require injecting the virus into a patient, which allows most people to develop antibodies to fight the virus. However, this procuedure infects some patients with the disease.

In addition, manufacturers fear that "someone will come along and make a claim regardless of whether there is a scientific basis for it," Dr. Salk added.

As a result, "there tends to be an avoidance of risk," he said.

Companies might be encouraged to take on these risks once the panel analyzes the liabilities associated with an AIDS vaccine and suggests a system of compensation, according to Dr. Salk.

"We can't solve the problem, but we can identify the problem," he said.

Dr. Salk and Mr. Habush spoke at a roundtable discussion in San Diego sponsored by the Roscoe Pound Foundation. Established in 1956, the foundation is an educational organization that sponsors debates on pressing legal issues.

"What Price Safety?" was the topic. Each member was asked whether product liability suits chill innovation or ensure safe products.

Debate focused on whether the legal liabilities associated with an AIDS vaccine are inhibiting pharmaceutical companies' research and marketing efforts.

Moderator Bill Monroe, editor of the Washington Journalism Review and former host of television's "Meet the Press," repeated a story once told by U.S. Supreme Court Justice Hugo Black:

In Clay County, Ala., a tenant farmer was accused of stealing a mule from his landlord, a wealthy and much-hated man. The farmer was brought to trial, and most of the jury members had seen the farmer plowing with the mule.

When the judge asked the jury for their verdict, they first responded: "We the jury find the defendant not guilty providing he returns the mule." The judge obviously wasn't satisfied. He pounded on the bench with his gavel and told the jury its verdict was out of bounds according to the law. He ordered the jury to render a new verdict. The jury came back in five minutes with a verdict that read: "We the jury find the defendant not guilty and he can keep the mule."

"We are here today because a lot of manufacturers, a lot of medical people and a lot of insurers feel strongly that somebody has run off with their mule and nobody seems to care about it," said Mr. Monroe. "Damage verdicts, they say, have become ruinous."



Diana Rinehart Babb

Dr. Jonas Salk

Trial lawyers and consumer groups, on the other hand, argue that the verdicts are in the public interest.

Thus, the question posed to the panel was whether the tort system works to promote public safety or inhibits the formation of newer, safer products. In other words, what price safety?

Mr. Habush said: "We are being asked to pricetag the Bill of Rights." The Seventh Amendment, he added, guarantees an injured person the right to seek compensation.

Mr. Habus, a well-known trial lawyer and partner with Habush, Habush & Davis in Milwaukee, said the price of the civil justice system is more than reasonable.

"It costs each year for all the courthouses in the United States, all the judges' salaries, all their aides, all the attorneys' fees on both sides, all the amounts paid by insurance companies and self-insurers for damages, all the clients' time—less than Americans spend on tobacco or alcohol," he said.

And for that "reasonable" cost, the civil justice system has forced manufacturers to recall dozens of dangerous products, he said.

"The American juries are the best regulators of human conduct," Mr. Habush said. "The American jury cannot be lobbied, they cannot be bought, they cannot be pressured by colleagues or the Office of Budget and Management or politicians."

Defense attorney Victor Schwartz, of course, expressed a different view.

Feeling "much like Billy Graham would have felt if he went to a B'nai B'rith think tank," Mr. Schwartz, a partner with Crowell & Moring in Washington, D.C., challenged much of the thinking of the convened trial lawyers.

"There are good products not put on the market because of apprehension about the liability system," he said.

Union Carbide Corp., for example, sold a portable kidney dialysis machine to a foreign company, in part because it feared liability, he said.

A phosphate fiber, suitable for use as an asbestos substitute, was developed by Monsanto Co. but never marketed because the company feared liability, he said (*BI*, July 20, 1987). And, fearing liability, Merchants Corp. would not market the safer baby car seat it had developed, he said.

Conceding that the civil justice system does work in many cases, Mr. Schwartz cites a "zone of trouble" where courts find liability despite the fact the manufacturer has done everything possible to make a product safe.

Trouble also arises when courts "go too far" and find liability when a product has been misused or altered, he added.

The civil justice system can have "a chilling effect" on manufacturers, Mr. Schwartz concluded.

Bringing yet another viewpoint to the table, Deborah Hensler, research director for the Institute for Civil Justice at the Rand Corp., said the statistical answer to the question "What Price Safety?" is still unknown.

There is no data to indicate how often the civil justice system chills innovation and how often it promotes safety, she said.

Data is critical to understand the magnitude of the problem, according to Ms. Hensler.

"A system that has some error in it is a system we may well be willing to accept because of its benefits," she explained. "A system that has lots of errors in it, if the errors have unfortunate effects for society, is a system we might want to rethink."

Dr. Salk had a more fundamental view of the problem.

"It is possible to prepare a product that is free of risk?" he asked.

Also, Dr. Salk observed, "There is an interesting philosophical issue here."

Trial lawyers appear to operate on the theories that "where there is a will, there is a way," and that the threat of liability promotes safety, he said.

But, in fact, the liability system may produce the result "that where there is a way, there is a not always a will," he said. That is, the system may chill innovation.

Dr. Salk urged panel members and the audience to realize that the answer to "What Price Safety?" may lie not in just the regulatory and liability systems, but in fundamental public policy decisions.

A judge got the last word.

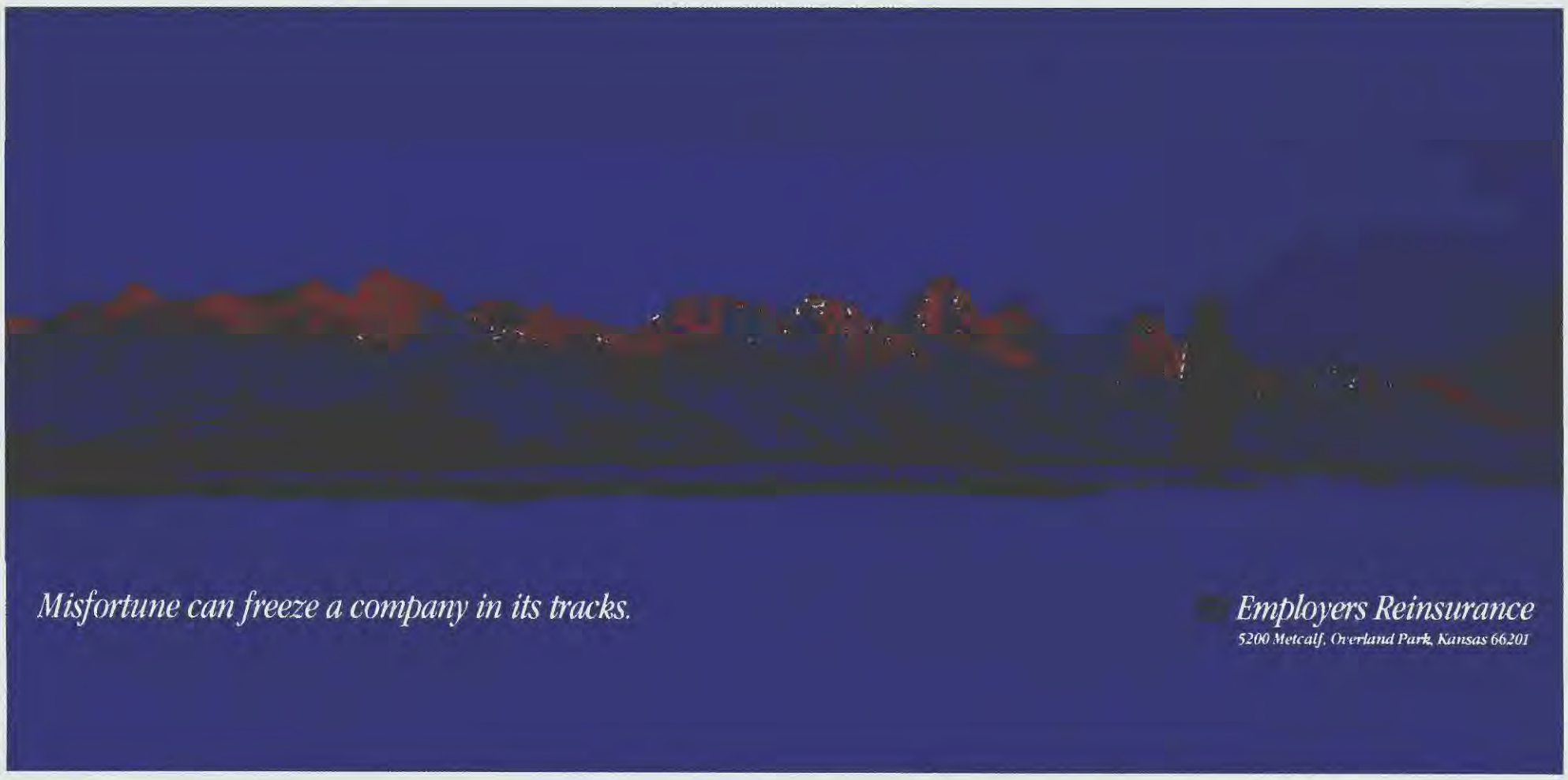
U.S. District Judge Jim R. Carrigan of Denver said: "I am troubled by what I perceive to be irrational attacks on the courts and the jury system.

"My perception is that courts are doing a pretty fair job and certainly that juries are better than ever," he said.

In fact, if juries have become so unruly, why do defendants almost always request a jury trial? he asked.

"I don't know of any society with more products on the market." Judge Carrigan said. "I don't see too much discouragement of the profit motive." Furthermore, "I don't know of any other nation with a wider variety of products or with safer products," he added.

"Maybe what we have today isn't so bad we should throw it out," said Judge Carrigan, who warned, "be careful of easy solutions to problems that are complex." ■



U.S. civil justice found most liberal

By STACY ADLER

SAN DIEGO—When lawyers from around the world gather to compare notes, one thing becomes clear: The United States has the most liberal civil justice system in the Western world.

Prominent trial lawyers from six nations described the ability of victims to recover monetary damages for their injuries at the annual Assn. of Trial Lawyers of America convention last month.

The roundtable was part of the first meeting of the new International Practice Section.

Moderator Thomas M. Napier of England asked the lawyers: "What are your client-victims receiving?" in your country.

He asked for comments on victims' ability to recover damages for pain and suffering, emotional distress, loss of the enjoyment of the loved one—known as loss of consortium—and punitive damages.

The comparisons revealed two fundamental differences between the United States and most other countries:

First, the United States is one of the few countries where a vast majority of personal injury cases are tried before a jury.

Second, it is one of the few countries where attorneys can work on a contingency-fee basis.

The contingency fee system "makes a big difference in the possibility of victims being able to enforce their rights," said co-moderator Paul V. Golunski of France.

In addition, plaintiffs in the United States can generally recover money for pain and suffering, emotional distress, loss of consortium and punitive damages, explained Richard Bieder of Bridgeport, Conn.

These remedies are not available to most plaintiffs around the world, the panel revealed. For example:

- In Australia, plaintiffs can recover for pain and suffering, but there is only a limited right of recovery for emotional distress, says Sydney attorney Peter Cashman.

He explained that laws vary widely among the Australian states, with some, for example, not allowing recovery for loss of consortium.

Punitive damages generally are recoverable in Australia, he said.

He pointed out one critical difference in the U.S. and Australian systems: Because health care is universally available in Australia, plaintiffs have no need to sue for medical costs.

Also, in Australia there is a system of state compensation for victims of auto accidents, he said.

- In Canada, victims attempting to recover money damages for their injuries have an uphill battle, according to Heather Lamoureux Semenuk of Alberta.

Amounts of recovery are limited for all non-economic damages, such as pain and suffering and emotional distress, she explained. The ability to recover for loss of consortium also is very limited.

And punitive damages are not generally awarded, according to Ms. Semenuk.

- In France, victims can recover only "minimal" amounts for pain and suffering or emotional distress, said Mr. Golunski of Paris.

He said the national social security system in France pays much of the compensation that U.S. insurers provide.

Mr. Golunski did not comment on the ability of plaintiffs to recover for loss of consortium or to obtain punitive damages.

- While England's jurisprudence system is similar to the U.S. system in allowing recovery for pain and suffering and emotional distress, there are key differences, according to John Williams of London.

England does not allow recovery for loss of consortium and punitive damages are generally not awarded, he said.

Employees are also allowed to sue their employers for tort damages, explained Simon Walton of London.

In addition, all drivers in England are required to carry unlimited insurance and the National Health Service pays most medical expenses, he added.

While there are no written limits on the amounts English plaintiffs can recover for injuries, according to Mr. Walton, "there is an unofficial cap of $200,000."

- In Sweden, social security pays for most personal injuries, according to Swedish attorney Urban Wall.

"There is not a well-developed tort system," he said. "There are few personal injury or medical malpractice actions. It is extremely difficult to get compensation."

For example, when a blow dryer exploded and severely burned a Swedish child's face, the court awarded only $5,000, he said.

Overall, the lawyers seemed to conclude that while the political and economic systems of the world may be growing more unified, the judicial systems remain widely disparate.

"Although there is a European Community, every country has its own jurisdiction. And, the compensation systems of each are completely different," said Mr. Walton of London. ■

Nader calls for expansion of tort system

By STACY ADLER

SAN DIEGO—The nation's tort system must be expanded to allow plaintiffs' attorneys greater freedom to "combat industrial violence" contends consumer advocate Ralph Nader.

Attacking the insurance industry, the U.S. government and President Bush for attempting to restrict a plaintiff's ability to sue corporations that pollute or make dangerous products, Mr. Nader said: "We must expand the tort system.

"There is nothing that so destabilizes the status quo" of those who commit torts as a lawsuit, Mr. Nader said. "And there is nothing that reaches the top executives and humbles them as a deposition."

He discussed what he called an "assault on litigation" during a program at the annual Assn. of Trial Lawyers of America convention last month in San Diego.

Mr. Nader, famous in part for exposing safety flaws in the Corvair and Pinto automobiles, received standing ovations before and after his remarks. He is currently head of Public Citizen Inc. and other consumer advocacy organizations.

"The nature of toxic violence is different from the nature of traumatic violence," said Mr. Nader, comparing pollution injury to personal injury.

Pointing to the cause of pollution is not as easy as pointing to the car crash as the cause of a victim's injuries, he explained.

In addition, "toxic exposures are silent, cumulative and often invisible," he said.

Compounding this problem, Mr. Nader charged, is an even more insidious problem: Corporate America routinely lies.

"Toxics are more subject to lies by the perpetrator," he said. "Look how the Atomic Energy Commission can lie; how DuPont can lie, how Union Carbide can lie." Both chemical concerns have been targeted in some of the nation's largest pollution cases.


Mr. Nader

"These people don't lie out of expediency," he continued. "They lie out of conviction. It's a way of life."

Corporate America wasn't the only entity to come under attack; Mr. Nader's scorn also reached out to the U.S. government.

He attacked the government's ability to shield itself from tort liability through sovereign immunity. And he attacked laws that make government contractors immune from liability if their work conforms to government specifications.

"Sovereign immunity is really dictatorship—and that's what we should call it," Mr. Nader said.

Sovereign immunity creates "the right of a state or a contractor to kill, injure, maim and damage genetic inheritance through negligence," Mr. Nader said. "Show me a more pristine micro-definition of dictatorship."

Predictably, the insurance industry did not emerge unscathed.

"The insurance industry. . .is trying to get rid of the civil jury system," he charged. In fact, Mr. Nader said, the bottom line of all tort reforms is to dismantle the civil jury system.

He predicted that nationwide tort reforms would create a system of compensation for pollution-related injury somewhat similar to the workers compensation system, in that the exclusive remedy for victims of a pollution incident would be a state-administered fund.

Chemical companies and other manufacturers would push such a proposal through Congress because they are seeking to remove the instability generated by tort suits, he said.

"Tort lawsuits tend to change things because they are not predictable," he added.

"Some people who have been close to this in Washington think that some national environmental groups may ally themselves with corporations if they go for a workers comp model," Mr. Nader said. "The argument usually is: better a certain sum for everybody-however modest-than an uncertain sum."

But an exclusive remedy system would neither force corporations to disclose their hazardous waste practices nor effectively deter illegal acts, according to Mr. Nader.

Another assault on the ability of plaintiffs to sue comes from statutory codification of the rights of injured people, such as the federal product liability legislation now pending in Congress.

Mr. Nader called this type of legislation "one-stop injustice." Through such bills, corporations can "close off all the courtroom doors," he remarked.

President Bush was singled out for criticism because he supports federal product liability reform legislation now pending in the House and Senate.

Mr. Nader described the proposal as "federal pre-emption of common law product liability."

One argument favored by advocates of federal tort reforms is that U.S. courts are hopelessly backlogged. But such reasoning infuriates Mr. Nader.

"If there is anything we should expand, it is our system of justice," he said.

According a recent Rand Corp. study, about 1 million personal injury lawsuits are filed each year, excluding workers compensation suits, Mr. Nader said.

That figure is "ridiculously low. . .considering the number of people who are injured by negligence," he said.

"We spend $33 billion on tobacco, $40 billion on soft drinks, $65 billion on alcohol, $125 billion on General Motors," Mr. Nader said.

Compared with these amounts, the $27 billion to $34 billion spent on verdicts, settlements, court resources, transaction costs, legal fees for defendants and plaintiffs and the litigants' time seems very small, he observed.

"We spend more on cat food in this country ($2.7 billion a year) than on verdicts and settlements in medical malpractice" cases, he said. ■

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Insurers are better protected from bad-faith suits: Attorney

By STACY ADLER

SAN DIEGO—Recent decisions in several state and federal courts make it harder for plaintiffs to bring bad-faith lawsuits against insurers, an attorney warns.

"Those of us acting as a cop on the beat to curb insurance street crime have been fired," said John C. McCarthy, who heads his own law firm in Claremont, Calif.

Speaking at the annual Assn. of Trial Lawyers of America convention in San Diego last month, Mr. McCarthy said the future for third-party bad-faith lawsuits looks bleak.

"They say the past is prologue. If that is true, I don't hold out a lot of hope for 1990s," Mr. McCarthy said.

By far the biggest blow to plaintiffs occurred in 1988 when the California Supreme Court reversed the famous Royal Globe decision that allowed third-parties to sue the tortfeasor's insurer directly for bad faith (*BI*, Aug. 22, 1988).

In *Moradi-Shalal vs. Fireman's Fund*, the California Supreme Court held that there was no longer precedent for third-party bad-faith action in California. The court said allowing such actions had resulted in undesirable social and economic effects including multiple litigation, bad-faith claims, coercive settlements, excessive jury awards and escalating insurance transactional costs.

"The justices of the California Supreme Court are pro-insurance company, pro-megacorporation, anti-consumer, anti-employee and anti-policyholder," said Mr. McCarthy.

Continued on next page

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However, the California Court of Appeal last year, in circumventing the Supreme Court, partially reopened the door to bad-faith lawsuits in ruling that a plaintiff is permitted to sue a defendant's insurance company for unfair business practices under the state Business and Professions Code for improperly handling a claim (*BI*, Sept. 11, 1989).

While the California Supreme Court's ruling may be the "biggest blow," it was not the only recent setback for plaintiffs seeking to bring bad-faith lawsuits against insurers, according to Mr. McCarthy.

Mr. McCarthy listed four state and three federal rulings that also have made bringing such suits more difficult:

- The Kansas Supreme Court refused in 1989 to recognize bad-faith claims against insurers as an independent tort.
- The Alabama Supreme Court held in 1989 that mere delay in reviewing a claim for pregnancy benefits does not amount to a bad-faith refusal to pay unless the delay was for an unreasonable length of time.

As a result, an action for bad faith in Alabama lies only where the insurer has acted with an intent to injure.

Requiring a plaintiff to prove ill-intent on the part of the insurer is "death in an insurance bad-faith claim," said Mr. McCarthy. "It is almost an instruction for a defense verdict."

- In Idaho, an appellate court in 1989 held that insurance coverage questions were "fairly debatable," negating the policyholder's bad-faith claim for fire loss.

"There is not a single issue of insurance coverage that cannot be argued to be fairly debatable by clever and resourceful defense counsel," according to Mr. McCarthy.

- A Georgia appellate court held in 1989 that denial of a claim for health insurance benefits did not constitute bad faith where the insurer routinely denied injured motorists' claims if tests for blood alcohol content were in excess of 0.10%.
- The 4th U.S. Circuit Court of Appeals ruled in 1989 that in the context of accidents involving uninsured motorists, there is no bad faith in an insurer's failure to settle if the liability of the uninsured motorist is fairly debatable.

The appellate court ruled that the insurer may take into consideration whether the uninsured motorist was negligent and whether the policyholder's negligence contributed to the accident.

- A federal court in Illinois held in 1989 that under Michigan law, bad faith in the insurance context means arbitrary, reckless, indifferent or intentional disregard of a person owed a duty.

An insurer's bad faith is a state of mind, a reflection of its selfish purpose or desire to protect its own interest at the expense of the policyholder, according to the court's decision.

"This is really the test of malice or oppression for punitive damages, not tort recovery in bad faith," said Mr. McCarthy.

- A federal court in Mississippi in 1988 ruled that to show an insurer breached its duty of good faith, the policyholder must prove that the insurer had no arguable reason to deny the claim and that the insurer was malicious, callous or grossly negligent in adjusting the claim.

"Whenever they put in malice or callous—(the plaintiff is) in big trouble," according to Mr. McCarthy. ■

AIDS litigation increasing

Targets for suits multiplying

By STACY ADLER

SAN DIEGO—Hospitals, doctors, blood banks, blood donors—even cartoon character Beetle Bailey—can be the focus of an AIDS-related lawsuit.

Two years ago, the nation's top trial lawyers spotted only a few areas of litigation that had been triggered by the growing acquired immune deficiency syndrome epidemic (*BI*, Aug. 15, 1988).

However, at the Assn. of Trial Lawyers of America annual convention in San Diego last month, the trial bar devoted an entire day to discussing the myriad AIDS-related litigation strategies they have developed.

AIDS is now a well-established litigation specialty. Thousands of lawsuits allege that victims were negligently inflicted with the deadly disease.

Suits can allege a blood bank was negligent in testing blood, even before testing techniques were fully developed; a doctor was negligent in ordering a blood transfusion; and even that blood donors were recruited in a negligent manner.

The most unusual type of claim was suggested by Robert K. Jenner of Freeman & Richardson in Bethesda, Md.

He suggested that a Beetle Bailey cartoon the American Assn. of Blood Banks uses to promote donations could lead to successful litigation. A plaintiff could cite the cartoon in alleging negligent donor recruiting, he said.

"The cartoon tells employers it is OK to volunteer their employees to give blood," explained Mr. Jenner in an interview.

The problem is that when employers urge workers to donate blood, those workers may be reluctant to disclose that they are an AIDS risk, Mr. Jenner said. He added that employers must educate employees about the dangers of donating blood if they are infected with AIDS or HIV—the human immune deficiency virus, which can lead to AIDS—and not just recruit them for blood drives.

"Employers cannot put employees in the awkward position" of having to describe why they cannot give blood, he said.

Rather than spending money to recruit donors, Mr. Jenner suggested, companies ought simply to make it easier for working professionals to give blood by, for example, facilitating donations at work.

In fact, a poll of the audience showed that roughly 50% more people would give blood if there was a blood van that came to their offices.

Blood donation recruiting isn't the only target of AIDS-related litigation. Attorneys suing on behalf of AIDS patients who believe they contracted the disease on account of another party's negligence are researching issues including new medical malpractice theories, employment law issues and liabilities surrounding the development of a vaccine.

"The first thing to look at is medical malpractice, because that is what we are familiar with," Mr. Jenner said.

Three basic theories can lead to AIDS-related medical malpractice litigation, he explained:

- Negligent determination of the need for a blood transfusion that led to AIDS infection.
- Negligent medical treatment that creates the need for a blood transfusion.
- Negligent failure to use a patient's own blood, rather than a blood transfusion.

Some employment law issues also relate to AIDS, according to Robert E. Stein, an attorney who teaches at the Georgetown University School of Law.

Employers can be sued for discriminating against employees with the HIV virus or for failing to accommodate an HIV-infected person, he said.

Under the Americans with Disabilities Act, recently passed by Congress and signed into law, AIDS is defined as a handicap and must be treated as such by employers, Mr. Stein said.

"This discrimination is real and it affects a great number of people," he said.

According to Mr. Stein, an employer that requires AIDS tests of prospective workers could also be legally liable. Only the Army and prostitutes in Nevada—where prostitution is legal—can be forced to take tests, he said.

There are also numerous litigation possibilities involving health care workers who contract the disease at work.

To date, some 30 health care workers have been infected with AIDS in the workplace, according to Mr. Stein.

Legal questions triggered by health care workers' exposure to AIDS include whether doctors or dentists can refuse to treat victims and whether workers compensation is the exclusive remedy for workers who contract the disease through their job.

But the obvious target of many AIDS-related suits is the nation's 120 blood banks.

Blood banking is a "monopolistic, secret, unregulated, multibillion-dollar industry," charged David Baum, an attorney with his own practice in San Francisco.

Most frequently, blood bank cases involve plaintiffs who received a tainted transfusion before 1985, when specific AIDS testing was implemented, he explained.

Attorneys now are charging that there were other ways to detect AIDS-infected blood prior to 1985, and that the blood banks were negligent for not detecting the virus.



This cartoon could be cited in an AIDS lawsuit alleging negligent donor recruiting, Mr. Jenner said.

Another area ripe for litigation is the failure of some blood banks to use the AIDS tests once they were developed in March 1985.

And, finally, blood banks are being charged with failing to warn donors after the banks have "looked back" at stored blood and discover the deadly infection.

"I suspect that AIDS will be a (legal) issue well into the 21st century," Mr. Stein predicted. ■

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Spence urges more environmental cases

By STACY ADLER

SAN DIEGO—He is a unique blend of trial lawyer, cowboy and would-be preacher. And each year hundreds of attorneys pack themselves elbow to elbow to hear Gerry Spence's liturgy.

This year, during his appearance at the Assn. of Trial Lawyers of America annual convention in San Diego, Mr. Spence delivered "A Sermon for Those Who Care for Mother Earth."

The Jackson Hole, Wyo., attorney most recently gained national notoriety by successfully defending Imelda Marcos on fraud and racketeering charges. However, he is probably best known for representing the estate of Karen Silkwood in the famous radiation contamination case.

Wearing his trademark fringed leather jacket and blue jeans, Mr. Spence begged fellow plaintiffs' lawyers to pursue environmental cases.

"We have an obligation" to litigate environmental issues, Mr. Spence told a standing-room-only crowd at the ATLA convention.

"Pay for your space on this earth," he urged his "brothers and sisters."

"In this country abortion has become a huge issue. And abortion is a very important topic *environmentally*," said Mr. Spence.

"We the human species are in the process of attempting to abort ourselves from our Mother Earth," he cried. "It is an insanity beyond belief."

Mr. Spence touched on many of today's critical environmental issues: pollution, depletion of the ozone layer and destruction of the rain forests. He said that 100,000 animal species are becoming extinct.

"Our Mother Earth is suffering from a terminal plague," he said.

"The government won't save our mother," Mr. Spence said. "Corporate America, that great glob of non-breathers who own us, who own our president, who own our congressmen—even our good congressmen, won't do it."

And, he implored trial lawyers not to leave the job to legislators.

If they do, one likely outcome is a pollution cleanup fund similar to state workers compensation funds.



John Pawlick

Gerry Spence

Under such a law he explained, corporations would pay a tax into a fund that would be the exclusive remedy for recovering cleanup costs and damages from polluters.

But an environmental law patterned after workers compensation legislation "would permit Corporate America to (pollute) our mother to death and call it a cost of labor or a cost of doing business," Mr. Spence said.

Employers consider workers compensation costs as another cost of doing business and this "lets the average employer kill as many of our workers as he wishes with impunity," he said.

"We can't leave (environmental issues) to the legislators," he argued in urging trial lawyers to pursue such cases.

"But it is hard to be an environmental lawyer," he conceded.

Currently, Mr. Spence is representing 280 Casper, Wyo., residents whose air and water has allegedly been polluted by a nearby industrial complex composed of railroads, oil companies and chemical supply companies. Defendants include Houston-based Conoco Inc., a subsidiary of E.I. du Pont de Nemours & Co., and Sinclair Oil Corp. of Salt Lake City, he said.

Thousands of dollars have already gone into the legal effort, he said, though no fees from plaintiffs have been collected.

"How does a small office take on these huge cases?" asked Mr. Spence, whose firm has only five partners and nine other lawyers. "The answer is: I don't know how," he said. "It is just our obligation. We just have to do it."

But there are rewards for lawyers willing to take up the challenge of environmental litigation, he said.

"The juries are angry," Mr. Spence said. "There are two kinds of people juries in America don't like: one is dope peddlers and the other is big corporations that are polluting our environment.

"The juries are mad at Exxon" Corp., he said, referring to the last year's Exxon Valdez oil spill off the coast of Alaska. "And the juries are mad at Corporate America."

Because juries are willing and ready to fight polluters, this type of litigation is not impossible. It is, rather, "the new frontier," Mr. Spence said.

"This is the issue of the century," he said, urging plaintiffs' attorneys to "take some risks" on these difficult cases.

"This earth is ours. This life is ours. This Mother Earth is our mother," Mr. Spence preached to the congregation of trial lawyers. "The earth needs us, brothers and sisters, because we are all that is left. In this room are the best and the last." ■

Antitrust brief

Continued from page 2

sovereign rights and interests of the British government," says the brief.

Furthermore, assertion of jurisdiction would "constitute an inappropriate interference with the regulatory and competition regime established by the British government," says the brief.

The brief states also that "it is for the British Parliament in the light of developments, e.g., in the U.K. insurance industry, to decide whether to change the system. It would be inappropriate for a U.S. District Court to do so."

Also filed last week was a 96-page brief on behalf of all the defendants in the case that supports Judge Schwarzer's decision dismissing the case.

Joseph P. Griffin, an attorney with Washington-based Morgan, Lewis & Bockius, which submitted the brief on behalf of the British government, said the British decided to file the brief because "it's a major point of principal with them about extraterritoriality," or the issue of the application of U.S. law to British firms.

Also, the British government's brief was prompted by a brief filed in May by the U.S. Justice Department that supports the plaintiffs in the case. The British government disagrees with the view expressed by the Justice Department in its brief that there should be a "presumption of jurisdiction" by the court over foreign defendants, Mr. Griffin said (*BI*, May 21).

"Certainly, we hope it will help (the appellate court) see the wisdom of the lower court's decision and affirm the judgment," said Mr. Griffin. He believes the appellate court will view it as significant that the British government went to the trouble to file the brief.

Mr. Griffin also noted the plaintiffs and defendants have disagreed as to whether there is a conflict between British and American law and policy in this case, with the defendants contending there is and the plaintiffs contending there is not.

"Now the third party (the British government) has spoken for himself, if you will," said Mr. Griffin. "Hopefully that will persuade the court there is a conflict with British law and policy."

Mr. Griffin also noted that the brief was deliberately focused narrowly on an issue of direct interest to the British government—the extraterritoriality of British defendants—and did not touch on other issues in the case.

Not surprisingly, defendants and plaintiffs disagree as to the significance of the British government brief, with insurer attorneys describing the brief as valuable to their position and attorneys general dismissing it as insignificant.

"I think it's very helpful to the court," said Molly Boast, an attorney with LeBoeuf, Lamb, Leiby & MacRae in New York, which represents Lloyd's of London underwriting agencies in the litigation.

The comity doctrine, at least in the 9th Circuit, requires that the court determine whether the foreign sovereign's interests are infringed, said Ms. Boast. The brief speaks directly to this point in asserting the British government's interests would be infringed if the plaintiffs win the case, she said.

Paul Haerle, an attorney with San Francisco-based Thelen, Marrin, Johnson & Bridges, which represents British-based defendant Terra Nova Insurance Co. Ltd. in the litigation, also said he believes the brief will strengthen defendants' argument that Judge Schwarzer's decision should be upheld.

"We're very, very, very pleased about that. We think it's a very strong brief and will prove very helpful," said Mr. Haerle. "I think it certainly helps the London defendants substantially" because it points out the conflict with British law that Judge Schwarzer found is not just procedural—as the plaintiffs have asserted—but consists of "a very substantial disagreement over legal standards."

The brief states "loudly and clearly" that the British insurance market is a market that the British government will regulate, and "we don't want you to apply your law," said Mr. Haerle.

But plaintiffs in the case disagreed with defendants' characterization of the British government's brief.

California Deputy Attorney General Kathleen E. Foote, for instance, described the brief as "insubstantial."

The British government's brief states 'loudly and clearly' that the British insurance market is a market that the British government will regulate, and 'we don't want you to apply your law,' says San Francisco attorney Paul Haerle.

"It simply says over and over again that the activities of the defendants were legal under British law and advanced for a proper business purpose," she said.

The brief simply reiterates Judge Schwarzer's opinion that it was proper for him to refuse jurisdiction because it sets up a conflict between U.S. and British law, said Ms. Foote. However, the brief has "not really focused in on the how and why of any direct conflict," she said.

"Certainly, I would prefer there weren't such an appearance by them, but frankly, I think the brief is so insubstantial in terms of its assertion of conflicts that I don't frankly feel that it will do us much damage," Ms. Foote said.

She added that the brief "carries nowhere near the weight" of the amicus brief filed by the Justice Department.

"I don't view it as anything like the equivalent, both because of the party and the brief itself," she said, noting a stand by the U.S. Justice Department is more likely to have an impact on the court than one by the British government.

The Justice Department brief, she added, is a "very substantial, very hard-hitting brief, and this is not."

Richard L. Schwartz, assistant attorney general in the New York attorney general's antitrust bureau, said: "From a substantive perspective, I'm not sure that it's very significant at all. There's nothing that's substantially new in the brief."

In fact, the position taken in the brief could hurt, rather than help, the defendants' cause, he said. "I think it's one that would not appeal to an American court."

Basically, he said, the brief says that foreign companies that do business with American companies and consumers and engage in anti-competitive activities should not be subject to American antitrust laws if the British government objects.

Essentially it is saying that "the court should allow them to violate laws we would not allow American companies to violate," said Mr. Schwartz.

The 96-page brief submitted by all of the defendants, which argues in favor of upholding Judge Schwarzer's decision, states that the judge correctly ruled that the defendants did not violate the McCarran-Ferguson Act.

It also argues in support of the dismissal on the grounds of the state action doctrine, which provides immunity from antitrust laws if the anti-competitive restraint of trade reflects a state policy and if a state actively supervises any private anti-competitive conduct.

In addition, the brief states that Judge Schwarzer correctly dismissed a global conspiracy claim—which alleged U.S. insurers and some insurance trade groups conspired with foreign reinsurers to restrict coverage available under general liability policies—because the allegations did not permit proof of a single, overall conspiracy.

The brief also supports Judge Schwarzer's handling of the comity issue.

Plaintiffs have until Oct. 6 to respond to the defendants' brief, with oral arguments before the court expected to be made early next year. ■

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INTERNATIONAL

Canada restricts pension contributions

By CHRISTINE WOOLSEY

OTTAWA—Employers offering both defined contribution and defined benefit pension plans will be most affected by new Canadian rules limiting contributions to tax-deferred retirement plans, consultants say.

Some companies offering both types of plans may be forced to redesign their pension benefits. And all employers will have to put considerable effort into explaining the pension regulations to employees, consultants and employers agree.

The regulations, which were first discussed by Canada's Department of National Revenue about six years ago, were finally enacted in June as an amendment to The Income Tax Act that takes effect next year.

Specifically, the new rules change annual limits on individual and employer contributions to retirement savings vehicles, including employer-sponsored defined benefit plans and defined contribution plans. The rules also apply to Registered Retirement Savings Plans, which are personal retirement savings accounts similar to individual retirement accounts in the United States.

Under the new rules, a maximum of 18% of an employee's prior year's earnings—up to a cap of $15,500 Canadian ($13,485)—can be contributed by the individual and his employer to a pension plan or a RRSP on a tax-deferred basis.

Previously, separate maximum contribution limits had been established for different types of pension plans, which may have given an advantage to those with access to both employer-sponsored pension plans and RRSPs.

While Canada does not require U.S.-style pension plan non-discrimination tests for employer-sponsored pension plans, the new regulations are an attempt to ensure that all Canadians are entitled to equal levels of retirement benefits.

"The attempt here is to put things on an equal footing," explained Barry Blecher, a partner with Kwasha Lipton, a benefit consultant in Fort Lee, N.J. "Rather than have different sets of maximum benefits applied to different plans, this is an overall approach."



"Generally speaking, there have been inequities in previous tax rules," said Bill Rivers, a senior vp in Toronto for consulting firm Martin E. Segal & Co. The new regulations do "give those who aren't in an employer-sponsored pension plan more room to get similar benefits to someone who is," he said.

Consultants also say the new rules may lead some employers—especially those offering both defined benefit and defined contribution plans—to redesign their pension benefits.

"Companies with both pension and savings plans will have to make sure the combined amounts don't exceed the limits," Mr. Blecher said. And, he said, employers will have to make sure that contribution levels are not so high that workers are prevented from contributing to their own RRSPs.

Calculating the value of an employee's defined contribution plan is relatively simple. But employers offering defined benefit plans will have to calculate the dollar amount of those benefits according to a government formula to determine contribution levels.

An employee's age is not taken into account under the new rules. Neither is whether the plan provides a final average pay or a career average pay benefit, Mr. Blecher said.

"There are different mechanisms in place that allow you to offer a benefit in excess of the limit, but they aren't tax-effective," said Mike Mills, executive vp at Alexander & Alexander Consulting Group Inc. in Toronto.

One option for employers: Leave existing pension plans intact and put any excess contributions into an "overflow fund," which is like a non-qualified pension plan in the United States.

However such an overflow fund would not afford employees the tax deductions they enjoy by contributing to corporate pension plans or an RRSP, said Mr. Blecher of Kwasha Lipton. "The amount of the employee's contribution is not tax-deductible for the employee, the amount of employer contributions is taxable income to the employee and investment earnings are taxable to the employee."

Some employers may consider li-

Continued on next page

Lords fail to rule on insurer's duty to make disclosures

By STACY SHAPIRO

LONDON—Britain's highest court has declined to rule on whether an insurer is liable to pay damages to a policyholder if the insurer fails to disclose important insurance contract information.

The House of Lords last month upheld the U.K. Court of Appeal's 1988 decision that Westgate Insurance Co. Ltd. does not have to pay damages to Banque Financiere de la Cite S.A. for failing to disclose alleged fraud on the part of the bank's broker.

However, the House of Lords did not rule on the issue of whether the insurer had a "duty of care" to inform its policyholder of the alleged fraud.

In fact, the House of Lords' decision blurs the extent to which insurers must disclose information to policyholders under the insurer's duty of care, says John Emmott, a partner of London law firm Richards Butler, which represented Westgate.

This discrepancy "will have to be tidied up" in future litigation, he said.

The House of Lords ruling ended a case that sent shock waves throughout the London insurance market in September 1986, when British High Court Justice Johan Steyn ruled that an insurer can be ordered to pay damages to a policyholder as a result of a breach of obligation of the utmost good faith by the insurer (*BI*, Oct. 13, 1986).

The landmark decision went against every other insurance contract ruling in British common law and set precedent for policyholders to seek damages from their insurers beyond the coverage available under their insurance contracts.

In the case, Justice Steyn ordered insurers that wrote credit insurance for a group of banks to pay the banks damages because an underwriter who worked for the insurers failed to disclose to the banks that cover notes were inaccurately prepared by a broker.

Continued on next page

LONDON

Outhwaite brief reminds names of risks at Lloyd's

By CAROLYN ALDRED

LONDON—Members of Lloyd's of London ought to know that "the underwriting of insurance business at Lloyd's exposes them to the risk of unlimited liability," argues R.H.M. Outhwaite (Underwriting Agencies) Ltd. in court papers it filed last month.

The agency is being sued by more than 800 members of syndicate 317/661, who claim they are not liable for huge underwriting losses the syndicate incurred (*BI*, March 5; Dec. 25, 1989).

About 1,600 members of syndicate 317/661 during the 1982 underwriting year have already paid more than $150 million toward the liabilities and face future payments of at least 76 million pounds ($142.4 million at current exchange rates), making it the largest loss ever by a Lloyd's syndicate (*BI*, June 5, 1989).

Most of the losses are from asbestos and environmental claims stemming mainly from runoff reinsurance policies underwriter Richard Outhwaite wrote for other syndicates and insurers.

In its defense, the agency argued that all Lloyd's members—or names—"also know or also ought to know that because of the relationship between premium and risk, the greater the opportunity of profit, the greater the risk of loss."

"It is admitted that in 1981 and 1982 Mr. Outhwaite was primarily a marine syndicate but he was, in particular, a specialist in the writing of excess-of-loss reinsurance business and his reputation in the Lloyd's market was that of an innovative underwriter who was prepared to consider and write unusual risks and risks in new fields of business, taking the lead rather than merely acting as a following underwriter," the court papers say.

"His record since commencing as underwriter of syndicate 317/661 in 1974 was, by 1981, one of profitability and high growth. Both working and non-working names actively sought to be members of Mr. Outhwaite's syndicates (and) by 1981 there was a long waiting list for membership," the papers say.

"The names on syndicate 317/661 in 1981 and 1982 who sought to reap the benefit or continue to reap the benefit of Mr. Outhwaite's underwriting must have realized that they would be exposed to the risk of loss," the agency claims.

The agency's 60-page document, filed in London's High Court, also outlines the background of the runoff policies and the agency's decision to leave the 1982 underwriting account open.

Fidelity bond for ex-cons

Lloyd's of London underwriters and London broker Sedgwick Group P.L.C. have put together an insurance policy that protects employers against dishonesty from staff with criminal records.

The policy—known as the Apex Fidelity Bond—is designed to encourage firms to offer employment to ex-offenders. It is being launched jointly by the Apex Trust, a British organization that promotes the employment and career prospects of ex-offenders, and Business in the Community, a charity funded by corporations.

The one-year fidelity bond provides up to 6,000 pounds ($11,244) of coverage for loss suffered by an employer because of employee dishonesty. The premium and administration charge is 30 pounds ($56) per employee covered. And,

Continued on page 95

Middle East insurers face uncertain future

By MARIA KIELMAS

AL MANAMA, Bahrain—Arab Insurance Group of Bahrain, the Middle East's largest reinsurer, is continuing business as usual while the status of one of its major shareholders—the nation of Kuwait—remains uncertain.

However, the future is far more uncertain for other insurers in the region.

"At the moment, we do not have any problem," said ARIG Deputy General Manager Bader A. Wahidi. "The whole world recognizes the legal status of the previous government of Kuwait, and our shareholdings are not affected. If in one year's time the (Iraq-installed) government's status is recognized worldwide, then that government will be our shareholder."

However, most Western insurers and brokers will suspend dealings with ARIG following a United Nations call for a ban on trade with Iraq and the government it installed in Kuwait (see story, page 1).

Iraqi President Saddam Hussein last week announced Iraq had annexed Kuwait. Iraq has not renounced its claim to the country since Kuwait gained its independence in 1961 from Britain, which had occupied it since 1899.

ARIG is jointly owned by the governments of Kuwait, Libya and the United Arab Emirates, each of which hold a 33.3% stake in the reinsurer.

The company is registered as a U.S.-dollar denominated Bahraini company subject to Bahraini law. It is capitalized at $3 billion, of which $150 million is paid-up capital.

Mr. Wahidi said that ARIG's dividend payments to Kuwait will be held in escrow accounts by the Arab Banking Corp. in Bahrain, which also is controlled by the same governments.

ARIG wrote $95 million in net premium volume in 1989.

However, Mr. Wahidi said that only about 20% of ARIG's total premium income originates from Arab countries and little of that comes from Kuwait.

ARIG does not write either political risk or credit insurance, but it is a major insurer of oil industry installations and reinsures coverage for most of the installations in Kuwait and Saudi Arabia, according to Mr. Wahidi.

"We do not know yet what the impact of this situation will be on oil rates, or how the (insurance) market will respond," Mr. Wahidi said.

The impact of the Mideast crisis is much more uncertain for another insurer—the Kuwait-based political risk and trade credit insurer Inter-Arab Investment Guarantee Corp., Mr. Wahidi said. The in-

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INTERNATIONAL

Canada

Continued from previous page

miting the contributions they make to pension plans, but some consultants say this won't be widespread.

"I don't think employers will reduce the contribution," said Mr. Mills. "Anybody who has one will probably not have to change it because I don't think anyone contributes more than 18%" of employee earnings.

However, about 2,000 Borden Inc. employees, primarily in Ontario and Quebec, will be affected by the new pension rules.

"We know we'll have to make changes," said Thomas W. Button, director of employee benefits and international compensation for the Columbus, Ohio-based company.

Salaried employees are offered both a defined contribution and a defined benefit plan and the company has "strong match within its defined contribution plan," Mr. Button said. But with the new tax rules, Borden "may go totally to a defined contribution plan" or redesign the two plans to preserve tax incentives for contributions.

Devising the most effective strategy will require a lot of work, as will explaining the changes to employees, he said.

Employers also say that new pension reporting requirements will be an added burden.

By the end of February 1991, all employers will have to submit pension adjustment information on their 1990 T-4 forms. The T-4s—which are similar to W-2 forms in the United States—will be used by the Canadian federal government to calculate how much individuals can contribute to their RRSPs without exceeding the new contribution limits.

"The reform has created an additional administrative burden in that we have to keep track of these revenues and correspond with Revenue Canada," said Brian Beavis, administrative manager for Ranger Oil Ltd. in Calgary, Alberta. "The amount of administrative work will probably increase the work of one of our people five to 10 times on a monthly basis."

Ranger, an oil and gas exploration company, offers workers a defined benefit plan whose benefits are based on final average pay. At preliminary meetings, the company has explained to its 80 or so employees what effect the new rules will have on their individual RRSPs.

"Our pension plan pays a good benefit at retirement age and that accrued benefit on an annual basis is much higher than average," Mr. Beavis said. As a result, RRSP contributions will be capped at $2,500 for most Ranger employees. And, RRSP contributions for higher-paid employees will be limited to $1.000 a year, based on current pension benefit values, Mr. Beavis explained.

He said explaining the new regulations is important because it is "important for those employees who belong to our pension plan to know the potential disadvantage of belonging to" the plan. ■

Kuwait

Continued from previous page

surer, which is owned by a group of Arab nations, provides coverage for Arab investors against risk of confiscation, nationalization, inconvertibility, wars and insurrection, revolutions and riots.

However, Mr. Wahidi noted that IAIGC had written very little business overall and little of that in Kuwait.

"Most people did not cover political risks in Kuwait; they would buy cover for countries like Sudan," he said.

In addition, the future of four Kuwait-based direct insurers and one reinsurer is unclear, Middle East insurance sources say.

The four direct companies are: Kuwait Insurance Co., Gulf Insurance Co., Al-Ahleia Insurance Co. and Warba Insurance Co.

The reinsurance company is Kuwait Reinsurance Co., which is jointly owned by the four Kuwaiti insurers and eight Kuwaiti banks.

Although Middle East insurance executives says it is far too early to speculate what action the Iraq-installed government in Kuwait will take, they remain confident that insurance contracts with Kuwaiti companies will continue once the political situation stabilizes.

Even if the Iraqi annexation of Kuwait remains intact, insurers said they did not anticipate any major changes as far as insurance was concerned.

"The status of Kuwait has changed, but the status of the insurance contracts has not," said one Saudi Arabian insurer. "We are not sure of the exact wordings of some contracts, but they would only be void if they had a *force majeur* clause. We may find that some claims will have to be settled in court."

"Some companies may have to renegotiate new contracts, but the Iraqi insurance market is very well-defined in relation to that of the Gulf. It will just be a question of restructuring the Kuwaiti market," said an insurer based in the United Arab Emirates.

However, he would not comment on the impact of the U.N. trade ban on the Kuwaiti insurance market.

One foreign investment in a potentially dangerous area is the Arabian Oil Co.'s oil production facilities in the Khafji oil field, which is in the Persian Gulf just off the Saudi-Kuwaiti Divided Zone, a border that generally is referred to as the "neutral zone."

Arabian Oil is 60% owned by many Japanese energy and gas utilities, and the governments of Kuwait and Saudi Arabia each have a 20% stake. Current production from the Khafji field is 266,000 barrels daily.

A spokesman for Arabian Oil in Tokyo said operations were continuing normally, despite reports of Iraqi troop concentrations along the Saudi Arabia-Kuwait border.

Arabian Oil's insurance is written by Taisho Marine & Fire Insurance Co. Ltd. in Tokyo.

A spokesman for Taisho confirmed that it writes coverage for the oil company but would not disclose any details of the coverage.

But, spokesman for the Tokyo Gas Co. in Tokyo, which has a 2.2% equity share in Arabian Oil, said: "We are very much concerned about the situation. We have no idea what kind of insurance has been applied, but there is no way to protect investment from a possible Iraqi invasion." ■

House of Lords ruling

Continued from previous page

The insurers—Skandia (U.K.) Insurance Co. Ltd. and Westgate, formerly Hodge Mercantile & General Insurance Co. Ltd.—issued credit insurance guaranteeing loans worth up to 53.8 million Swiss francs ($40.3 million at current exchange rates).

The credit insurance coverage at issue in the case was written to guarantee five loans between 1980 and 1981 to South American financier Jaime Ballestero, who later defaulted. The loans, which were to capitalize a property development in Menorca, Spain, called "Shangri-La," were backed by gemstones that later were found to be overvalued.

The credit insurance program was brokered by Roy Lee, who allegedly placed the insurance in 1980 with both Hodge and Skandia U.K. through Cyril Dungate, who worked as senior underwriter for Hodge and later joined Skandia U.K. as an underwriter.

The credit coverage specifically excluded losses due to "fraud, attempted fraud, misdescription or deception by any person, firm organization or company," court papers show. The banks were informed of the exclusion, the papers say.

Mr. Lee allegedly issued a cover note for the first loan showing that the credit insurance for the loan was 100% placed, when in fact it was not fully placed. Mr. Dungate allegedly knew about Mr. Lee's deceit, court papers charged, but did not tell the banks that the cover note was fraudulent.

Because the banks believed they were fully covered for all subsequent loans, they granted four more loans to Mr. Ballestero up until 1981.

However, in 1981 Mr. Ballestero defaulted on the payment of interest on the loans. "And it was revealed that Shangri-La was a myth, that the gemstones were baubles of little value and that Mr. Ballestero had dissipated and embezzled the assets" of his companies, said Lord Templeman in the House of Lords' decision. Mr. Ballestero disappeared after the fraud was uncovered.

'The fraud exclusion clause did not apply to Mr. Lee's fraud,' Lord Templeman ruled.

The insurers rejected the banks' claims for the defaulted loans under the fraud exclusion and "the banks sued everyone in sight," Lord Templeman noted in his ruling.

In 1986, Justice Steyn's landmark ruling awarded damages to the banks because he said there was a clear duty of care on the part of the underwriter, Mr. Dungate, to inform the banks of all relevant facts. The banks would not have issued the additional four loans nor would they have suffered damages had they been apprised of Mr. Lee's actions, the High Court judge ruled.

The insurers appealed the decision but, three days before the U.K. Court of Appeal was due to issue an opinion, Skandia U.K. reached a settlement with the banks totaling 10 million pounds ($18.7 million at current exchange rates), roughly half the amount the banks had sought.

But Westgate, from which the banks were seeking damages of up to 10.75 million Swiss francs ($8.1 million), refused to settle (*BI*, May 30, 1988).

The Court of Appeal's July 1988 ruling held that non-disclosure by an underwriter can lead to the rescission of an insurance contract and the return of premiums to the policyholder, but under English law cannot lead to the payment of additional damages (*BI*, Sept. 19, 1988).

The three-judge appellate court ruled that Justice Steyn's decision on damages "is a novel claim as yet entirely unsupported by a decision of the courts of this country beyond the judgment of the learned judge. And indeed we have been told that after research no authority of any common law court has been discovered which supports it."

Had the underwriter, Mr. Dungate, been accused of being deceitful or fraudulent, then there would be recourse to sue his companies for damage, the judges said. However, a more passive non-disclosure does not amount to deceit in law, the Court of Appeal said.

The House of Lords, however, said in its ruling last month that both courts started on the wrong premise.

Lord Templeman—in his decision, which was agreed by the other four law lords—pointed out that there is no connection between the fraud perpetrated by Mr. Ballestero and the alleged fraud of Mr. Lee. If the banks had made claims on the insurance policies, the claims would have been excluded under the fraud exclusion clause regardless of Mr. Lee's actions, he said.

The banks had alleged that the fraud exclusion clause extended to Mr. Lee's actions, but Lord Templeman disagreed. "In my opinion the fraud exclusion clause did not apply to Mr. Lee's fraud because Mr. Lee's fraud did not cause a claim under the policy to arise. The only fraud which caused the claim to arise was the fraud of Mr. Ballestero and the fraud of the gemstone valuations."

Lord Templeman said, "no monies could have been recovered under such a policy and, accordingly, no damages were suffered by the bank as a result of the silence of Mr. Dungate."

Lord Templeman added that "it would be strange if a breach of duty by Mr. Dungate in failing to disclose the fraud of Mr. Lee enabled the banks to claim damages which they would have been unable to recover if Mr. Lee had not been fraudulent. It would be strange if the silence of Mr. Dungate in failing to warn the banks that Mr. Lee could not be relied upon. . .enabled the banks to claim damages which they would not have been able to recover if the insurance had been effected."

Lord Templeman, joined by his colleagues, therefore dismissed the appeal. ■

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Business Insurance
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LONDON

Continued from page 93

for the first year the Government Employment Service will pay 12.50 pounds ($23) toward the cost for every ex-offender employed, according to the BITC.

The bond "will give employers access to over 5 million potential employees who until now have been exempt from insurance cover and often, therefore, barred from employment," the BITC said.

"People with a conviction for a criminal offense are a minority in our society, but they are a large minority. Most ex-offenders have convictions for minor offenses which result in fines and probation orders," said David Rowland, chairman of Sedgwick, a BITC member. "And, many received their convictions as a result of actions when they were young but are still being penalized in adult life," he said.

SBJ acquisitions

London-based brokerage Steel Burrill Jones Group P.L.C. is on the acquisition trail with the announcement of two purchases—one large and one small—in less than a week.

SBJ is acquiring London-based insurance broker W.S. Moody Holdings Ltd. for about 12 million pounds ($22.5 million) through a new offer of 4.2 million shares of SBJ stock.

However, the acquisition is conditional on the disposal by Moody of all of its U.S. operations prior to the completion of the purchase, SBJ announced.

Moody is selling its 75% share in Seattle-based broker Pettit-Morry Co. to a group of Moody's existing shareholders for 11 million pounds ($20.6 million).

That would leave SBJ with Moody's U.K. subsidiary brokerage Hinton Hill Group Ltd., which owns Lloyd's broker Hinton Hill & Coles Ltd.

Moody's brokerage revenue for the year ending March 31 totaled 8.2 million pounds ($15.4 million), of which 5.2 million pounds ($9.7 million) was attributable to corporate business, employee benefits, personal lines business placed on a group basis and personal financial planning activities.

Pretax profits for the Moody Group totaled 62,000 pounds ($116,188) as of March 31.

"The acquisition is primarily intended to expand SBJ's corporate risks and employee benefits operations by adding a further strong client base in the U.K.," said SBJ Chairman David Beresford Jones.

Six days earlier, SBJ announced that it was acquiring a controlling interest in British actuarial and employee benefits consultant Martin Perry Associates Ltd. for 52,000 pounds ($97,448).

The rest of MPA will be held by Martin Perry, former director of Willis Consulting Group Ltd., a unit of Willis Faber P.L.C., and four of his colleagues at Willis Consulting.

Broker joint venture

A new London insurance brokerage joint venture involving Japanese partners will provide insurance brokerage and risk management services to major Japanese commercial and industrial companies operating in Europe and Africa.

Cosmos Jardine (Europe) Ltd. is a joint venture between Japanese conglomerate C. Itoh & Co. Ltd. and Jardine Insurance Brokers Group Ltd. in London, with The Tokio Marine & Fire Insurance Co. (U.K.) Ltd. participating as a minority shareholder.

The new broker is based at Jardine's headquarters in London.

Crisis management

A London-based brokerage is marketing a "total crisis support package" to British corporations in conjunction with a law firm and a public relations agency.

The program—Crisis and Linked Management or CALM—"offers more flexibility for management in a crisis to look after the best interests of the business while acting with responsibility and compassion," a brochure says.

Developers of the program are Sedgwick Group P.L.C.; public relations agency Burson-Marsteller; and McKenna & Co., a London law firm.

The number of catastrophes have sharply escalated worldwide in the past decade, but a recent Sedgwick survey found that nearly one quarter of Britain's top businesses are unprepared for a major company crisis or disaster, according to CALM.

The system is designed to provide the tools and expertise that executives need to manage a crisis.

After a pre-crisis audit of a company, Sedgwick, Burson-Marsteller and McKenna will submit proposals for financing during a crisis, risk control and crisis management.

From this the client and CALM would develop a specialized contingency plan, including communications strategies; operational methods to keep business running; and financial backing to cope with short-term costs and fund the longer-term road to recovery.

Financing could involve alternatives to commercial insurance, the CALM report said.

The various partners, who could be involved in the crisis management program, would bring to the package their own expertise.

For example, Sedgwick, through its retail unit Sedgwick James Ltd., would provide risk management and alternative financial planning for a crisis.

Burson-Marsteller would handle crisis communications plans, while McKenna would provide legal advice on how to respond to a crisis and control possible litigation.

"Their integrated skills and international experience provide a service to decision makers managing corporate risk through a comprehensive review of the operational, legal, communications and financial factors which characterize a crisis," the brochure says.

For more information, contact CALM consultants: Mike Seymour at Burson-Marsteller at 071-831-6262; John Woodcock at Sedgwick James at 071-377-3456; or Robin Williams at McKenna & Co. at 071-929-1250.

Comings & goings

Eileen Clarke and **John E. McAfee** have been appointed associate directors of London-based loss adjuster McLaren Dick & Co. Ltd. based in the company's Manchester, England, office.

Dennis C. King has been appointed deputy managing director and **Kevin J. Fisher** has been appointed associate director of Heath Fielding LMX Ltd. ■

GLOBAL BRIEFS

Australian warns of end to soft market

GOLD COAST, Australia—Competition in the Australian property/casualty insurance market has reached ridiculous levels, making a turn in the market likely, an insurance executive warns.

The Australian market is characterized by "crazy rates, intense competition and too much capacity," said Grant Robson, manager of the Queensland branch of the Reinsurance Corp. of Australasia Ltd., a unit of the Reinsurance Corp. of America.

"Competition has gotten out of hand. Commercial rates between June 1989 and June 1990 have been crucified," he said at a seminar held by the Insurance Institute of Australia's Queensland branch.

"In June this year, we saw (rates for) property and casualty accounts with increased asset values and adverse claims being halved."

Illustrating the market's overcapacity, he said that in 1986—at the height of Australia's last hard market—it would take 12 to 15 underwriters to put together a $100 million liability package.

"Today, at least four underwriters could write the cover alone without the need for facultative reinsurance. Our treaty brethren have given the insurance companies huge capacity," he said.

"The problem is that all the companies have the capacity and all want to play. Down goes the premium as competition increases," Mr. Robson said.

Mr. Robson said he knows of 15 companies in Brisbane, Queensland, alone with $20 million of capacity for liability risks. All of these companies had only $5 million of capacity in 1986, he said.

"That's $300 million in capacity, a 300% increase, but there has not been a 300% increase in clients or in premiums to fund the extra capacity," Mr. Robson said.

Although high interest rates in Australia have produced increased investment income for insurers, underwriting profits are suffering, he said.

Insurers in both the Australian and New Zealand markets are laying off staff in an effort to hold down expenses, according to Mr. Robson.

For example, Commercial Union Assurance Co. of Australia Ltd., a unit of Melbourne-based National Commercial Union Ltd., just let 90 employees go in New Zealand, Mr. Robson pointed out.

Nevertheless, competition is continuing in the form of broader policy wordings, according to Mr. Robson.

For example, product guarantee and recall are now being included in product liability coverage at no extra cost, he said.

But, Mr. Robson warned that June 1990 marked the bottom of the soft market.

"It looks as though 1989 will be the worst year on record for catastrophes. The effects are devastating to reinsurers and retrocessional catastrophe markets," he said.

Reinsurance rates have risen in the overseas markets from 10% to 300% and the cost will have to be passed on to the insurance buyer, he warned.

"Insurers cannot absorb any increased costs," Mr. Robson said.

—By Kate McIlwaine

Credit insurance

BONN, West Germany—West German credit insurers say the economic union of East Germany and West Germany is increasing demand for their products on both sides of the vanishing border between the two countries.

However, the difficulty in obtaining accurate financial information on East German firms makes insuring their exposures difficult, said Gerhard Beuck, chief executive of Hermes Kreditversicherungs A.G. of Hamburg.

Providing credit insurance to state-owned conglomerates that are changing into private companies requires better risk assessments than the insurers currently can perform, he said.

West German banks and various information agencies in East Germany can provide credit insurers with some financial information, Mr. Beuck said.

However, it will take time for insurers to develop their own reliable information and data bases.

Firms formerly owned by the East German government are required to reveal their financial status by the end of September, according to Mr. Beuck.

However, he said he fears most companies will not be able to meet the deadline, making credit assessment impossible.

Nevertheless, Hermes will continue to insure West German exports to East Germany, according to Mr. Beuck.

Hoping to win East German companies as clients, the insurer has opened offices in East Berlin and Leipzig.

In addition, Gerling-Konzern Speziale Kreditversicherungs A.G. of Cologne has applied to the East German Finance Ministry to conduct business there, said Chief Executive Paul-Robert Wagner.

The credit insurer already is offering some insurance on exports to East Germany, Mr. Wagner said.

But, like Mr. Beuck, Mr. Wagner feels reliable data on East German export companies is a prerequisite for growth of that business.

—By Don Lewis Kirk

Brokers in E. Germany

STUTTGART, West Germany—Increased foreign investment in East Germany has spurred demand for insurance brokers there, according to a West German brokerage executive.

"Brokers have proven themselves better equipped to serve the particular needs of (East German) industry. Insurance companies are slow to react to a difficult market, and East German companies can't do it on their own. They need brokers," contends Peter Hoechst, president of Stuttgart-based Gradmann & Holler.

The "chaotic insurance market" in East Germany makes "on-the-spot judgment" essential, he added.

Gradmann & Holler has won 20 commercial clients in East Germany since the market opened July 1. They include international porcelain manufacturer Meissen and train-car manufacturer Waggonbau A.G.

Mr. Hoechst said the broker has "nine crews" active in East Germany and has established offices in East Berlin and Leipzig.

—By Don Lewis Kirk

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Broker results

Continued from page 1

gressive attitude about retaining business."

Analysts who track brokerage stocks also are less optimistic about an impending turn in the property/casualty market than they were after the last three quarters.

"It's obvious that the upward pricing cycle has been postponed for at least six months," said financial analyst Michael A. Smith, vp of Lehman Brothers in New York.

"People are being non-committal" about when they expect the market to turn, noted analyst Julie A. Hilt, assistant vp with Interstate/Johnson Lane in Atlanta.

But analyst Ira H. Malis, vp of Alex. Brown & Sons Inc. in Baltimore, observed that the flattening of property/casualty rates in itself is indicative of a "significant change" in the market.

"We have been in an environment in which every quarter was bad and not getting better. We are coming out of the tunnel," he said.

"In an environment in which earnings for the economy in general are suspect, brokerage stock looks pretty good by comparison," Mr. Malis said, citing recent stock market volatility.

Analysts also were somewhat optimistic about the strong reinsurance brokerage revenue gains posted by M&M and A&A in the second quarter—both domestically and abroad.

However, the first and third quarters are by far the strongest revenue generators for reinsurance brokers, so minor revenue changes can appear more significant in the second quarter, analysts and brokers cautioned.

They attributed some of the reinsurance brokerage revenue gain to the reinstatement of catastrophe reinsurance programs for clients that exhausted their catastrophe limits during the series of windstorms that swept Europe in January and February (*BI*, March 26).

However, both brokers also attributed a portion of their reinsurance brokerage gains to new business generated both domestically and abroad.

Following are summaries of the publicly held brokers' second-quarter and first-half results:

Marsh & McLennan

M&M, the world's largest brokerage, reported an 11.7% revenue gain in both the second quarter and first half of 1990 compared with the corresponding periods in 1989.

In 1990, first-half revenues grew to $1.37 billion from $1.23 billion in 1989. Second-quarter revenues rose to $677.3 million from $606.3 million in 1989.

Net income rose 5.6% in the first half to $175 million, up from $165.6 million in the first half of 1989. Second-quarter net income rose 4.5% to $80.8 million from $77.3 million in 1989.

M&M's insurance services revenues grew 9.1% in the first six months of 1990 to $793.4 million from $727.2 million in 1989. Second-quarter insurance services revenues rose 8.9% to $379.8 million from $348.7 million in the second quarter of 1989.

Worldwide retail brokerage revenues grew only about 6% in the quarter—excluding the impact of purchase acquisitions. But worldwide reinsurance brokerage revenues grew 14% and domestic reinsurance brokerage revenues rose 11%.

Mr. Bischoff explained that net new business growth in M&M's retail brokerage operations was "partially offset" by slight rate reductions, in aggregate.

He added that reinsurance brokerage operations saw "essentially stabilized" rates and no change in the ceding habits of insurers.

First-half consulting revenues rose 20.3% to $443.3 million from $368.5 million in 1989. In the second quarter, consulting revenues rose 19.9% to $228.4 million from $190.5 million in 1989.

"Our consulting revenues were strong. Excluding acquisitions, they remain within our long-term trend line for this line of business," which is 13% to 15% revenue growth on a year-to-year basis, Mr. Bischoff said.

M&M's investment management revenues rose only 2.3% in the first six months of the year to $136.3 million from $133.3 million in the first half of 1989. Second-quarter revenues grew 3% to $69.1 million from $67.1 million in 1989.

Mr. Bischoff views the investment management performance as acceptable, given the operating environment in that industry.

In fact, he noted, "I think we had a very solid quarter and six months in a difficult operating environment for three of our four business lines."

Analysts agreed.

While M&M's results "came in a little lower than we were expecting," that was largely because of the continued softness of primary property/casualty rates, said Lehman Brothers' Mr. Smith.

Interstate/Johnson Lane's Ms. Hilt characterized the results as good. "We were not disappointed," she said.

M&M had a "solid quarter," Alex. Brown's Mr. Malis agreed. "We're looking for big earnings for Marsh next year," he added.

Alexander & Alexander

A&A reported first-half gross revenues rose 4% to $646.9 million in 1990 from $622.1 million in 1989.

In the second quarter, gross revenues grew 5% to $335.7 million from $319.6 million in the second quarter of 1989.

Mr. Wieczynski noted that while its retail brokerage revenues grew only 1% in the quarter, its reinsurance brokerage operations "saw significant revenue growth"—40% over the corresponding period in 1989.

He attributes part of this growth to the weakening of the dollar against foreign currencies in the second quarter. But he added that probably between 30% and 35% of the growth was from new business and catastrophe reinsurance reinstatements.

Mr. Wieczynski also pointed out that second-quarter consulting revenues were up 17% in 1990 compared with 1989.

A&A's net income fell 38.6% in the first six months of 1990 to $22.9 million from $37.3 million in the first half of 1989. In the second quarter, income fell 30% to $17.7 million in 1990 from $25.3 million in the second quarter of 1989.

In 1989, expenses were reduced $7.9 million in the first quarter and $6.9 million in the second quarter through pension amortizations. And in the second quarter of 1989 A&A also recorded a $5.3 million gain from the sale of an office building.

Excluding these non-recurring items from 1989, A&A's first-half 1990 results came as a "mild pleasant surprise," Mr. Wieczynski said.

"We continue to clearly demonstrate that our expense control program is in place," he said, pointing out that salaries increased only 3% in the quarter and other expenses were up only 4.5%.

A&A "came in better than I was looking for," Lehman Brothers' Mr. Smith said. He noted, though, that its results "suggest that the expense controls it implemented a couple of years ago," which included salary freezes, "have also affected its revenue line."

Alex. Brown's Mr. Malis agreed, adding that when property/casualty rates start moving upward, it will be interesting to see whether A&A shareholders or its employees are the first to reap the benefits of improved earnings.

Corroon & Black

Corroon & Black—which reported in June that it would merge with Willis Faber P.L.C. of London—reported that first-half revenues declined 1.3% to $243.1 million in 1990 from $246.3 million in 1989.

Second-quarter revenues remained relatively flat at $118.52 million, compared with $118.48 million in 1989.

However, the brokerage's commission and fee-based business grew 3.3% in the second quarter and 2.6% in the first half compared with the corresponding periods of 1989.

According to Mr. Lamberson, Corroon & Black unit managers are responding enthusiastically to its focus on expense management.

"We recognized about in February that our revenue stream would not be as strong as we had originally thought and that the only way to make any money was to keep our expenses down," Mr. Lamberson explained.

In fact, Corroon & Black reduced its expenses slightly in both the first half and the second quarter of 1990 compared with the same periods in 1989.

In addition, Corroon & Black's "earnings were enhanced dramatically" by about a $3.4 million tax recovery the company received as a result of a prior year tax overpayment, Lehman Brothers' Mr. Smith noted.

The broker's net income grew 12.6% in the first half to $21.5 million from $19.1 million in the first half of 1989. Second-quarter net income rose 53.4% to $10.1 million from $6.6 million a year earlier.

"On balance, we're satisfied with our six-month results," Mr. Lamberson said.

However, Corroon & Black continues to suffer "headaches" from its third-party administration business. Despite three straight money-losing quarters, Mr. Lamberson said he has "had assurances" from its management that those operations are beginning to turn around.

"Corroon & Black was right in line with our expectations," said Alex. Brown's Mr. Malis.

And, Interstate/Johnson Lane's Ms. Hilt said Corroon & Black seems less pessimistic in its outlook than it was after the first quarter in regards to the property/casualty rating environment.

Frank B. Hall

Frank B. Hall reported a 12.1% first-half 1990 revenue gain to $216.5 million from $193.2 million in the first half of 1989. Second-quarter revenues grew 12.5% to $104.6 million from $93 million in 1989.

"It was a good quarter from a revenue growth standpoint in comparison with the industry," said Mr. Addeo, observing that Hall's domestic new business revenues exceeded $10 million.

Meanwhile, Hall held expenses "basically flat in the second quarter" and they were up only 2.5% in the first half, he said.

Hall reported net income of $3.6 million in the first half and $569,000 in the second quarter, compared with net losses of $63.9 million and $60.8 million for the corresponding periods of 1989.

In the second quarter of 1989, Hall recorded a loss on continuing operations of $10.8 million and a loss on discontinued operations of $50 million. The loss attributable to discontinued operations included charges for a settlement with New York insurance regulators over Hall's insolvent Union Indemnity Insurance Co. of New York unit; a write-down of its investment in claims handling unit Adjustco Inc.; and reserve increases at two discontinued reinsurance underwriting subsidiaries (*BI*, Aug. 21, 1989).

But, while Hall reported net income—before giving effect to preferred stock dividends—in both the first half and second quarter, it reported net losses of 21 cents per share for the first half and 14 cents per share in the quarter. These losses were created by the payment of preferred stock dividends, in the form of common stock, to its major shareholder, Reliance Group Holdings Inc.

Mr. Addeo said the preferred stock dividends total about $5.2 million per quarter.

Lehman Brothers' Mr. Smith said that Hall "has demonstrated that it is here to stay and will survive. And by demonstrating that Hall can move forward, Reliance is in a better position to sell its interest" in the brokerage.

This represents "a genuine light at the end of the tunnel," Mr. Smith added.

Walter Fitzgerald, an analyst with Baird, Patrick & Co. in New York, agreed that "if it can be demonstrated to potential buyers that the Hall franchise has not been destroyed, this would be a very interesting acquisition for someone.

"Hall has turned around dramatically and while its investments made (over the past two years) in new brokers cost it up-front, its numbers are showing that (Hall is) starting to make some impact" on new business production, Mr. Fitzgerald added.

First-half 1990 broker results

Results are reported in thousands of dollars

Broker	Gross revenues	% change	Net income	% change
Marsh & McLennan	$1,373,000	11.7%	$175,000	5.6%
Alexander & Alexander	646,900	4.0	22,900	-38.6
Corroon & Black	243,113	-1.3	21,491	12.6
Frank B. Hall	216,524	12.1	3,617	N/M
Rollins Burdick Hunter	200,374	36.3	26,227[1]	54.8
Arthur J. Gallagher	89,366	10.0	4,742	-28.2
Hilb, Rogal & Hamilton	40,282	-0.8	3,609	-2.2
Poe & Associates	22,872	19.2	2,100	3.9

1 RBH reports only pretax income. N/M Not meaningful.

Source: Company reports

Rollins Burdick Hunter

Rollins Burdick Hunter Group, a unit of Aon Corp., reported revenues of $200.4 million for the first six months of 1990, a 36.3% increase over $147 million in the first half of 1989.

Second-quarter revenues grew 38.2% to $98.8 million from $71.4 million in 1989.

Revenue gains for Chicago-based RBH resulted from a combination of new and retained business and the July 1989 acquisition of Fort Worth, Texas-based broker Bayly, Martin & Fay International Inc., said Patrick G. Ryan, Aon's chairman, president and chief executive officer.

He referred to BMF as "a textbook acquisition. The management teams of RBH and BMF coming together have kept the strengths of both organizations and eliminated the redundancies in expenses. This has improved the profit margins of all of the RBH Group," Mr. Ryan said.

He added that RBH Group's decision in late 1988 to split its focus into four operating units, each with its own management team, "has also paid off handsomely."

RBH's pretax net income rose 54.8% in the first half to $26.2 million from $16.9 million in the first half of 1989, and 62.2% in the second quarter to $12.2 million from $7.5 million in the second quarter of 1989.

RBH's results are reported with those of its parent, Aon Corp., which does break out the brokerage's net income.

Arthur J. Gallagher

Rolling Meadows, Ill.-based Arthur J. Gallagher & Co. reported first-half gross revenues increased 10% to $89.4 million in 1990 from $81.3 million in 1989.

Commission income was up 3.1% in the half, while fee-based income rose 21.4%.

Second-quarter revenues grew 10.7% to $43.7 million from $39.5 million in 1989. Commissions were up 5.7% in the quarter, while fee-based income rose 19.5%.

The strong growth in fee-based income, generated by the Gallagher Bassett Services unit, is "basically the result of opening up our services in the risk management area," primarily claims administration, safety engineering and property appraisals, explained Michael J. Cloherty, vp of finance.

"We have increased our sales force and we're actively seeking new business at Gallagher Bassett," he added.

Mr. Cloherty said that Gallagher was able to supplement commission-based retail brokerage revenues lost as a result of "flat to slight declines in pricing" with new business development.

Because more than 40% of its overall revenues are generated by fee-based service business, which is more labor-intensive than commission-based retail brokerage business, Gallagher's expenses have grown at a faster pace than the rest of the publicly held brokers. Expenses grew 15.2% in the first half and 12.6% in the second quarter compared with the corresponding quarters in 1989.

As a result, Gallagher's first-half net income fell 28.2% to $4.7 million from $6.6 million in 1989. Second-quarter net income fell 11.3% to $1.8 million from $2 million in 1989.

However, Mr. Cloherty said that the brokerage is "watching expenses like a hawk" and is adding people "only where necessary to maintain our levels of service despite the rating environment."

Alex. Brown's Mr. Malis said that Gallagher's 19% revenue growth in fee-based business "is wonderful" and agrees expenses are bound to be higher for that type of business.

Interstate/Johnson Lane's Ms. Hilt noted that since the third quarter traditionally is Gallagher's biggest quarter, those results will be a far more meaningful indicator of its performance.

Hilb, Rogal & Hamilton

Glen Allen, Va.-based Hilb, Rogal & Hamilton Co. reported first-half gross revenues dropped 0.8% to $40.3 million in 1990 from $40.6 million a year earlier.

And second-quarter gross revenues grew 3.9% to $19.3 million from $18.6 million in 1989.

The brokerage's net income fell

Continued on next page

Continued from previous page

2.2% in the first half to $3.6 million from $3.7 million in the first half of 1989. But net income rose 56.5% in the second quarter to $1.2 million from $775,000 in the second quarter of 1989.

HRH attributes the first-half decrease in revenues and earnings primarily to reductions in contingency commissions and profit-sharing arrangements with insurers.

Alex. Brown's Mr. Malis said that HRH's results were in line with his expectations. "Things are plugging along fine," he said, noting that HRH continues to make acquisitions, which have increased its revenues dramatically over the past three years.

Interstate/Johnson Lane's Ms. Hilt said that HRH showed a "nice improvement in the quarter. They are seeing some benefits from acquisitions made last year in terms of expense reductions. Their consolidation has reduced duplication of efforts," she stressed.

Poe & Associates

Poe & Associates' revenues increased 19.2% in the first half to $22.9 million from $19.2 million in the first half of 1989. Second-quarter revenues increased 23.9% to $11.5 million from $9.3 million in 1989.

Mr. Poe attributed the revenue gain to acquisitions made in the last three quarters. "Otherwise, revenues were almost flat."

Other than expenses from acquisitions, Poe & Associates has been "containing our expenses reasonably well," Mr. Poe said, adding that "we still have a very aggressive attitude for retaining business."

First-half net income grew 3.9% to $2.1 million in 1990 from $2 million in 1989. In the second quarter, net income rose 7.6% to $850,000 from $790,000 in the second quarter of 1989.

Ms. Hilt said that a couple of key acquisitions Poe & Associates has made in 1990 should pay off nicely for the brokérage and "help it produce stronger growth in the second half of the year." ■

Disney agrees to pay EPA $550,000 fine

WASHINGTON—The Walt Disney Co. has agreed to pay a $550,000 fine under a settlement with the U.S. Environmental Protection Agency over the improper disposal of chemicals in Wyoming and Utah.

The fine, which is among the largest ever assessed in that region, was stiff because "numerous shipments" were involved, explained David Janik, associate regional counsel at the EPA.

The EPA said that paint thinner and cleaning materials used at the company's Disneyland theme park in Anaheim, Calif., were transported by a contractor and dumped at hazardous waste sites in Wyoming and Utah that were not authorized to receive such wastes.

The EPA said the incidents occurred between 1987 and 1989 and involved more than 13,000 gallons of hazardous waste.

The EPA had proposed a $950,000 fine in its complaint.

Although Disney has agreed that it is responsible for the waste, the Burbank, Calif.-based company neither admits nor denies any wrongdoing in the agreement.

Disney depended on the guidance of its waste disposal contractor, Ken Oil Co. in Garden Grove, Calif., for properly disposing the chemicals, said Kim Murphy, corporate vp of environmental policy at Disney.

"We accept responsibility because we have no options. Because of the way the law is written, it is still the generator's fault if the contractor does not carry out its job within the letter of the law," he said.

Disney terminated its contract with Ken Oil after being notified by the EPA of the allegations. Disney also has filed a civil suit against Ken Oil, Mr. Murphy said.

In addition to the fines, Disney must develop and conduct an internal audit to examine its pollution prevention and waste minimization procedures and correct any problems uncovered during the audit.

The EPA will review the audit and issue its findings within 60 days of the completion of Disney's final report.

Disney also has agreed to begin an employee training program that will include techniques for supervising third-party contractors on handling and disposing of hazardous wastes and to submit the outline and course materials to the EPA for review three weeks before classes begin.

—By Adrienne C. Locke

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Sub-total	**24,648**
Associations	539
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Sub-total	**26,576**
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ASSOCIATED LIFE INSURANCE COMPANY) NO. 88 CH 6942

NOTICE

PLEASE TAKE NOTICE, that on March 3, 1989 an Order of liquidation with a Finding of Insolvency was entered against Associated Life Insurance Company ("Associated") by the Honorable Harold A. Seigan, Judge of the Circuit Court of Cook County, Illinois. Zack Stamp, Director of Insurance of the State of Illinois, is the statutory and court affirmed Liquidator of Associated.

TAKE FURTHER NOTICE that pursuant to said Order, all rights and liabilities of Associated and its creditors, policyholders and all other persons interested in its assets are fixed as of March 3, 1989, unless otherwise provided by such further Order of the Court.

TAKE FURTHER NOTICE that any and all persons, partnerships, corporations, associations, estates, trusts and governmental units having or claiming to have any accounts, debts, claims or demands against Associated or claiming any right, title or interest in or to any funds or property of Associated in the possession of the Liquidator are required to file a Proof of Claim with the Liquidator on or before 4:30 p.m. Chicago Time, December 31, 1990.

TAKE FURTHER NOTICE, that the form and required content of all proofs of claim are described in the Illinois Revised Statutes, 1987, Chapter 73, Paragraph 821. Proofs of claim, together with supporting documents, if any, are to be filed with and may be secured from the Special Deputy Liquidator, Associated Life Insurance Company, In Liquidation, 446 East Ontario Street, Suite 700, Chicago, Illincis, 60611. Filing shall occur upon the receipt of Proof of Claim by the Liquidator. The Liquidator reserves the right to require such additional information with respect to any claims as he may deem necessary. The Liquidator further reserves all rights to any and all defenses of Associated concerning such claim. All Proofs of Claim must be duly sworn to before an Officer authorized to take oaths.

THE LAST DATE FOR THE FILING OF PROOFS OF CLAIMS WITH THE LIQUIDATOR AT HIS ABOVE MENTIONED OFFICE IS DECEMBER 31, 1990 AT 4:30 P.M., CHICAGO TIME. NO PERSON HAVING OR CLAIMING TO HAVE ANY CLAIMS AGAINST ASSOCIATED LIFE INSURANCE COMPANY, SHALL PARTICIPATE IN ANY DISTRIBUTION OF THE ASSETS OF THE COMPANY UNLESS SUCH CLAIMS ARE FILED WITH THE LIQUIDATOR ON OR BEFORE DECEMBER 31, 1990 AT 4:30 P.M.

James W. Schacht, Special Deputy Liquidator, Office of the Special Deputy, 446 East Ontario, Suite 700, Chicago, Illinois 60611, (312) 915-4700.

NOTICES

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS COUNTY DEPARTMENT, CHANCERY DIVISION
IN THE MATTER OF THE LIQUIDATION OF)
UNITED FIRE INSURANCE COMPANY) NO. 88 CH 6942

NOTICE

PLEASE TAKE NOTICE, that on March 3, 1989 an Order of Liquidation with a finding of Insolvency was entered against United fire Insurance Company ("United Fire") by the Honorable Harold A. Siegan, Judge of the Circuit Court of Cook County, Illinois. Zack Stamp, Director of Insurance of the State of Illinois, is the statutory and court affirmed liquidator of United Fire.

TAKE FURTHER NOTICE that pursuant to the Order of said court, all rights and liabilities of United Fire and its creditors, policyholders and all other persons interested in its assets are fixed as of March 3, 1989, unless otherwise provided by such further Order of the Court.

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Pension simplification bill introduced

By JERRY GEISEL

WASHINGTON—Employers with generous 401(k) salary reduction plans could be exempt from non-discrimination testing under legislation introduced in Congress last month.

Two bills, sponsored by Sen. David H. Pryor, D-Ark., and Reps. Rod Chandler, R-Wash., and William Archer, R-Texas, would establish two new 401(k) safe harbors. Plans qualifying for either one would be exempt if employer contributions to the plans also were immediately vested.

So-called minimum participation rules would be eliminated for defined contribution pension plans and liberalized for defined benefit plans under the Employee Benefits Simplification Act. It also would liberalize rules that now allow employees working at only the smallest companies to make pretax contributions to Simplified Employee Pension plans, or SEPs.

Certain half-year requirements that now apply to pension programs would be eliminated under the bills. For example, while workers generally now must be at least age 59½ to receive a pension distribution without being hit with special taxes, the measure would round off the age requirement to 59.

And the Internal Revenue Service would be required to publish in October—for the next plan year—annual cost-of-living adjustments in the maximum benefits that can be funded through defined benefit plans and the maximum deferrals that can be made to 401(k) plans. This information is now published in late January for the current plan year.

Rep. Chandler described the proposal as a major step toward easing the administrative burdens of pension plan sponsors. "This is a unique example of government legislating less regulation and administration."

The measure attempts to "peel back" a few layers of administrative complexity, added Sen. Pryor.

New safe harbors for 401(k) plans are the centerpiece of the Senate bill, which is co-sponsored by a majority of Senate Finance Committee members.

Plans qualifying for either of the two safe harbors would not be subject to the non-discrimination tests. Under these safe harbors an employer would have to:

- Match 100% of employee elective contributions, up to 3% of employee compensation and 50% of employee contributions between 3% and 5% of employee compensation.
- Automatically make contributions of at least 3% of employee compensation regardless of whether the employees actually contribute to the plan.

Employer contributions also would have to be immediately vested.

Few plans now meet these standards, said Allen Steinberg, an attorney and consultant with Hewitt Associates in Lincolnshire, Ill.

In a typical 401(k) plan, an employer will match 50% of employees' pretax contributions, up to 6% of compensation, said Gary Blank, a vp and consultant with The Wyatt Co. in San Francisco.

Establishing safe harbors may encourage employers to beef up their matching contributions to avoid the expensive, time-consuming non-discrimination tests, he said.

Those tests compare contributions of highly compensated employees with those of rank-and-file workers.

For some benefit lobbying groups, which wanted the tests eliminated entirely, the safe harbors are at least a step in the right direction, said Howard Weizmann, executive director of the Assn. of Private Pension & Welfare Plans, in Washington, D.C.

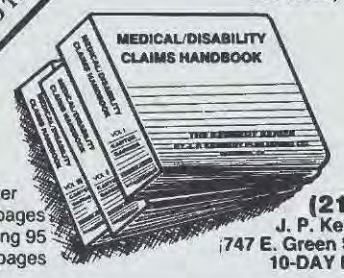
The new measure also would eliminate the minimum participation rule which requires defined contribution plans to cover at least 50 employees or 40% of a company's workforce, whichever is less.

In the case of defined benefit plans, the legislation would liberalize the minimum participation rule so that a plan would have to cover at least 25 employees or 40% of the workforce, whichever is less. ■

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Fetal protection

Continued from page 2
istrative complaints, including one with the Equal Employment Opportunity Commission in 1984.

She filed suit in August 1988 in U.S. District Court in Toledo against GM, its foundry division and three supervisory officials.

Ms. Grant alleged in the suit that the defendants violated Title VII of the Civil Rights Act of 1964 and the federal Equal Pay Act, and also harassed her for filing an EEOC complaint in 1984.

The U.S. District Court granted GM's motion for summary judgment in April 1989.

In light of medical evidence GM used in its defense, the lower court "deduced that the potential danger to fetuses from lead exposure justified GM's adoption of its fetal protection policy as a matter of 'business necessity,' " noted the 6th Circuit's decision to overturn the district court's ruling.

On appeal, the 6th Circuit ruled that GM's fetal protection policy amounts to overt sex discrimination because the Pregnancy Disability Act amendments to Title VII state that all distinctions in employer policies based on conditions related to pregnancy or related conditions constitute sex discrimination.

The panel ruled that an employer may implement job safety policies that prohibit fertile women for holding certain positions only when there is "a bona fide occupational qualification," which is a tougher standard than basing such action on business necessity.

In defining the tougher standard, the 6th Circuit borrowed language from a dissenting opinion in the 7th Circuit's ruling in the Johnson Controls case: An employer must demonstrate a factual basis for believing that all or substantially all excluded women would be unable to perform safely and efficiently the duties of the job involved. "Safely" means "without inordinate risk to third parties, including fetuses."

The 6th Circuit returned the case to the district court so the lower court could weigh the evidence using the new standard.

It also ordered the district court to consider an outstanding claim by Ms. Grant that she was harassed by GM after filing her first EEOC claim in 1984.

However, the appeals court upheld the district court's finding that GM had not violated Ms. Grant's rights under the Equal Pay Act.

Reaction to the 6th Circuit decision highlights the controversy over whose rights should take precedence when weighing the legality of an employer's policy that discriminates against fertile women in hazardous worksites: the rights of qualified women to hold all jobs that qualified men can hold or those of an employer seeking to protect a potential unborn child, as well as itself from future liability?

GM officials are "disappointed" that the company must now go back to the district court for further proceedings, a spokesman said.

However, the company was "pleased that the new standard provides that a fetal protection policy can be lawful if an employer can establish that inordinate risk to a fetus could occur" if a woman is allowed to hold certain positions, he said.

"We are confident we can meet that standard" before the district court, the GM spokesman said.

Johnson Controls' attorney said the decision bolsters its Supreme Court case because it is the fourth U.S. appeals court to rule "that companies are allowed to maintain fetal protection policies under appropriate circumstances." The 4th, 7th and 11th Circuits have ruled similarly, said attorney Stanley Jaspan with Foley & Lardner in Milwaukee.

The 6th Circuit's ruling imposing the tougher occupational qualification standard does not concern Johnson Controls, Mr. Jaspan said.

While the majority of the 7th Circuit ruled that Johnson Controls' policy was acceptable because it is a business necessity, the opinion also notes that Johnson Controls' policy would meet the tougher occupational qualification test, Mr. Jaspan said.

However, an attorney for a civil rights organization supporting the workers' claims in both cases said the 6th Circuit decision bolsters the case for the Johnson Controls workers challenging the legality of their employer's fetal protection policy.

"The 6th Circuit lines up with other circuits—except for the 7th—saying that it is not impossible to justify these policies but it is pretty hard to do so," said Joan E. Bertin, associate director of the Women's Rights Project for the ACLU.

Ms. Bertin says that most of the federal appellate rulings have placed a heavy burden on employers to prove that their fetal protection policies were an essential last resort because there were no feasible alternatives.

The tougher standard imposed by the 6th Circuit shows that courts are viewing these policies with "a jaundiced eye," she said.

In another example, California's Supreme Court in May let stand a state appeals court ruling that Johnson Controls' fetal protection policy was illegal under the California Fair Employment and Housing Act (*BI*, May 28).

The ACLU has filed an amicus curiae brief to the U.S. Supreme Court in the Johnson Controls case. The 6th Circuit refused to accept an ACLU brief in the GM case.

All sides are looking to the U.S. Supreme Court for a resolution of the issue, attorneys say.

Oral arguments before the U.S. Supreme Court in the Johnson Controls case are scheduled for Oct. 10.

Experts say that until the Supreme Court rules in the Johnson Controls case, employers are expected to adopt a wait-and-see attitude before deciding whether to impose fetal protection policies in an effort to protect themselves from lawsuits that could be brought outside the workers compensation system by employees' injured offspring. ■

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Ford agrees to pay $1.2 million OSHA fine

By ADRIENNE C. LOCKE

WASHINGTON—Ford Motor Co. has agreed to pay $1.2 million in fines to settle U.S. Labor Department allegations that the company violated federal workplace safety rules by failing to adequately report worker illnesses and injuries.

In addition, Ford has agreed to establish what the Occupational Safety and Health Administration calls "the most extensive ergonomic settlement" in the agency's history.

The agreement calls for Ford to begin a comprehensive program to reduce ergonomic and repetitive motion hazards in 96% of its plants nationwide.

"We believe the cooperation and the dedication to finding solutions for difficult issues, as reflected in this agreement, can serve as a model for all other employers faced with the need to eliminate ergonomic hazards in the workplace," said Assistant Labor Secretary and OSHA Administrator Gerard F. Scannell.

OSHA in July 1989 had proposed $1.96 million in fines against Ford subsidiary Ford Electronics & Refrigeration Corp. in Lansdale, Pa., for 241 instances of alleged willful misrecordings or failures to record employee injuries and illness (*BI*, July 17, 1989).

These alleged violations by Ford Electronics, a manufacturer of electronic automobile parts, either occurred or were not corrected after the company reached a settlement with OSHA in 1987 to correct all record keeping deficiencies on a corporatewide basis by June 1, 1988 (*BI*, Nov. 23, 1987).

To reduce ergonomic hazards, Ford now will develop a program that will include job analysis for ergonomic hazards, engineering and administrative controls, a comprehensive medical program to detect these disorders, and employee training and education that will emphasize early employee recognition of ergonomic disorders.

The program will run for five years.

The program then can be extended at Ford's discretion, under terms of the agreement.

In addition, Ford will establish an audit system to examine medical, workers compensation, sickness and accident, and health insurance medical records at 12 of its facilities, with the initial audit to be completed within one year.

Ford will cross-check these records against OSHA logs and provide record keeping training if the error rate is greater than 5% at an individual facility or on a corporatewide basis.

The company also will certify to OSHA that training has been completed. In addition, Ford will report to OSHA the results of the annual audits. ■

Middle East

Continued from page 1

Late last week, underwriters and brokers were in a quandary about the insurance implications of the Western powers' reply to the Iraqi invasion of Kuwait.

"I haven't seen the whole market in a state of indecision like this for a long time. Unfortunately, we're no better at judging how the situation will develop than anyone else," said one Lloyd's of London marine underwriter.

Insurers may have little exposure to the "hundreds of millions, maybe billions of dollars in lost investments and trade in Kuwait" because little of the exposure is insured, Sedgwick James' Mr. Willyard said.

"This just goes to show that no one can predict where the next high-risk region will be. People for years said there was no risk in China or Panama. This is another stark demonstration of why prudent risk managers and financial executives purchase this form of coverage," Mr. Willyard said.

Few U.S. exporters bought "contract frustration" coverage for shipments to Kuwait, believing the country to be stable enough to make it unnecessary, noted Kenneth Horne, vp and manager of the political risk unit at Johnson & Higgins in New York. "I think a lot of people were just caught without coverage."

Companies that are insured, he said, may have coverage for Kuwait only because underwriters threw it in as as part of a global program of trade-related political risk insurance.

The U.S. Export Import Bank—a government agency that provides export financing insured through a program underwritten by the Foreign Credit Insurance Assn.—has a total exposure of $1.5 million to losses in Kuwait, said Kenneth Tinsley, an ExIm Bank insurance officer.

The ExIm Bank's exposure in Kuwait is low, he explained, because "banks and exporters have been fairly comfortable doing business there without any insurance."

However, claims will likely arise from the untold number of contracts between Western importers and Iraq that have been signed since Iraq started to rebuild its country after it ended its war with Iran in 1988.

"Iraq's been heavily insured (for credit and political risks) since the last Gulf war," said Ms. Green of Investment Insurance International. "Reconstruction has been going at a fast pace and there are a massive number of projects."

However, many contracts with Iraq are not insured. The expense of contract frustration cover for Iraqi risks has prevented many companies from buying it, Mr. Horne said.

"Iraqi premiums were running in the area of 15% per annum of the contract value," Mr. Horne said, noting that rates of 2% to 4% are typical for most countries.

Many underwriters stopped writing Iraqi political risks last year because they had reached their aggregate exposure limit for that country, added Ms. Green.

"There was a big demand for Iraq (political risks) for the last two years," added Peter Hornsby, director of the marine and energy division of Alexander Howden Ltd. in London in charge of credit-related insurance. "But underwriters have been closing their doors."

Losses altogether could cost private insurers more than $100 million, he predicted, adding that claims could reach the $200 million that political risk underwriters had to pay several years ago after Cuba rescheduled its foreign debt.

Among the types of Iraqi claims that could be triggered by the current crisis, according to Mr. Hornsby, are claims for:

- Non-payment should Iraq fail to pay foreign contractors or the U.N. embargo stops non-Arab companies from accepting Iraqi payments. This is the "nastiest" area of potential claims, he said. "There is no way that payment is coming out of Iraq at the moment. We'll have to wait and see. . .(but) all non-payment coverages will become losses."
- Preshipment. Claims will be triggered when a Western company cannot ship ordered products to Iraq. Preshipment coverage specifically includes losses due to import and export embargoes, such as the U.N. trade sanctions against Iraq.

"For preshipment, embargo is exactly the insured peril," Mr. Hornsby said. "So any preshipment for deliveries to Iraq will be losses, because I personally think that the embargo will last much longer" than the waiting period deductible on the coverage, generally 180 days."

- Performance or advance payment bonds. Banks have issued bonds to Iraqis totaling a percentage of the cost for a contract to guarantee that the contract will be honored. Such bonds are insured for unfair calling of the bonds during government intervention.

"Those policies are also at risk," said Mr. Hornsby.

However, companies that file claims against their political risk policies will not be receiving payment immediately. Waiting periods, designed to give politically volatile situations time to be resolved before underwriters must pay on claims, vary in length depending on the type of political risk coverage purchased and the premium charged.

Coverage for confiscation, expropriation and nationalization generally includes waiting periods ranging from 90 to 180 days, while contract frustration coverage can include waiting periods of 180 days or more, said J&H's Mr. Horne.

'I think a lot of people were just caught without coverage,' says Kenneth Horne of J&H in New York.

Waiting periods for contract frustration coverage can range from 270 to 540 days, depending on the premium charged by the underwriter, said David Avasthi, president of UIC Ltd., a Miami-based managing general agent specializing in political risk coverage.

Many underwriters that wrote coverage for Iraqi contracts offered shorter waiting periods for higher premiums, he said.

The P.A.R.I.S. pool is thought to have the largest concentration of Iraqi risks in the private political risk insurance market, but Mr. Habib-Deloncle will not comment on the pool's exposure.

French exporters are believed to have the largest exposure to Iraqi losses through a series of arms deals under which the French supplied between 20% and 25% of Iraq's armament.

France's total Iraqi debt comes to about 25 billion French francs ($4.67 billion).

P.A.R.I.S., which only writes contract frustration coverage, will write limits of 9.5 million European Currency Units ($12.3 million) per risk and up to 50 million ECUs ($64.9 million) in the aggregate per country (*BI*, Dec. 18, 1989).

Mr. Habib-Deloncle did say, however, that P.A.R.I.S. has been writing Iraqi-related risks for the past three years "without difficulty. We do not expect a claims situation now. We will wait and see."

Pan Financial U.S. in New York, a unit of London-based Pan Financial Insurance Co. Ltd., has "little exposure in either Iraq or Kuwait," according to President Ray Antes.

"Iraq's erratic political history, combined with its eight-year war with Iran, which decimated its economy, left us with little motivation to write coverage there," Mr. Antes said. "And, in Kuwait, nobody ever wanted any coverage."

Iraq, in fact, has not been paying its debts to U.S. exporters for some time, political risk sources note.

The bulk of Iraqi's debt to contractors—totaling billions of dollars—will be paid by government-controlled export credit insurers.

Britain's state-owned Export Credit Guarantee Department has credit risk exposures in Iraq totaling 850 million pounds ($1.59 billion), according to an ECGD spokesman.

The credit agency could not estimate its exposures in other Gulf States, including Kuwait and Saudi Arabia.

The ECGD had stopped offering coverage for businesses trading with Iraq in June "because of payment difficulties from Iraq," said the spokesman.

The ExIm Bank's exposure in Iraq totals about $85 million, and its exposure in Saudi Arabia is about $40 million, Mr. Tinsley said.

However, the U.S. Overseas Private Investment Corp., a government agency created in 1971 to finance and insure privately-owned operations in developing countries, does not insure any risks in Iraq, according to a spokesman.

OPIC has written a $1.2 million performance bond for a U.S. contractor with offices in Kuwait.

OPIC insures 14 projects in Saudi Arabia totaling $42.6 million in confiscation and expropriation coverage, currency inconvertibility coverage and political violence coverage. However, OPIC would pay only $19.2 million if claims were filed against all three coverages due to an aggregate limit.

In France, export credit claims will be paid by Compagnie Francaise d'Assurance du Commerce Exterieur, though no claims from the Gulf crisis have yet been filed, said Jenny Clei, head of country risk analysis at COFACE.

Under an agreement signed last month, Iraq had agreed to pay back 1.5 billion French francs ($280 million) in debt to French companies by the end of the year. That amount now is unlikely to be repaid, French authorities say.

Ms. Clei confirmed that "unpaid credit to exporters (to Iraq) that had coverage amounts to less than 20 billion French francs ($3.74 billion)."

COFACE hasn't covered Iraqi risks "for a number of years because we had experienced many outstanding accounts with Iraq," she noted. "Since then, our attitude to Iraq has been rather closed."

In West Germany, Hermes Kreditversicherungs-Aktiengesellschaft, the credit insurer that contracts with the German government, had a credit ceiling for Iraqi risks of 600 million deutsche marks ($375 million) during the current fiscal year. However, only 200 million deutsche marks ($125.3 million) of coverage had been issued by last week, a spokesman said.

Underwriters now are most closely watching whether Iraqi leader Saddam Hussein forces his way into Saudi Arabia in an attempt to wrest control of the fruitful Saudi oil fields.

"The real vulnerability is in Saudi Arabia," Pan Financial's Mr. Antes observed. "We have a lot of contracts covered there that could be exposed."

Mr. Antes would not say how much active political risk exposure Pan Financial has in Saudi Arabia. He did say, however, that the company would still accept applications for coverage there.

Brokers also note that political risk coverage is still available for some Saudi risks.

"It is an open market still for the right deal," Mr. Horne said. "Obviously, the further west" in Saudi Arabia—away from the Iraqi border—"the better."

The coverage has become "considerably more" expensive in the last two weeks, Mr. Horne said.

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This story is based on reports from International Editor Stacy Shapiro and Associate Editor Carolyn Aldred in London; Bureau Chief Douglas McLeod and Associate Editor Michael Schachner in New York; and correspondents Isabelle Berglas in Paris and Don Lewis Kirk in Bonn, West Germany.

Conflict triggers war risk rate hikes for airlines, shippers

By STACY SHAPIRO and CAROLYN ALDRED

LONDON—The crisis in the Middle East is triggering additional increases in war risk insurance rates charged airlines, shipowners and cargo shippers.

And, the Iraqi invasion of Kuwait could result in at least one major aviation insurance claim.

A British Airways Boeing 747 jetliner and its 367 passengers and crew members were stranded in Kuwait at the time of the invasion.

The passengers were being held by Iraqi troops, according to reports last week.

The $23 million jetliner's hull war risk coverage is led by Lloyd's of London syndicates managed by Chairman Underwriting Agency Ltd. British Airways' liability war risk coverage is included in its $1.5 billion all-risk aviation liability coverage, which is led by British Aviation Insurance Co. in London.

The coverage was placed by Sedgwick Group P.L.C.

Aviation hull war risk underwriters—many of whom also are marine underwriters—late last week gave seven-day notices to certain airlines that hull war risk rates will be reviewed this week.

Under the seven-day notice clause in aviation hull war risk policies, underwriters can change rates and/or geographical exclusions after the seven days expire.

"Major air carriers who will be calling in to Middle Eastern (airports) will pay additional premiums" starting this week, said leading Lloyd's aviation hull war risk underwriter Stephen Merrett, chairman of Merrett Holdings P.L.C.

"Airlines that are in the area will be paying additional surcharges in the region, for a period of seven days mainly," he said.

Companies that charter flights to evacuate employees from Saudi Arabia and other Middle Eastern nations need aviation hull war risk coverage for claims to be covered, said Mr. Merrett.

Meanwhile, marine hull and cargo war risk rates for the Persian Gulf skyrocketed again last week for the second time since Iraq's Aug. 2 invasion of Kuwait.

Additional minimum hull war risk rates for the Persian Gulf off the Saudi Arabian coast and for areas close to Iran were raised to 1% of the vessel's insured value for a seven-day coverage period, up from the rate of 0.025% for a 14-day period that was set immediately after the Iraqi invasion.

These additional rates are charged on top of the worldwide hull war risk premium rate of 0.05% of the insured value for 12 months of coverage for ships sailing anywhere in the world (*BI*, Aug. 6).

Hull war risk underwriters also announced last week that additional war risk rates would be at the discretion of the underwriter on what's known as a "held cover" basis for ships sailing to Iraq, Kuwait and Saudi Arabia.

Additional hull war risk rates for other areas in the Persian Gulf rose to 0.25% of insured value for seven days from 0.025% for 14 days. And, underwriters are charging ships heading for the Israeli port of Eilat a similar additional rate.

"The new rates reflect underwriters' very real concern over the current situation. They want to continue to offer cover to shipowners and operators engaged in legitimate trade, but they can only do so at what they consider to be prudent and realistic rates," said marine underwriter Chris Rome.

Cargo underwriters also took similar measures, drastically increasing minimum rates for most areas of the Persian Gulf for the second week running.

Last week, rates in the Gulf increased to up to 0.1% of the insured cargo value, depending on the area and port of destination. Before the invasion, the minimum rate for ships sailing to Iraq and Kuwait, for example, had been 0.0275% of insured value.

Meanwhile, cargo war rates for shipments to Iraq and Kuwait and some Saudi Arabian ports are now rated on a "held cover" basis, which means that the market is not prepared to set advisory rates and, thus, leaves rates up to each underwriter's discretion.

However, insurance will only be offered to vessels complying with the United Nations-sanctioned trade embargo on Iraq, said a Lloyd's spokesman.

The owner of a jack-up oil rig in the Persian Gulf was caught in last week's rate escalation, noted a spokesman for broker Alexander Howden Ltd. in London.

The client Monday night accepted a quote offered on Monday on a three-month war risk policy for the rig. But when Howden tried to place the coverage on Tuesday, the price had tripled.

Although the client was outraged, it paid the extra premium, said the spokesman.

Meanwhile, London brokers and underwriters late last week were trying to clarify whether insurance written for Iraq or Iraqi-occupied Kuwait could continue following the U.N. trade embargo.

The state-owned airlines of Iraq and Kuwait are both insured in the London market through Lloyd's brokerage Willis Faber P.L.C. In addition, Iraqi Airlines' coverage is part of a joint program with Jordanian Airlines that is placed by Lloyd's broker Nicholson Chamberlain Colls Ltd.

"We are awaiting advice from" the British Department of Trade and Industry on whether those insurance programs must be suspended, said Jonathan Palmer-Brown, chairman of NCC's aviation division.

Mr. Merrett believes that the coverage is still in force, though any claims would have to be paid into a special account until the embargo is lifted. ■

Purchasing groups

Continued from page 1

Court of Appeals in St. Louis said the federal Risk Retention Act did not prevent the Iowa Insurance Department from applying licensing requirements on purchasing group insurers that want to do business in the state (*BI*, July 24, 1989).

State regulators say the court decisions affirming their authority over purchasing group insurers will ensure better protection for the public.

"Conceivably, a risk purchasing group insurer could become domiciled in the state with the lowest licensing requirements and then circumvent the applicable licensing requirements of the other 49 states," said Dennis Silverman, a senior attorney with the Florida Insurance Department in Tallahassee.

But Bel-Aire attorney Alan Gold, a partner with the South Miami law firm of Rassner, Malove, Rassner, Kramer & Gold, disagreed. "All states have strong regulation and are capably regulated."

Mr. Gold, who said the defendants have asked the entire 11th Circuit for a rehearing, said that requiring purchasing group insurers to meet the licensing requirements of each state could drive up premiums.

Supporters of purchasing groups also say that requiring insurers to be licensed in every state could deter insurers from providing coverage.

"It is a matter of economics. If a risk purchasing group has only a few members in one state, a risk purchasing group insurer will be less likely to provide coverage if it has to be licensed in that state," said James Anderson, vp of the National Risk Retention Assn., a trade group representing risk retention and purchasing groups and service providers.

Requiring purchasing group insurers to be licensed in every state in which groups have members "is contrary to Congress' intent which, when it passed the Risk Retention Act, was to facilitate the formation of national risk purchasing groups" to give employers an alternative to the commercial insurance market, he added.

"Licensing in each state defeats the whole purpose of the act, which was to facilitate the purchase of commercial liability insurance on a national basis," said Howard Greene, director of governmental affairs for the Risk & Insurance Management Society Inc. in New York. "State by state licensing would render the purchasing group provisions of the act moot."

Legislation introduced in Congress would allow a purchasing group insurer to write business nationwide if it is admitted in one state and meets minimum surplus requirements.

The Bel-Aire case stems from a suit the Florida department filed in 1987 against Bel-Aire and St. Louis-based Risk Retention Service Corp., which provides policy issuance and other services to Bel-Aire and National Amusement Purchasing Group Inc. The suit sought an injunction prohibiting the defendants from doing business in the state (*BI*, Sept. 14, 1987).

The suit charged that Bel-Aire wrote coverage for four Florida members of the purchasing group in violation of state law and the Risk Retention Act. Florida law requires that insurers of purchasing group members located in the state be authorized insurers, eligible surplus lines insurers or risk retention groups.

U.S. District Judge William Stafford ruled in October 1989 in favor of the department, barring the defendants from transacting business in violation of Florida insurance licensing laws. However, he stayed the injunction during the appeals process.

In their brief to the appeals court, the defendants said Florida's requirement that Bel-Aire be licensed in the state discriminated against members of purchasing groups, prevented the sale or offer of sale of liability insurance and violated the Risk Retention Act.

The brief noted that Congress passed the Risk Retention Act to address a liability insurance crisis.

"Congress envisioned that the purchase of insurance on a group basis would result in more advantageous rates and policy terms. State insurance laws were pre-empted to the extent necessary to accomplish the purpose of Congress," the brief said.

The 1986 Risk Retention Act amendments required that insurance sold through a purchasing group be written by an insurer licensed or regulated in at least one state—the domiciliary state of the purchasing group, the defendants' brief says.

In enacting the amendments, Congress "if desired, could have easily provided for multiple state licensing or authorization of insurers of purchasing groups, but chose not to so legislate," the brief said.

In its decision, though, the appeals court said the pre-emption provisions in the Risk Retention Act only applied to those state laws that prohibit insurers from offering purchasing groups "advantages based on their loss and expense experience."

"Section (4)(3) pre-empts only those state laws which prohibit purchasing groups from purchasing insurance which reflects such advantages," the court wrote.

The pre-emption provisions did not purport "to exempt purchasing group insurers from being licensed or otherwise authorized in the state where a purchasing group member resides," the July 9 ruling said.

The appeals court acknowledged that a non-domiciliary's state licensing laws, if applied to risk purchasing group insurers, would impose a "burden" on the ability of insurers to offer purchasing groups.

"Congress did not include within its list of pre-empted laws, however, a section prohibiting laws and regulations which *burden* the ability of purchasing groups to operate," the appeals court wrote. In addition, the law "does not provide, as defendants suggest, that a non-domiciliary state is prohibited from requiring an insurer to comply with its licensing requirements before insuring a risk located in that state."

This was not Bel-Aire's first run-in with a state insurance department. The Missouri Division of Insurance charged in a 1987 complaint that Bel-Aire's management was "so incompetent or untrustworthy" that further operation of the company would be "hazardous to the insurance-buying public."

Bel-Aire later agreed, as part of a settlement, to alter its reinsurance program and to file more frequent financial reports to the division (*BI*, Dec. 7, 1987; Nov. 30, 1987).

Supporters of the Risk Retention Act say the latest appeals court decision reinforces the need for Congress to overhaul the Risk Retention Act to remove ambiguities.

"This decision confirms the need for new federal legislation to clarify the Risk Retention Act," said Michael Mullen, executive director of the National Assn. of Insurance Brokers in Washington, D.C.

If enacted, H.R. 4351—introduced by Rep. Jim Slattery, D-Kan.—would effectively overturn the 11th Circuit's decision and would bar non-domiciliary states from requiring purchasing group insurers to meet licensing and other requirements.

The bill, though, would require purchasing group insurers to be admitted in at least one state and to maintain minimum capital and surplus of $3 million.

Beth Stuchel, acting chair of the National Assn. of Insurance Commissioners' risk retention working committee, worries that one-state licensing would not ensure adequate regulation.

Multiple-state regulation of purchasing group insurers is needed for the protection of the accident victim who might not receive compensation if the purchasing group insurer has failed, according to Ms. Stuchel, who also is bureau chief for market conduct at the Iowa Department of Insurance. ■

Mentor liquidators plan dividend

By LINDA J. COLLINS

HAMILTON, Bermuda—The liquidators of Mentor Insurance Ltd. still hope to issue an interim dividend to creditors during or before 1992, according to the liquidators' latest annual report to creditors.

Liquidators now estimate Mentor to be insolvent by at least $650 million. But, they have not determined the ultimate cost of claims or the size of the first dividend.

An interim dividend payment "is achievable," Mentor's liquidators said in the report, which was mailed to creditors July 31, in advance of the fifth annual general meeting of creditors scheduled for Nov. 1.

The joint liquidators noted that over the past year, they have:

- Increased net assets available to creditors by $12.1 million.
- Begun legal proceeding in Bermuda against more than 2,500 partners of KPMG Peat Marwick, the international accounting firm that audited Mentor before its 1985 liquidation, for failing to properly audit the insurer (*BI*, Sept. 25, 1989).
- Continued to pursue claims for recovery from Mentor's owner, current or former officers and directors of Mentor and its owner, and a reinsurer (*BI*, Dec. 18, 1989; Oct. 9, 1989).

Liquidators began legal proceedings in Bermuda last October against Mentor's owner and the other parties after a U.S. appeals court upheld a lower court's decision that the liquidators could not pursue a suit in U.S. courts (*BI*, July 24, 1989). In June, the liquidators reached an agreement with the defendants to restate their Bermuda claims in Bermuda Supreme Court before Oct. 14.

As of June 30, Mentor had $185 million in assets, not including estimates for future asset realization, investment income or costs.

Creditors' claims to be adjudicated for the first dividend total $778 million. But, based upon a July 31, 1990, report from Tillinghast Nelson & Warren (Bermuda) Ltd., the liquidators have estimated Mentor's unpaid liabilities at $835 million, before discounting.

The liquidators explain that there may be additional creditors who did not file for the first dividend or whose claims may be subject to adjustment after the first distribution.

The liquidators also point out that the Tillinghast study "makes no provisions in respect of environmental impairment, asbestosis, asbestos property damage or other potential future claims arising from loss causes not recognized in the historical data," unless creditors have included such claims with their other losses.

The liquidators believe these environmental claims exceed $500 million, but since "few creditors have included such claims within their claim forms" and their magnitude "cannot be predicted with sufficient certainty at this time. . .the joint liquidators will be forced to admit only nominal sums for the purposes of the first interim distribution. . .(and) provide adequate reserves for such claims until the position is clarified."

Based on the 1990 Tillinghast report, the liquidators estimate that business written by Mentor "will result in gross ultimate losses" of $1.14 billion to $1.32 billion, "with a best estimate" of $1.22 billion.

These estimates include losses relating to five treaties that were excluded from the Tillinghast report but included in the amounts claimed by cedants.

Continued on next page

Update

Alteration of benefits upheld

Continued from page 2

the 6th U.S. Circuit Court of Appeals in Cincinnati also ruled that employers can cut retiree health benefits if they reserved the right to do so in plan documents (*BI*, Jan. 2, 1989).

Rockwood in rehabilitation

HARRISBURG, Pa.—Insolvent Rockwood Insurance Co. hopes to continue paying all policyholder claims after being ordered into rehabilitation last month by Commonwealth Court in Harrisburg.

Rockwood, which specializes in workers compensation insurance for small Pennsylvania businesses and coal mining operators, joined the Pennsylvania Insurance Department July 23 in filing a petition and proposed plan for rehabilitation with the court.

Under the plan, Rockwood would continue to pay all claims and operating expenses with profits from wholly owned subsidiary Rockwood Insurance Co. of Indiana.

"Rockwood can currently pay all claims and operating expenses because they aren't experiencing cash-flow problems," said Ronald Cronister, deputy insurance commissioner.

The court has set a Nov. 19 hearing date to consider the plan.

Rockwood, which was insolvent by $87 million as of March 31, ceased issuing new policies in September 1989 after severely curtailing its writings in April 1989, Mr. Cronister said.

Rockwood wrote only $36.7 million in gross premiums and $9.6 million in net premiums in 1989 after writing $101.1 million in gross premiums and $64.6 million in net premiums in 1988.

Gillespie orders huge refunds

SACRAMENTO—SAFECO Corp. plans to contest a California Insurance Department order to refund $41 million in property/casualty premiums to commercial and personal lines policyholders to comply with the 20% insurance "charge" rollback provision of Proposition 103.

The department also ordered the California State Automobile Assn. to refund $92 million in personal lines premiums to comply with the law's rollback provision. But a CSAA spokesman said he did not know what the non-profit insurer's plans were for contesting the order.

SAFECO plans to contest the department's refund order during hearings scheduled to begin Sept. 17.

Insurance Commissioner Roxani Gillespie issued the orders based on her decision that insurers earning more than 11.2% on their combined business from 1988 to 1989 must roll back "charges" for most types of property/casualty insurance written during that period to 20% below November 1987 levels (*BI*, June 18).

Meanwhile, in hearings concerning prior approval of insurers' future rates, Administrative Law Judge Frank Britt has replaced Judge James Scott, who stepped down following conflict-of-interest charges leveled by consumer groups.

Voter Revolt—which sponsored Proposition 103—and other consumer groups are boycotting the prior approval hearings because they claim the hearings should be held after the department has completed its hearings on the one-time 20% mandated rollback.

Regulator invites bribery probe

RALEIGH, N.C.—In an attempt to dispel "recurring rumors," North Carolina Insurance Commissioner James E. Long is asking the State Bureau of Investigation to look into whether he or any employee in the Insurance Department ever accepted bribes in connection with two separate insurance entities.

One of those entities is Kinston-based Interstate Casualty Insurance Co., a personal lines insurer that was ordered into liquidation by a state Superior Court judge in April. It was insolvent by $23 million.

Mr. Long also has asked the SBI to investigate allegations that in 1984 he twice received money during political fund-raisers from the late Steven Davis, then co-owner of the Davis-Petty Insurance Center of High Point, which was sued for fraud in 1988 by the state attorney general. Mr. Davis committed suicide two days after the suit was filed.

"These rumors are not rampant, they're not widely believed and they're not true," a department spokesman said. "Mr. Long has asked for the investigation simply to cut the discussion short and clear the air once and for all."

However, an FBI spokesman denied reports that the agency was investigating Mr. Long.

Briefly noted

The California Supreme Court has denied a petition filed by Underwriters Reinsurance Co. challenging the state Insurance Department's attempt to demand immediate reinsurance payments for incurred-but-not-reported claims related to the defunct **Mission Insurance Group Inc.** The department says the denial affirms the right of Mission's liquidator to immediately seek at trial $1.5 billion in reinsurance payments. But, Underwriters Re attorneys say the reinsurer can raise its motion during the trial, set for April 1991. . . .**First State Insurance Co.** and Lloyd's of London underwriter John Russell Butler have asked the Michigan Supreme Court to reconsider and/or clarify its July 13 order denying the property insurers' request to retract pro-policyholder arguments they made in pollution coverage litigation with the liability insurers of The Upjohn Co. (*BI*, July 23; Sept. 18, 1989; June 12, 1989). . . .Tim Ryles, the political and media director with the Communications Workers of America, captured 72% of the vote in the Democratic runoff election with incumbent **Georgia Insurance Commissioner Warren D. Evans** last week. Mr. Ryles will face Republican Billy Lovett in the Nov. 6 general election. . . .Missouri voters last week approved a constitutional amendment creating a cabinet-level state **Department of Insurance** effective July 1, 1991, with increased funding for regulation. The Division of Insurance currently is one of 12 divisions of the Department of Economic Development. . . .Electric utility **Commonwealth Edison Co.** in Chicago has more than $200 million in property insurance to cover undetermined damages caused by an Aug. 5 switching station fire. It has a deductible of "over $1 million." A fire damaged another station eight days earlier (*BI*, Aug. 6).

Stronger insurers to survive painfully slow turn in prices

By MYRON M. PICOULT

Special to Business Insurance

THE TYPICAL modus operandi for most property/casualty insurance companies in the past was to grow their top line and not worry about their bottom line.

This theory was stretched to the limit in the early 1980s as insurers engaged in a mindless spate of cash-flow underwriting to take advantage of unusually high yields. This exercise culminated in 1984, with the stock companies reporting a historically high aggregate combined ratio (after policyholder dividends) of 120.5%. From another perspective, one could view the methodology as an attempt by some insurers to grow their way out of a problem book of business.



Mr. Picoult

As we have noted in the past, the turn in the current underwriting cycle seems to be coming very slowly. The good news is that prices seem to have stopped going down. The bad news is that they are not going up fast enough to offset the ravages of inflation and in some cases increases in exposure.

A preliminary peek at early second-quarter earnings reports from property/casualty insurers indicates that pricing basically did nothing in that quarter. Some managements point to regulatory constraints as the culprit and conveniently ignore their increased emphasis on commodity commercial lines and inept pricing capabilities.

A handful of companies have been doing a good job of consistently managing their books of business. The fact that some underwriters are achieving a modicum of success underscores the poor job being done by the bulk of the industry.

It now appears that real evidence of a meaningful turn in pricing may not occur until some time in 1991, after insurers file their 1990 convention blanks. Part of the problem is that too many insurance company managements continue to believe that they have excess capital. We consider this to be fallacious.

Furthermore, most managements are remarkably complacent about the low return on equity they are achieving. This seems to reflect the lack of investor pressure on managements to perform appropriately. It is very difficult for an individual—much less a corporate entity—to do a critical self-appraisal. Insurance companies cannot be all things to all people. Insurance companies do not have equal underwriting or marketing prowess.

For the most part, property/casualty and reinsurance stocks have underperformed the overall market thus far this year. Reinsurers have exhibited the best performance and, on average, the monoline insurers have performed slightly better than the multiline companies.

The $64,000 question is "where do we go from here?" Since the latter part of 1989, insurer stocks have been buffeted by disappointments about the turn in the pricing/underwriting cycle and by various concerns about balance sheet quality. While neither of these items is likely to quickly fade away, they are not new arrivals on the scene.

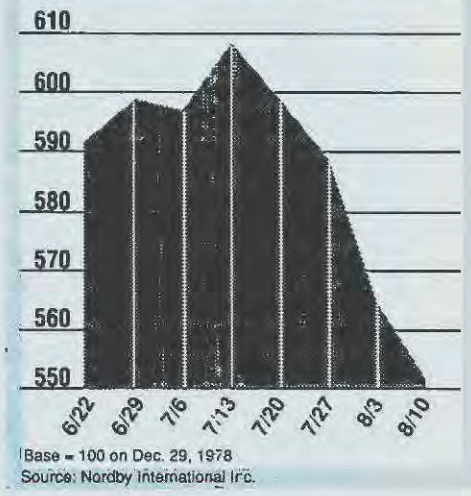
What was unique about the last two underwriting cycles was that both the garbage scows and yachts floated at the same higher level when water filled the canals. Through most of 1989, insurers perceived as higher quality received more recognition from investors. We think that 1989 could prove to be the inflection point for more and higher recognition returning to the stronger insurers. The stronger insurers are those companies with demonstrably stronger balance sheets and with more consistent earnings and return on equity trends.

Some insurance stocks did receive market and premium multiples at one point in time —specifically, through most of the 1970s and up to the mid-1980s. We believe this could again be the case if an economic scenario of modest growth and relatively low inflation is sustained. The operating environment for the traditional property/casualty insurance industry is sloppy and fraught with problems. The longer it takes the cycle to turn, the better positioned are both the stronger reinsurers and the quality primary insurers.

Put another way: For most property/casualty insurers, the top line was and still is vanity. The bottom line, though, is sanity. ■

Myron M. Picoult is senior vp and senior insurance analyst with Oppenheimer & Co. in New York. He is the past president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts.

BI Insurance Index



Base = 100 on Dec. 29, 1978
Source: Nordby International Inc.

Insurance industry stocks continued to slide last week, as the *Business Insurance* Index fell 12.4 points to 552.0 on Aug. 10, from 563.4 on Aug. 3. Advancing issues were led by Statesman Group Inc., up 8.7%; Sierra Health Services, up 7.3%; and United Healthcare Corp., up 6.9%. Decliners followed Frank B. Hall & Co. Inc., down 14.3%; Continental Corp., down 11.8%; and Safeguard Health Enterprises, down 11.5%. The most active issue during the week was: Sears, Roebuck & Co. (Allstate) 4.2 million shares traded. The *BI* Index lost 2.1% for the week; the Dow Jones 30 Industrials dropped 3.5%; the Standard & Poor's 500 fell 2.6%; and the New York Stock Exchange Composite lost 2.5%.

British Issues

Aug. 9 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	481	22.2	28.7	6.0	481—463	
Genl Accident	492	15.0	33.4	6.8	500—492	
Gdn Royal Exch	204	17.8	15.3	7.5	209—204	
Royal	435	23.3	34.0	7.8	438—431	
Sun Alliance	302	11.0	16.7	5.5	302—298	
Brokers						
Bradstock	234	5.4	10.0	4.3	237—234	
CE Heath	468	13.8	34.5	7.4	470—468	
Hogg Group	149	9.8	9.7	6.5	154—149	
Lloyd Thompson	315	9.6	9.7	3.1	319—315	
PWS Holdings	74	11.6	3.3	4.4	78—74	
Sedgwick Grp	217	16.3	16.0	7.4	218—216	
Steel Brrl Jones	262	15.9	14.7	5.6	268—262	
Willis Faber	225	14.1	16.0	7.1	226—221	

Source: Philip Olsen, Insurance Industry Specialist London

Mentor liquidation

Continued from previous page

After deducting amounts paid by Mentor before its liquidation, Mentor's unpaid liabilities total approximately $835 million as of the date of the winding-up order. This compares with the estimate of $686 million produced from a 1986 Tillinghast study. "The increase in projected liabilities is due to the worsening of the projected loss development coupled with a reduction in estimated unreported premiums," they explain.

The report estimates the book value of reinsurance balances still owed Mentor at $63.8 million, before offsets.

The liquidators have commuted approximately 70% of collectible proportional reinsurance owed Mentor. Other retrocessionaires aren't willing to accept commutations or are involved in offset disputes with Mentor. The liquidators report they have commenced legal proceedings against some large retrocessionaires and may pursue further litigation.

The liquidators have not yet attempted commutation with Mentor's non-proportional reinsurers because of uncertainty over total liabilities.

The annual report also noted that of the $8.9 million spent by the liquidators between July 1, 1989 and June 30, 1990, $2.2 million was for their own remuneration.

In addition, the liquidators paid out $2 million in operating costs for the liquidation; $3.1 million in legal fees; $286,000 in actuarial fees; $1.2 million in other professional fees; and $49,000 in expenses incurred by the Mentor committee of inspection. ■

BI Industry Stock Report

AUGUST 6, 1990 THROUGH AUGUST 10, 1990

		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	21.88	-4.89	-30.56	34.00	21.88	198	1.00	4.57	20	9.18	2.38
Corroon & Black	NYS	29.38	-3.69	-23.20	41.00	28.50	141	1.36	4.63	14	12.73	2.31
Gallagher Arthur J. & Co.	NYS	22.13	-1.67	-10.61	26.50	21.00	41	0.60	2.71	18	5.33	4.15
Frank B. Hall	NYS	3.00	-14.29	0.00	4.25	2.50	81	0.00	0.00	-2	-2.80	-1.07
Hilb, Rogal & Hamilton	OTC	15.00	-3.23	-19.46	20.63	12.50	55	0.28	1.87	20	4.60	3.26
Marsh & McLennan	NYS	70.13	-1.06	-10.10	89.75	67.00	429	2.60	3.71	17	10.56	6.64
Poe & Associates	OTC	11.25	1.12	-15.09	13.00	8.00	30	0.40	3.56	14	1.93	5.83
BROKERS	AVERAGE		-4.0	-15.6					3.0	14		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W R. Corp	OTC	35.75	-5.92	-14.11	46.50	34.50	650	0.44	1.23	8	25.06	1.43
Berkshire Hathaway Inc	NYS	6775.00	-0.73	-21.45	8900.00	5675.00	1	0.00	0.00	-22	2869.00	2.36
ITT (Hartford Group)	NYS	54.88	-1.13	-8.35	64.50	50.75	2302	1.60	2.92	7	56.33	0.97
Sears (Allstate)	NYS	30.75	-5.38	-20.65	46.63	29.38	4180	2.00	6.50	9	37.75	0.81
CONGLOMERATES	AVERAGE		-3.3	-16.1					2.7	0		
INSURERS/REINSURERS												
Aetna Life & Casualty	NYS	48.00	-2.04	-17.24	62.50	45.25	807	2.76	5.75	8	58.11	0.83
Ambase Corp	NYS	7.38	5.36	-41.58	16.38	5.75	600	0.00	0.00	9	29.08	0.25
American General	NYS	44.13	-0.84	34.73	50.63	28.13	2832	3.20	7.25	10	34.68	1.27
American Heritage	NYS	21.00	-1.75	-26.32	24.63	19.75	5	1.00	4.76	10	22.60	0.93
American Indemnity/Fin'l	OTC	3.38	-15.63	-57.81	10.75	3.38	1	0.08	2.37	-1	17.38	0.19
American International	NYS	70.13	-1.23	-16.91	39.63	66.00	2678	0.44	0.63	10	41.92	1.67
Aon Corp	NYS	32.13	-8.87	-24.19	43.25	31.88	580	1.52	4.73	9	19.62	1.64
Argonaut Group	OTC	72.00	-5.57	4.54	78.00	62.75	247	1.60	2.22	8	36.83	1.95
AVEMCO Corp	NYS	24.25	-9.35	-0.51	30.13	20.38	86	0.44	1.81	18	9.52	2.55
Baldwin & Lyons Inc	OTC	21.00	4.35	-2.33	24.00	19.25	16	0.28	1.33	7	20.80	1.01
Belvedere Corp	ASE	3.75	0.00	-31.82	5.63	3.38	0	0.04	1.07	-4	8.03	0.47
Chandler Insurance	OTC	6.75	-11.48	-42.55	13.25	6.50	89	0.00	0.00	4	9.53	0.71
Chubb Corp (s)	NYS	43.00	-0.86	-55.15	51.38	36.88	1137	1.32	3.07	9	55.49	0.77
CIGNA Corp	NYS	45.25	-2.16	-24.90	66.75	44.50	1020	3.04	6.72	11	66.64	0.68
CNA Financial Corp	NYS	71.38	-4.83	-28.63	108.75	68.25	85	0.00	0.00	11	54.87	1.30
Continental Corp	NYS	25.13	-11.84	-19.92	37.88	25.13	647	2.60	10.35	18	41.36	0.61
Durham Corp	OTC	27.00	-3.57	-12.20	34.75	27.00	23	0.92	3.41	13	26.32	1.03
Fund American Corp	NYS	49.13	1.55	39.36	51.88	29.50	2198	0.68	1.38	109	32.74	1.50
Fremont General Corp	OTC	15.75	0.00	-21.74	22.50	13.75	199	0.80	5.08	4	19.09	0.83
Frontier Insurance Group	NYS	22.00	-9.28	18.92	33.00	14.13	133	0.00	0.00	9	7.29	3.02
General RE Corp	NYS	76.63	-7.12	-14.86	96.25	74.63	1447	1.52	1.98	11	29.04	2.64
Hanover Insurance Co	OTC	24.50	0.00	-19.67	33.00	22.75	46	0.44	1.80	8	32.03	0.76
Harleysville Group	OTC	24.63	-1.50	-10.45	28.75	21.00	60	0.60	2.44	8	18.94	1.30
Hartford Steam Boiler	NYS	53.00	1.68	-2.30	62.13	48.25	163	1.80	3.40	14	18.94	2.80
Kansas City Life Ins	OTC	35.88	-0.35	0.00	35.25	34.50	53	1.12	3.12	9	39.22	0.91
Kemper Corp	NYS	37.13	-4.19	-21.43	51.88	34.00	3808	0.92	2.48	57	29.97	1.24
Lawrence Insurance Group	ASE	7.63	1.67	7.02	9.13	6.50	3	0.36	4.72	13	4.40	1.73
Liberty Corp	NYS	47.38	0.26	11.47	50.25	35.00	4	0.92	1.94	11	31.82	1.49
Lincoln National	NYS	49.00	-3.45	-19.67	62.88	48.63	400	2.60	5.31	8	49.19	1.00
NAC Re Corp	OTC	30.25	4.31	-16.55	41.00	27.50	113	0.20	0.66	14	22.81	1.33
Navigators Group	OTC	33.75	1.89	22.73	33.75	25.25	15	0.00	0.00	13	15.22	2.22
Nobel Insurance LTD	OTC	3.00	0.00	50.00	3.75	1.50	63	0.00	0.00	-2	7.76	0.39
NWNL Companies	OTC	23.75	1.06	-39.87	44.13	21.50	1026	1.32	5.56	4	37.50	0.63
Ohio Casualty Corp	OTC	41.75	-5.65	-12.57	52.50	34.75	406	2.32	5.56	13	33.30	1.25
Old Republic Int'l	OTC	23.38	-1.58	-8.78	29.00	21.13	208	0.72	3.08	5	30.70	0.76
Orion Capital Corp	NYS	20.00	-4.76	-13.98	28.50	18.38	85	0.92	4.60	6	19.72	1.01
Phoenix RE Corp	OTC	9.50	-7.32	-26.92	15.50	8.75	21	0.20	2.11	-13	12.99	0.73
Protective Life Corp	OTC	13.00	2.97	-8.77	15.88	10.88	62	0.76	5.85	8	14.54	0.89
Provident Life	OTC	19.50	4.00	-24.64	30.13	17.00	693	0.80	4.10	5	23.24	0.84
Re Capital Corp	ASE	13.88	-0.89	-4.31	15.25	11.25	10	0.30	0.90	11	14.43	0.96
RLI Insurance Corp	NYS	12.00	-2.04	35.21	14.75	6.88	17	0.44	3.67	6	12.42	0.97
St. Paul Companies	OTC	58.00	-3.13	-3.33	63.50	53.00	891	2.40	4.14	7	43.47	1.33
SAFECO Corp	OTC	32.13	-0.39	-19.18	42.38	30.50	920	1.36	4.23	8	24.87	1.29
SCOR U.S. Corp	NYS	8.75	-2.78	-38.60	14.50	8.50	56	0.20	2.29	11	10.61	0.82
Seibels Bruce Group	OTC	6.75	-6.90	-37.93	12.75	5.75	24	0.80	11.85	-1	13.75	0.49
Selective Ins. Group	OTC	15.63	0.00	-18.30	20.25	15.25	235	1.04	6.66	6	15.72	0.99
Statesman Group Inc	OTC	1.56	8.69	-43.16	3.31	1.25	197	0.16	10.24	3	4.19	0.37
Tokio Marine & Fire	OTC	38.25	0.66	-49.25	78.13	36.00	11	1.04	2.72	-	70.93	0.54
Torchmark Corp	NYS	47.38	-4.53	-17.25	58.75	42.75	281	1.40	2.96	11	13.23	3.58
Transamerica	NYS	35.38	-1.74	-20.73	48.00	33.75	479	1.92	5.42	9	34.63	1.02
Travelers Corp.	NYS	24.00	-7.69	-34.92	44.13	24.25	1205	2.40	10.00	6	44.85	-
Trenwick Group Inc.	OTC	20.00	-5.33	-17.95	26.88	17.25	75	0.48	2.40	9	16.91	1.18
United Fire & Casualty	OTC	34.25	3.01	3.79	35.00	30.50	2	1.20	3.50	9	22.56	1.52
USF&G Corp	NYS	23.63	-5.97	-20.25	33.13	22.88	1651	2.52	12.38	17	22.87	1.03
UNUM Corp	NYS	50.13	-2.91	4.97	57.13	36.00	703	0.60	1.66	10	31.20	1.61
USLIFE Corp	NYS	34.13	-7.46	-24.59	48.00	34.13	289	1.48	4.34	8	54.34	0.63
Washington National	NYS	18.88	-1.31	-33.19	28.75	18.50	15	1.08	5.72	21	32.90	0.57
USLICO Corp	NYS	21.38	-1.72	-10.00	25.00	20.63	49	1.00	4.56	8	27.73	0.77
Zenith National Ins	NYS	14.13	1.80	-24.67	21.50	13.50	19	0.88	6.22	8	13.81	1.02
INSURERS/REINSURERS	AVERAGE		-2.4	-14.9					4.3	11.1		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	OTC	15.00	-6.25	-29.41	26.38	13.75	463	0.00	0.00	13	3.54	4.24
HMO America Inc.	OTC	5.88	-11.32	-24.19	10.25	4.38	204	0.00	0.00	8	1.12	5.25
Pacificare Health Sys.	OTC	16.50	-10.81	-36.54	30.38	14.75	347	0.00	0.00	12	6.35	2.60
Safeguard Health Enter	OTC	5.75	-11.54	-32.35	12.50	5.13	208	0.00	0.00	10	2.99	1.92
Sierra Health Services	ASE	7.38	7.27	-16.90	9.63	5.50	64	0.00	0.00	-20	0.62	11.90
United Healthcare Corp	OTC	17.50	6.87	42.86	20.13	7.88	2026	0.00	0.00	18	0.34	51.47
United Medical Corp	ASE	9.25	4.23	54.17	11.38	5.75	23	0.20	2.16	13	5.70	1.62
U.S. Healthcare	OTC	18.50	2.78	29.82	22.25	9.63	0	0.36	1.95	21	3.07	6.03
HMOs	AVERAGE		-2.3	-1.6					0.5	9		
ALL COMPANIES	AVERAGE		-2.5	-13.3					3.4	10		

System design: Nordby International Inc.

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