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Update

Miami MGA ordered to pay more than $31 million to insurer

MIAMI—A state court jury has ordered a Miami-based managing general agency and its principal officers to pay more than $31 million to Ennia General Insurance Co. after finding the MGA defrauded Ennia on a book of marine insurance business.

The Dade County Circuit Court jury awarded the damages last Thursday against Commercial Marine Underwriters Inc. of Miami; CMU Chairman John F. Keegan; CMU President Jo-

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Bell units, labor cross wires

Benefit cost shifting pivotal in talks

By MICHAEL SCHACHNER

Telephone workers at BellSouth Corp. will assume some of the cost of their health care under a tentative agreement, but most telephone workers nationwide refuse to pay health care deductibles as low as $150 and are threatening to paralyze the telephone system.

About 154,000 unionized telephone workers in 13 Northeastern and two Western states continued to strike three regional telephone companies late last week over management attempts to shift health care costs to the workers.

The workers walked out on Aug. 5 when their three-year contracts with White Plains, N.Y.-based NYNEX Corp., Philadelphia-based Bell Atlantic Corp. and San Francisco-based Pacific Telesis Group expired.

In addition, 117,800 telephone workers employed by another three regional telephone companies in Western and Midwestern states were preparing late last week to strike as labor and management remained at odds over health care deductibles and other cost-sharing issues.

Labor union contracts at St. Louis-based Southwestern Bell Corp., Chicago-based Ameritech and at Englewood, Colo.-based U.S. West Inc. were set to expire at midnight Saturday.

The telephone companies generally want to increase deductibles and copayments by workers, and two want to require employees for the first time to pay contributions toward the cost of their health care coverage.

The efforts by the so-called Baby Bells to shift some health care costs to their workers follow ratification of a new three-year contract between American Telephone & Telegraph Corp. and two labor unions—the Communications Workers of America and the International Brotherhood of Electrical Workers.

The AT&T contract introduces moderate health care cost sharing: a new $150 deductible applicable to hospital care and new preferred provider networks.

AT&T had sought, but failed, to impose a 25% premium contribution for dependent health care coverage.

The AT&T agreement also includes a package of family care benefits (*BI*, June 5).

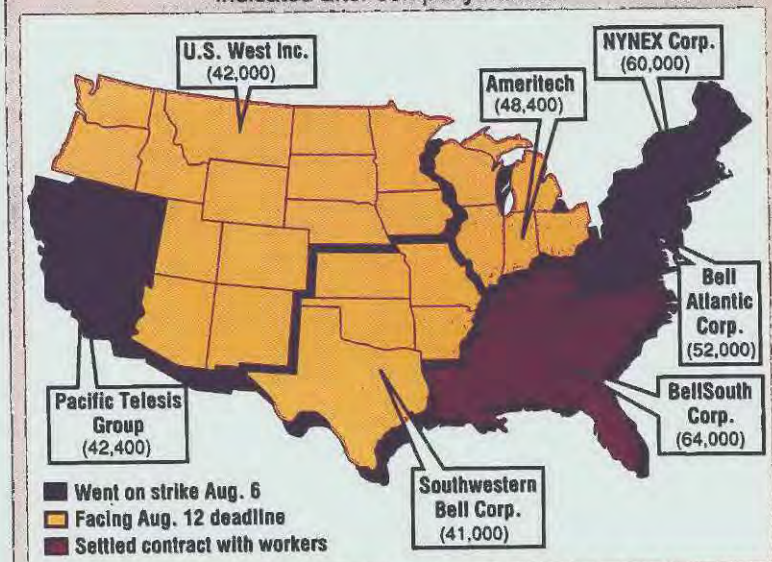
The AT&T agreement was expected to set the pace for negotiations between labor and the regional telephone companies, which were formed after the government-mandated breakup of AT&T in 1984.

BellSouth, which provides telephone service in nine Southeastern states, averted a strike by 64,000 workers under an Aug. 5 agreement that includes some health

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Baby Bell workers walk out

Regional telephone company workers are fighting changes in their health care benefits packages. Number of active union employees is indicated after company names.



Source: *Business Insurance* reports

Holly Seguine

ABA commission urges consolidating mass tort litigation

By STACY ADLER

HONOLULU—An American Bar Assn. commission is recommending radical changes in the way mass tort litigation is handled in the United States.

Warning that litigating hundreds of related tort cases on a one-by-one basis will eventually bankrupt both the state and federal court systems, the commission wants Congress to enact legislation that would consolidate these law suits.

A 12-member Commission on Mass Torts submitted a proposal to the ABA House of Delegates last week calling for federal law that would allow consolidation of cases involving 100 claims or more—each seeking more than $50,000—that stem from related causes.

Some current cases that would meet this standard involve asbestos, airline disasters and certain product liability suits.

Demands for compensatory damages would be tried first, with a separate trial held to determine if any punitive damages should be awarded. Only one punitive damage award would be permitted, with the judge allocating the award to plaintiffs and perhaps to public purposes, according to the proposal.

Although members of the ABA House of Delegates deferred voting on the proposal at their annual meeting in Honolulu, the ABA pol-

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Congress mulls limits on liability for oil spills

By JUDY GREENWALD

WASHINGTON—An oil spill liability statute passed by the Senate earlier this month would allow individual states to continue to impose unlimited liability on companies responsible for an oil spill.

However, two separate bills passed by House committees would pre-empt all state laws regarding oil spill liability.

The differences between the Senate and House bills are important because at least 17 states now hold polluters unlimitedly liable for oil spills.

Both the Senate and House bills generally would limit a tanker owner's liability under a no-fault-like compensation system. Damages that exceed the liability limit would be paid by an oil industry-financed pool.

The Senate bill, passed Aug. 4, would establish a liability limit of $1,000 per gross ton of a tanker's displacement, or $10 million, whichever is greater. However, this limit could be superseded by state laws.

The bills generally would limit a tanker owner's liability under a no-fault-like system of compensation.

The House bills, passed by the Public Works and Transportation Committee on Aug. 3 and by the Merchant Marine and Fisheries Committee in June, would set a liability limit of $500 per gross ton for tanker owners.

The Merchant Marine Committee bill would establish an overall liability cap of $60 million while the bill passed by the Public Works Committee would set a $150 million cap.

However, the maximums set in the House bills would not be significant because most tankers would fall well within a $60 million limit anyway, according to Ed Welch, chief counsel to the House Merchant Marine committee.

The Senate and the House bills do contain some similar provisions.

For example, all of the bills would establish allowable defenses for accidents caused by acts of God, war or third parties with no ties to the vessel owner.

The Senate and House panel bills

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NEWSPAPER

Update

MGA ordered to pay insurer

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seph Rossiter; and CMU Vp Reginald Austen.

Ennia—which filed its original complaint against the defendants in 1984—had charged that CMU fraudulently induced Ennia into maintaining the MGA relationship by agreeing to several underwriting limitations it had no intention of complying with, according to Howard W. Green Jr., a lawyer with Nagin & Green in Miami, representing Ennia.

The jury found the defendants had breached their contract and fiduciary duties to Ennia—a unit of AEGON Group—and had committed fraud and civil theft involving $4.9 million in Ennia funds.

The jury award included $13.4 million in actual damages. Punitive damages and prejudgment interest will push the total award to more than $31 million, Mr. Green said.

Daniel George, a Miami lawyer representing the defendants, declined to comment on the case.

Mercedes bad faith award cut

LOS ANGELES—A federal judge reduced a $4.5 million bad faith award against Mercedes-Benz of North America Inc. to $505,000.

A jury on May 25 ordered Mercedes-Benz to pay $4.5 million in punitive damages to its fidelity bond underwriter, Hartford Accident & Indemnity Co., for bad faith in concealing pertinent facts from the insurer (*BI*, June 5).

However, U.S. District Judge A. Wallace Tashima on Aug. 3 ruled that a punitive damage award that is 900 times greater than the $5,000 compensatory award is "grossly excessive."

The jury verdict against Mercedes-Benz marked the first time an insurer won a "reverse" bad faith claim against a policyholder.

New French reinsurer formed

PARIS—Societe Commerciale de Reassurances and UAP Reassurances are combining their operations in a new company: SCOR S.A.

UAP Re is a wholly owned subsidiary of UAP Group of France.

The combination will involve the acquisition of SCOR Paris and UAP Re by CGV, a Paris-based investment company owned by UAP and AGF—both of which are major shareholders of SCOR Paris—and other outside investors.

Shares of the new SCOR S.A., which will have a net worth of more than $600 million, will be traded on the Paris Stock Exchange.

SCOR S.A., which will rank among the 10 largest reinsurers in the world with assets of more than $4 billion, will be managed by Patrick Peugeot, the current chairman and CEO of SCOR Paris and SCOR U.S. New York-based SCOR U.S. is 71% owned by SCOR Paris.

The formation of SCOR S.A. is expected to be completed in the fourth quarter of 1989.

Three Am Re vps resign

PRINCETON, N.J.—Three officials of American Re-Insurance Co.'s facultative division are leaving the company citing differences of opinion with management concerning direction.

Resigning are Vps Stephen M. Satler, James M. Pearce and Richard S. Moser, confirmed Robert M. Hall, general counsel.

Michael A. Jones, senior vp, will head American Re's facultative division, while Edward J. Noonan, vp, replaces Mr. Jones as treaty division head.

Kenneth J. LeStrange becomes executive vp of AmRe Managers Inc., which provides services to alternative risk financing mechanisms. Harold S. Swann, senior vp, is assuming a worldwide client development role.

Ohio rejects multiple awards

COLUMBUS, Ohio—Punitive damages may not be assessed more than once against a single defendant for a single act, the Ohio Supreme Court has ruled.

The July 5 decision is based on the principle that punishing the same defendant more than once for the same offense is unfair.

"The law should not countenance one to be punished repeatedly for the same act," wrote Justice Robert E. Holmes for the majority.

The decision stemmed from a dispute over repayment of debt between two telecommunications companies.

The Ohio decision follows a March decision by U.S. District Judge H. Lee Sarokin that multiple punitive damage awards against manufacturers and distributors of harmful products are unconstitutional because they violate a defendant's right to due process (*BI*, March 13).

Stay requested in hotel fire trial

SAN JUAN, Puerto Rico—Defendants in the San Juan Dupont Plaza hotel fire litigation last week filed for a stay in the trial to allow them time to prepare a motion to dismiss the case because of a potential conflict of interest, sources close to the litigation say.

The more than 80 defendants, which supplied services or products to the hotel, requested the stay because a law clerk in the office of the judge presiding over the case has a brother who is a partner in one of the chief law firms representing plaintiffs. However, sources say the defense was aware of this when the trial began.

And, they say the clerk has another brother who is a partner in the law firm that was the lead local counsel for the hotel's liability insurer, New York-based American International Group Inc., which already settled with plaintiffs.

However, all matters regarding this issue have been placed under a confidentiality seal by the judge.

The litigation stems from a 1986 New Year's Eve fire at the hotel, in which 97 people were killed and more than 100 were injured (*BI*, Jan. 12, 1987; Jan. 5, 1987).

Settlements already have been reached with the hotel owners, operators, alleged affiliates and their liability and directors and officers insurers (*BI*, May 15).

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Bills stalling Section 89 don't bar later penalties

By JERRY GEISEL

WASHINGTON—Benefits experts are concerned that some employers may stop basic Section 89 compliance work in the mistaken belief that legislation to delay enforcement of the controversial law also would delay employers' compliance deadline.

While some experts say the "delay" amendments contained in legislation approved by the House and Senate will help buy time for Section 89 opponents to muster sufficient support to kill the law, observers agree that the bills do not offer employers meaningful relief from compliance with the non-discrimination tests for health care plans.

Benefits experts point out that amendments contained in the broad Treasury Department and Postal Service appropriations bills recently passed by the House and Senate only would bar the Treasury Department from using any funds to enforce or issue Section 89 regulations until Oct. 1, 1990.

Section 89 currently is scheduled to go into effect on Oct. 1.

The amendments would not prevent the Internal Revenue Service—the Treasury Department's enforcement arm—from auditing an employer's health care plans in succeeding years to determine whether the plans complied with Section 89 in 1989 and 1990.

In fact, benefit experts point out, IRS plan audits would not occur until after, rather than during, a plan year.

"The practical effect of these amendments for employers is very little. Enforcement of Section 89 will come in audits several years later," said Denise Georgemiller, a consultant with Hewitt Associates in Lincolnshire, Ill.

"This is not a delay in complying with Section 89. It is only a delay in when the IRS can issue and enforce rules," agreed Eric Grossman, a consultant in the Stamford, Conn., office of The Wyatt Co.

"The delay is meaningless if the IRS audits a plan in a future year," said Emmett Seaborn, a consultant with TPF&C, the benefits consulting division of Towers, Perrin, Forster & Crosby Inc. in New York.

Therefore, employers should not be lulled into thinking the "delay" legislation would postpone Section 89 compliance mandates, experts say.

"An employer could become complacent and say, 'I don't have to worry about Section 89,' " said Ann Lennan, director of research for the Society of Professional Benefit Administrators in Washington, D.C.

"The amendments are trouble-

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Hall loses $60 million in quarter

By LINDA J. COLLINS

NEW YORK—Reliance Group Holdings Inc. is pumping $50 million into Frank B. Hall & Co. Inc. to help the New York-based broker offset a $60.8 million second-quarter net loss.

In exchange for the cash infusion, Reliance—already Hall's major shareholder—received $50 million in a new issue of convertible preferred stock.

The second-quarter net loss brings to $63.9 million Hall's six-month net loss.

In 1988, Hall, the nation's sixth-largest broker, reported a $1.4 million first-half loss.

The second-quarter 1989 loss included a $10.8 million loss on continuing operations and $50 million from discontinued operations.

Hall attributes the continuing operations loss to the soft market, expenses generated by an aggressive hiring campaign to attract top talent, a full-scale employee education program and enhancement of its automation system.

"In the second quarter of 1989, we realized the full impact (on expenses) of all the new hirees hired after the beginning of the third quarter of 1988," said John A. Addeo, senior vp and treasurer (*BI*, June 26).

Continued on page 87

GM retirees sue to void benefit cuts

By JERRY GEISEL

LOS ANGELES—General Motors Corp. violated federal law by cutting back health care benefits for retired salaried employees, a lawsuit charges.

The suit—which was filed last week in U.S. District Court in Los Angeles by 114 GM retirees and which seeks class-action status for 84,000 GM retirees—charges that benefit cutbacks the Detroit-based automaker imposed last year violated federal common law, the Employee Retirement Income Security Act of 1974 and "contracts" between GM and the retirees.

The coverage cutbacks include higher deductibles and coinsurance requirements.

"The actions of GM alleged here. . .constitute a breach of GM's promise to provide these lifetime benefits at GM's expense and constitute a breach of contract under the federal common law of ERISA," the suit says.

The suit demands that GM restore cut benefits and provide damages equal to the benefits that the plaintiffs lost as a result of the cutbacks.

The suit, which does not specify the exact amount of damages sought, also asks the court to order GM to pay the plaintiffs' legal fees.

The suit involves deductibles and copayment requirements imposed last year, as well as the elimina-

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Spotlight report

Surplus lines market nears bottom

By KATHRYN J. McINTYRE

The exodus of premiums from the surplus and specialty lines insurance marketplace now is slowing down, according to several leading surplus lines insurers and wholesale marketers.

After losing up to a third of their business in 1988 (see charts below), many of the large underwriters and marketers of surplus lines and speciality risk insurance are reporting that they are losing less of their premium volume in 1989.

Price decreases seem to be slowing down, especially among surplus lines insurers, and fewer clients are moving their business to other insurers for price reductions, they say.

To counter the effects of lost business and reduced prices on business retained, several surplus lines insurers are writing larger limits on existing accounts and developing new business in areas that likely will prove profitable.

And, some markets are making special efforts to develop closer relationships with risk managers.

The competitive casualty insurance marketplace appears to "be at the bottom of the cycle and starting its way back up," says John M. Griffin, president of The London Agency Inc., a Crum & Forster Inc. underwriting manager that writes business for affiliated insurers, predominantly on an admitted basis.

In 1988, The London Agency, the second-largest underwriting manager and third-largest wholesaler overall, lost 17.9% of its premium volume.

"We feel the worst is behind us," says Warren S. Stanley, president and chief executive officer of Swett & Crawford Group, the largest wholesale broker in the country, whose business depends on demand for surplus and specialty insurers' capacity. "We'll achieve at least the same amount of premium in 1990 as in 1989," he predicted.

In 1988, Swett & Crawford lost 22% of its premiums.

Admiral Insurance Co., which retained its spot as the ninth-largest surplus lines insurer, wrote about the same volume in the first six months of 1989 as in the first six months of 1988. But, without an acquisition of business, its volume would have been down about 15%.

Still, Admiral lost 30.2% of its volume in 1988 compared with 1987.

However, very few wholesalers or surplus lines insurers are reporting an influx of new business and some say conditions in 1989 are as bad as in 1988.

First State Insurance Co., the fourth-largest surplus lines insurer, lost another 30% of its premium volume in the first half of 1989 on top of a 32.5% loss in all of 1988.

American Empire Surplus Lines Insurance Co., the sixth-largest surplus lines insurer, says its gross pre-

Continued on next page

Ten largest surplus lines insurers

Insurer (Parent company)	Non-admitted direct premiums (000) 1988	1987	% change	Total gross premiums (000) 1988	1987	% change	Statutory combined ratio 1988	1987
Lexington Insurance Co. (American International Group Inc.)	**$886,458**	$916,752	**-3.3%**	**$955,060**	$977,700	**-2.3%**	**84.8%**	83.1%
Scottsdale Insurance Co. (Nationwide Mutual Insurance Co.)	**416,086**	399,082	**4.3**	**612,212**	561,739	**9.0**	**103.6**	104.3
International Surplus Lines Insurance Co. (Crum & Forster/Xerox Corp.)	**169,763**	195,898	**-13.3**	**181,508**	202,835	**-10.5**	-	-
First State Insurance Co. (Hartford Insurance Group/ITT Corp.)	**137,285**	203,495	**-32.5**	**380,780**	474,500	**-19.8**	**101.7**	101.5
St. Paul Surplus Lines Insurance Co. (The St. Paul Cos. Inc.)	**134,287**	199,668	**-32.7**	**159,376**	225,547	**-29.3**	**103.7**	106.0
American Empire Surplus Lines Insurance Co. (Great American Insurance Co.)	**120,624**	199,001	**-39.4**	**142,518**	199,425	**-28.5**	**72.5**	79.6
California Union Insurance Co. (CIGNA Corp.)	**106,500**	160,332	**-33.6**	**107,291**	244,037	**-56.0**	**119.5**	105.7
General Star Indemnity Co. (General Reinsurance Corp.)	**105,011**	164,518	**-36.2**	**104,971**	167,950	**-37.5**	**97.8**	98.0
Admiral Insurance Co. (W. R. Berkley Corp.)	**104,868**	150,216	**-30.2**	**122,637**	160,368	**-23.5**	**106.6**	91.8
United National Insurance Co. (American Insurance Service Inc.)	**100,410**	127,343	**-21.1**	**138,325**	159,528	**-13.3**	**97.4**	90.5

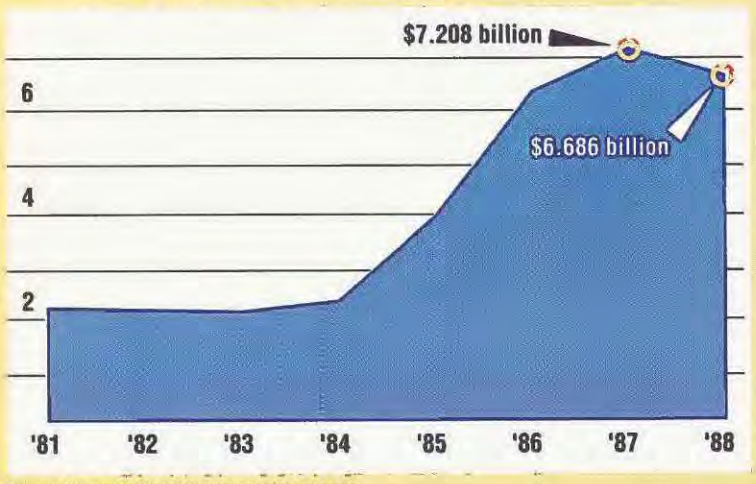
Ten largest insurance wholesalers

MGAs/Underwriting managers (Parent company)	Premium volume (000) 1988	1987	% change	Gross revenues (000) 1988	1987	% change	Percent surplus lines[1] 1988	1987
The Schinnerer Group Inc. (Marsh & McLennan Cos. Inc.)	**$569,000**	$587,000	**-3.1%**	**$48,365[E]**	$49,895[E]	**-3.1%**	**5.0%**	5.0%
The London Agency Inc. (Crum & Forster/Xerox Corp.)	**455,560**	554,746[2]	**-17.9**	**N/M**	N/M	-	**5.0**	6.0
Crum & Forster Managers Group (Crum & Forster/Xerox Corp.)	**318,779**	382,100[2]	**-16.6**	**N/M**	N/M	-	**51.0**	48.8
Cameron & Colby Co. Inc. (Hartford Insurance Group/ITT Corp.)	**282,570[3]**	393,633[3]	**-28.2**	**N/M**	N/M	-	**49.0**	52.0
Brokers (Parent company)								
Swett & Crawford Group (The St. Paul Cos. Inc.)	**$501,138**	$642,753	**-22.0%**	**$46,966**	$58,356	**-19.5%**	**40.0%**	40.0%
Alexander Howden North America Inc. (Alexander & Alexander Services Inc.)	**308,513**	369,599	**-16.5**	**22,267**	24,836	**-10.3**	**35.0**	57.0
Willis Faber Holdings Inc. (Willis Faber P.L.C.)	**282,000**	383,000	**-26.4**	**21,186**	23,938[E]	**-11.5**	**64.0**	67.0
Crump E&S Group (Sedgwick Group P.L.C.)	**236,000**	273,000[2]	**-13.6**	**22,600**	24,600[2]	**-8.1**	**65.0**	65.0[2]
Tri-City Insurance Brokers Inc. (Privately held)	**228,501**	196,808	**16.1**	**13,500[E]**	11,630[E]	**16.1**	**35.0**	40.0
Montgomery & Collins Inc. (CIGNA Corp.)	**199,454**	268,381	**-25.7**	**16,947**	21,922	**-22.7**	**30.0**	30.0

[E]Estimate based on 6.25% for Willis Faber in 1987; 8.5% for Schinnerer in 1987, 1988; 5.9% for Tri-City in 1987, 1988.
[1]Percent placed with non-admitted markets [2]Restated [3]Direct writings only, excludes reinsurance N/M-Not meaningful

Surplus lines premiums

Competition from admitted insurers caused surplus lines premium volume to decline in 1988. Figures in billions of dollars.



Source: BI survey of state insurance departments

John Hall

Surplus lines

Continued from previous page

mium volume may be down as much as 40% this year. Last year, its gross premiums fell 39.4%.

The capacity-rich and premium-hungry admitted insurance marketplace continues to gobble up premiums at rates below what surplus lines and specialty underwriters consider necessary to make a profit, a trend that began in mid-1987.

When offered a lower price for the same coverage by an admitted insurer, a commercial insurance buyer is likely to move the account from a surplus lines insurer. After all, an admitted insurer offers the protection of a guaranty fund, which a non-admitted insurer does not. Only New Jersey has a guaranty fund to pay claims against insolvent non-admitted insurers.

Furthermore, the non-admitted market is by regulatory design the market of last resort, to be used only when admitted insurers won't write the coverage.

And admitted insurers are fighting hard to write the business.

California Union Insurance Co., the seventh-largest U.S.-based surplus lines insurer, says admitted insurers on average quote rates that are 44% lower than Cal Union's, with some admitted market rates 50% to 75% lower.

American Empire's President Joseph M. Walsh says it's often more than price at issue. "We still want applications, we still want loss histories. . .and that gets to be a very unpopular routine in the soft market," he says.

Interestingly, all the leading wholesalers have access to admitted markets, and many underwrite for admitted insurers as well as surplus lines insurers. And, all the leading surplus lines insurers have affiliated admitted insurers.

But whether writing for admitted or surplus lines markets, underwriters that specialize in products like umbrella policies, product liability and professional liability say less-experienced admitted markets are writing the coverage at rates below levels needed to make a profit.

Few surplus lines insurers or specialty wholesale markets are blamed for cutting rates too much.

Wholesalers face greater competition "on a day-to-day basis" from the admitted market companies than they do from other wholesalers, according to Kieran P. Burke, president of Tri-City Insurance Brokers Inc., which for the first time entered the ranks of the 10 largest wholesalers based on its 1988 premium volume.

Competition is "really fought on the desk of the retail broker," says Mr. Burke. "I think the entire wholesale industry's faced with competition from the stock companies, not from each other."

Overall, the strictly surplus lines marketplace lost 7.2% of its premiums in 1988, falling to $6.7 billion from a historic high of $7.2 billion in 1987, according to statistics compiled by *Business Insurance* based on surveys of state insurance departments (see chart, page 11).

Surplus lines includes all insurance written on a non-admitted basis, which permits underwriters freedom from state regulations governing rates and forms. As a result, surplus lines underwriters can alter coverage and pricing to meet buyers' needs without running afoul of state insurance regulation.

The last time surplus lines premium volume fell was in 1983, the last full year of the early 1980's competitive insurance marketplace, when premiums dropped 3.2% to $2.1 billion.

The surplus lines market grew most dramatically during the liability insurance crunch of 1985 and 1986. Premiums written on a surplus lines basis surged 69.7% in 1985 to $3.9 billion and another 61.2% to $6.4 billion in 1986 as insurance buyers were shoved by capacity-short admitted insurers into the surplus lines market.

Just how much business has been reclaimed by the admitted market is most obvious in the 1988 results of the 10 largest surplus lines insurers. Their premiums written on a non-admitted basis overall fell 16% in 1988 compared with 1987. Other surplus lines insurers reporting to *Business Insurance* lost 18% of their premiums written on a non-admitted basis (see directory, page 38).

The 10 largest surplus lines insurers wrote 34.2% of all surplus lines premiums written in the United States in 1988, while others listed in the directory wrote another 12.5%.

Writing most of the other half of the 1988 surplus lines premium volume are underwriters at Lloyd's of London. In 1987, they wrote about $2.9 billion in surplus lines premiums, or 40% of the surplus lines premiums written in the United States that year.

Only one of the 10 largest surplus lines insurers reported growth in premiums written on a non-admitted basis in 1988: Scottsdale Insurance Co., a unit of Nationwide Mutual Insurance Co. The second-largest surplus lines insurer increased surplus lines premiums 4.3% to $416.1 million.

And Scottsdale President Rolland L. Wiegers predicts Scottsdale will finish this year with double digit growth, citing increased rates for commercial property package policies, slight growth in commercial automobile business and the continuing strong performance of Scottsdale's "brokerage division," a year-old specialty underwriting department.

The next best volume performance among surplus lines insurers in 1988 was by the largest surplus lines insurance market, American International Group Inc.'s Lexington Insurance Co., which stemmed its business loss to just 3.3% of 1987 premiums.

Lexington, with $886.5 million in

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Surplus lines

Continued from page 4

premiums written on a non-admitted basis, wrote an impressive 13.3% of 1988 surplus lines premiums, holding onto roughly 70% of its "core" high-risk casualty business last year. And while renewing only about 50% of general casualty business, Lexington wrote larger policy limits and was helped by the strong economy that drove up clients' sales and thus their liability insurance premiums.

This year, Lexington expects to lose about 7% to 8% of its premiums.

Six of the 10 leading surplus lines insurers lost about a third of their 1987 premiums in 1988.

The surplus lines insurers lost market share to admitted insurers rather than slash rates to hold business because they say they are committed to producing profits.

"Sometimes you have to write less in order to protect that profitability," says Janet R. Nelson, president of St. Paul Surplus Lines Insurance Co., the fifth-largest surplus lines insurer, which lost 32.7% of its premiums in 1988 compared with 1987.

All 10 surplus lines insurers achieved profits in 1988 and six of them reported bigger profits in 1988 than in 1987.

For the most part, these leading surplus lines insurers retained their earnings to increase their capital and surplus. The insurers are bolstering their security in preparation for a harder market and an influx of new business.

Five of the 10 largest surplus lines insurers have policyholder surplus exceeding $100 million, three of which passed the mark for the first time this year: First State, General Star Indemnity Co. and United National Insurance Co.

Other leading surplus lines insurers with policyholder surplus exceeding $100 million are: Lexington and American Empire.

All 10 leading surplus lines insurers boast at least an A rating from A.M. Best Co., generally relating to their ownership by leading stock or mutual companies with at least an A rating.

Surplus lines insurers' commitment to profitable underwriting took its toll on the wholesalers that produce, and, in some cases, underwrite insurance for these and other specialty markets.

Wholesalers include surplus lines brokers, underwriting managers and managing general agents.

Although several of these wholesalers are the exclusive access to some important markets—admitted as well as non-admitted—only one of the 10 largest wholesalers reported an increase in premium volume in 1988: Tri-City Insurance Brokers.

Tri-City, a 4-year-old surplus lines broker, entered the ranks of the largest wholesalers based on 1988 premiums of $228.5 million.

Mr. Burke, formerly president of a surplus lines brokerage unit of Fred S. James & Co., attributes Tri-City's success to its independence as a privately held company and its professional brokers.

Otherwise, wholesalers suffered premium volume reductions ranging from a low of 3.1% for underwriting manager The Schinnerer Group Inc., to 28.2% at Cameron & Colby Co. Inc., based on that underwriting manager's direct premiums, excluding reinsurance.

Even with its loss of premiums, Schinnerer became the largest wholesaler for the first time, edging out Swett & Crawford.

The volatile insurance market created many changes in the rankings of the largest surplus lines insurers and wholesalers based on 1988 premiums compared with 1987, but only one company fell out of the rankings: General Star Management Co. was pushed from the rankings of the 10 largest wholesalers by Tri-City. General Star Management wrote $154 million in premiums for its General Reinsurance Corp. affiliates.

Business Insurance ranks the 10 largest wholesalers based on their premium volume, but separates brokers from MGAs and underwriting managers because of their different functions and compensation.

Surplus lines insurers and wholesalers are generally more optimistic about their business this year than last year at this time, reporting that price reductions seem to be slowing.

Lexington reports that it is renewing some property insurance at expiring rates while offering discounts of up to 20% on others. But, it is trying to hold the line on casualty pricing.

St. Paul Surplus Lines, meanwhile, is holding rate reductions to 5% for both property and liability insurance, compared with casualty rate reductions averaging 18% and property rate reductions averaging 14% in 1988.

General Star Indemnity, a predominantly casualty insurance underwriter, is "not looking to reduce prices at all on anything" and in the first six months of this year has even managed to increase prices on some business, said President Kevin P. Brooks.

Umbrella policy prices are not going down less than 10%, said Orville D. Jones, president of Crump E&S Group in Dallas, the fourth-largest surplus lines broker and eighth largest wholesaler.

Surplus lines insurers also are showing more interest in developing closer relationships with their clients, and vice versa.

As part of its business development strategy, Lexington is seeking a higher profile with risk managers.

"There's much more buyer contact now than there was a year ago," says Lexington President Kevin H. Kelley. "We think that's important because it allows us to get to know an account and build a relationship."

According to Ms. Nelson at St. Paul Surplus Lines, "We see evidence from risk managers of major corporations wanting to get to know their surplus lines underwriters just as they want to get to know the underwriters who are handling their primary programs.

"A few years ago, risk managers never met their underwriters on their surplus lines placements," Ms. Nelson observed. "We're seeing it more, and we think it is an opportunity for all of us to provide a better product. The more you understand the risk, the better able you are to respond."

While surplus lines specialists are looking forward to a time when insurance buyers will need their expertise and capacity enough to be willing to pay their higher prices, few are optimistic that the market change is imminent.

"We think the market will remain basically the same for at least the next 12 months," says Mr. Jones of Crump E&S.

"Maybe it will be 1990," says Lexington's Mr. Kelley.

However, Alexander Howden North America Inc. Chairman Daniel E. Kestenbaum says, "We have not made any allowance in our plan for a hard market through 1992."

Profiles of the 10 largest surplus lines insurers begin on page 12, while profiles of the 10 largest wholesalers begin on page 43.

A directory of other surplus lines insurers and insurers that write excess liability insurance on an admitted basis generating at least $50 million in annual gross premiums or 50% of their volume, begins on page 38.

A directory of wholesalers begins on page 65. ■

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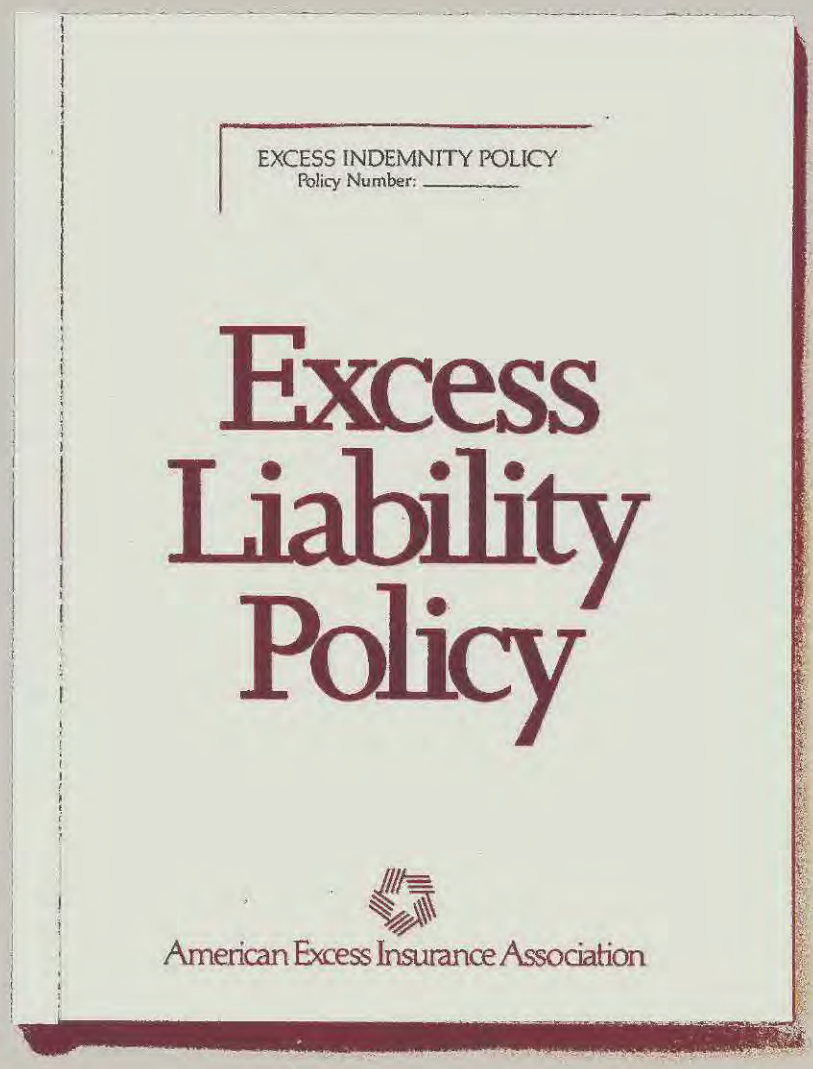
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Opinions

Fight benefit report fees

LEGISLATORS ARE speaking with forked tongues again.

While preaching that employers owe it to their workforces to provide pension plans and employee health care plans, legislators also want to charge employers a fee to file government-mandated reports concerning their pension and welfare plans.

Employers already find the task of filing these reports a nuisance, if not a burden. Now, they may have to pay up to $1,000 annually to file the dreaded Form 5500 with the Internal Revenue Service and $250 every time they file the mislabeled summary plan description with the Labor Department (*BI*, Aug. 7).

Form 5500 contains financial information about employers' pension and welfare plans and the SPD describes—in greater detail than the word summary connotes—how the benefit plans operate.

Employers are convinced that no one reads these forms, and they object to the time and money involved in filing them. To increase the cost of filing these reports by adding filing fees creates another disincentive to providing benefit plans.

The Labor Committees of the House and Senate have approved these new filing fees, so it's probably not worth writing to these committees at this point. They've already made up their minds.

But, the two congressional tax committees—the House Ways and Means Committee and the Senate Finance Committee—hold the fate of these filing fees in their hands.



To protest implementation of these filing fees, employers should immediately write the chairmen of these two committees: Rep. Daniel Rostenkowski, 2111 Rayburn House Office Building, Washington, D.C. 20515; and Sen. Lloyd Bentsen, 703 Hart Senate Office Building, Washington, D.C. 20510.

Letters

Kennedy bill a good health disincentive

To the editor: Sen. Edward Kennedy's renewed thrust for mandated health benefits, which recently passed the Senate Labor and Human Resources Committee, is a perfect example of an emotional knee-jerk reaction of throwing money (in the form of benefits) at a problem in the desperate hope that it will somehow miraculously disappear.

Rising health care costs will not be solved by requiring employers to provide benefits, nor will they be solved by providing care for the unemployed.

Mandating benefits will only increase costs on a geometric scale. At the heart of the Kennedy proposal is the tenet that all Americans have the "right" to health care. The right to health care itself is the fundamental weakness of the proposal.

I submit that each American has a right to good health. Benefits in the form of health insurance will not provide good health. More likely it will instill another form of dependency on those individuals who already are dependent—the poor and lower-paid rank-and-file employees.

These Americans have little education or training in self-care or good health habits and knowledge. Providing health insurance for them will allow them to continue to shift their attention from their own potential for wellness while encouraging them to use medical providers' services on the credit card insurance system, thereby driving costs up astronomically. Worse yet, those Americans who should know better—the business owners, managers and professionals—for the most part have not accepted responsibility for their own wellness.

Consequently, Congress—by mandating health benefits—will surely undermine the "rights" of every American because it will promote dependency on all levels of society.

Alternatively, Congress should, by using the proper economic (tax credits and deductions) and social policy legislation, work with employers and educators (why not start young?) to guarantee rights the old fashioned way! By that I mean rights have inherent responsibilities.

Rather than dependency, promote wellness and more healthful behavior. Promote *independency*. Reduce costs by encouraging Americans to be more independent by taking responsibility for their own health.

It's entirely possible; all we need is the same signal coming from Congress, employers and educators.

John J. Iannantuono
Treasurer
Indicon Inc.
Allentown, Pa.

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Subtle word change makes big difference

To the editor: I was disturbed, but not surprised, by the comments made in a July 10th article, "Managed Care Controls Could Backfire: Survey."

A distinction must be made between managed care plans and plans that manage care. The article discussed the former; and while managed care plans far outnumber the plans that truly manage care, the article did not discuss the difference. Those who claim there is no difference have not been exposed to the management practices that produce such differences.

To successfully manage the delivery of health care, the management program must be continual and begin prior to the delivery of service. There are administrative and overhead costs that are associated with such active health care management, but the savings in health care expenditures are much greater. And the often unexpected end result is higher quality health care.

Dennis J. Hulet
Consulting actuary
Milliman & Robertson Inc.
Seattle

Section 89 changes need close scrutiny

To the editor: Mark A. Mitchell's warning letter of July 31 concerning Section 89 is well taken.

Section 89 was probably the worst piece of legislation since the Reconstruction Act following the Civil War.

Beware of the amended ones! Sen. Lloyd Bentsen, D-Texas, and Rep. Daniel Rostenkowski, D-Ill., are no friends of American business—especially small business.

Benefit managers who accept these phony compromises will live to rue the day.

Thom Williams
Vp-Education
and Communication
Greenheck Fan Corp.
Schofield, Wis.

Insurance industry image also depends on efficiency level

To the editor: H. Felix Kloman's article "Finding a Cure" (*BI*, July 10) missed at least one more problem with the property/casualty insurance industry that causes a poor image.

This is the friction cost that creates so much waste. The property/casualty business is one of the most wasteful service industries in the world. It still takes about 50 cents to pay out $1 in benefits to its customers.

Until such time as the property/casualty insurance companies can reduce their administrative and marketing expenses below 20% and close to 15%, their image will be poor and their customers will be dissatisfied.

The dissatisfaction with the excessive costs has been one of the reasons for so much risk retention by both commercial and individual policyholders.

William S. Mortimer
Risk Management Consultants
Laguna Beach, Calif.

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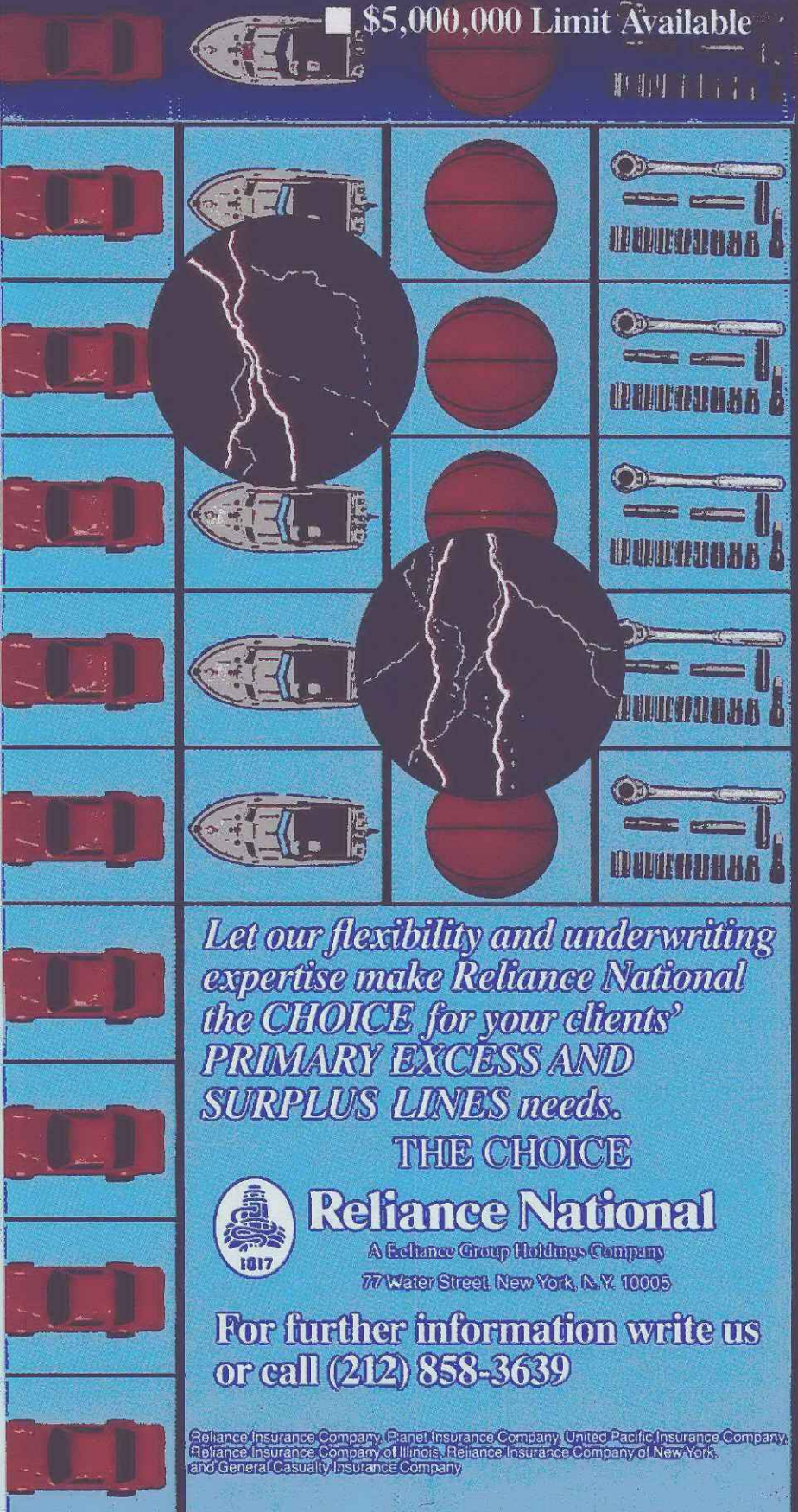
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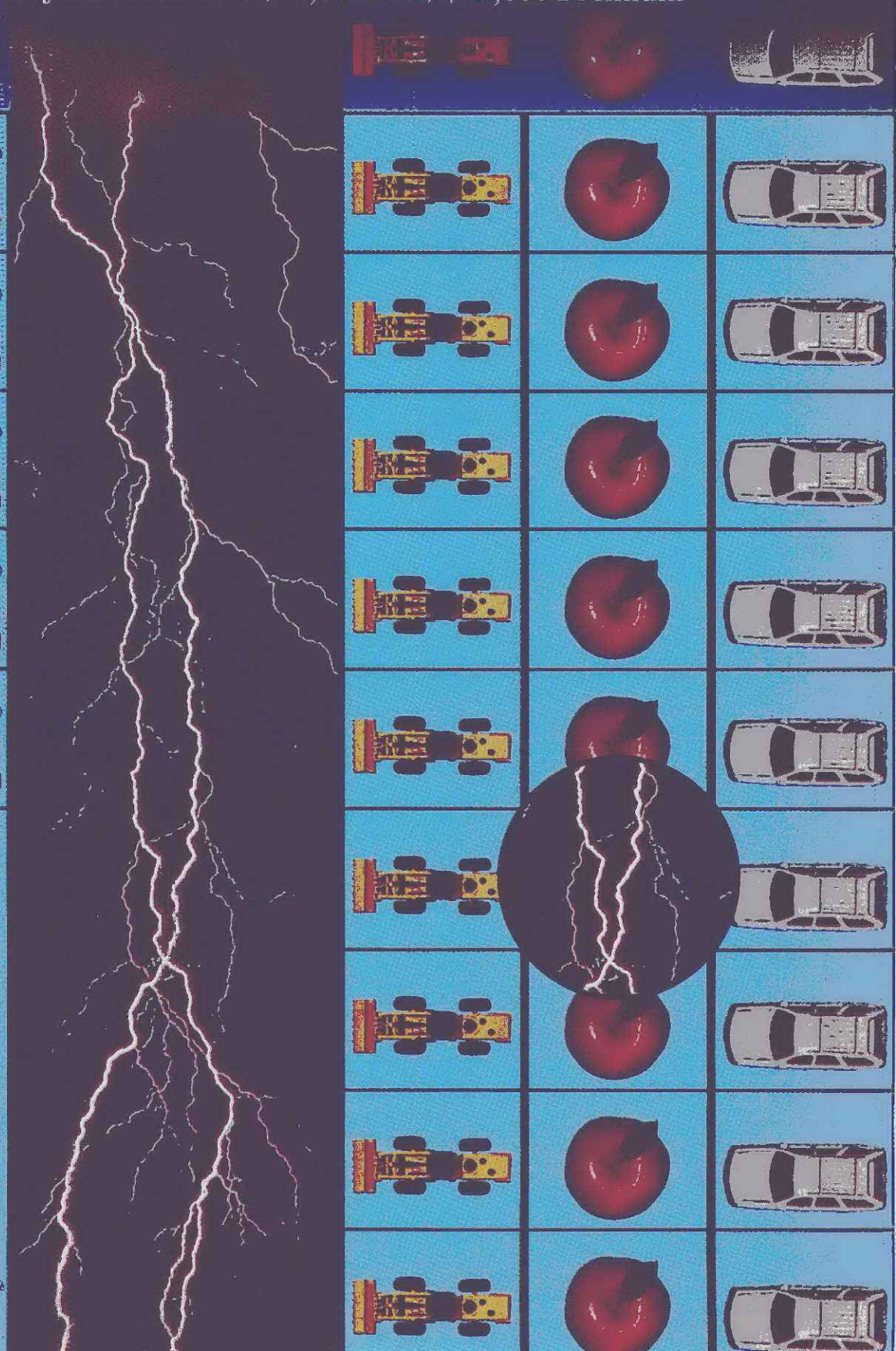
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Spotlight report

Surplus lines volume tumbles

Premiums declined 7.2% in 1988

Surplus lines premium volume declined last year for the first time since 1983, as the non-admitted markets lost business to admitted insurers competing fervently during the soft market.

Last year's 7.2% decrease in non-admitted premium volume—following four years of growth—illustrates the competition for property/casualty insurance business.

State insurance departments reported that nationwide surplus lines premium volume totaled $6.7 billion in 1988, down from $7.2 billion in 1987, when premium volume had grown 13.3% from $6.4 billion in 1986. The growth in 1987 was tiny, though, when compared with the 61.2% surge in 1986 and the 69.7% leap in 1985, the peak of the last hard market.

The 1987 premium figures reported by state insurance departments totaled about 5.6% more than the premium volume provided to *Business Insurance* for 1987 last year due to restatement by several states to more accurately reflect surplus lines premiums written.

Because surplus lines volume fell during 1988, premium taxes collected by state insurance departments also decreased. The decline averaged 6.3%, as surplus lines premium tax revenues fell to $220.1 million in 1988 from $234.9 million in 1987. Premium taxes in 1987 had increased 11.5% from $210.7 million in 1986.

Forty states and the District of Columbia reported reduced surplus lines premium volume in 1988, while 10 states recorded increases.

Indiana experienced the sharpest decline in non-admitted premiums, reporting that surplus lines premium volume fell 31.1% to $90.6 million in 1988 from $131.5 million the year before.

The second greatest decline was posted by South Dakota, where surplus lines premiums fell 30.8% to $6.4 million in 1988 from $9.2 million the year before.

North Dakota posted the greatest increase in surplus lines premium volume: a 34.7% surge to $6.5 million last year from $4.8 million in 1987.

North Dakota also reported the least surplus lines tax revenues of any of the jurisdictions—$81,006 in 1988. However, tax collections in that state were up 55.5% over the $52,088 collected in 1987.

The second-greatest increase in surplus lines premium volume was reported by Ohio, where premiums grew 20.7% to $104.3 million in 1988 from $86.4 in 1987.

California generated the greatest surplus lines premium volume of any state: $1.3 billion in 1988, up 18.6% from $1.1 billion in 1987.

California also collected the most surplus lines tax revenue last year: $39.7 million, an 18.6% increase from $33.4 million in 1987, when it also garnered the largest share of surplus lines premium taxes of any of the 51 U.S. jurisdictions surveyed.

Texas generated the second-largest surplus lines premium volume in 1988, reporting $546.6 million in premiums, a decline of 26.2% from volume of $740.4 million the previous year. ■

Surplus lines premiums & taxes by state

	Surplus lines premiums					Surplus lines taxes			
STATE	1988	1987	1986	88-87 % CHANGE	88-86 % CHANGE	1988	1987	1986	% Tax rate
Alabama	$98,669,150	$108,812,625	$103,684,950	-9.3%	-4.8%	$3,946,766	$4,352,505	$4,147,398	4.00%
Alaska	51,317,242	70,583,980	82,816,645	-27.3	-38.0	911,254	1,289,021	1,505,337	2.70
Arizona	52,248,474	70,239,168	75,206,565	-25.6	-30.5	1,567,454	2,107,175	2,256,197	3.00
Arkansas	39,209,854	46,718,467	46,833,400	-16.1	-16.3	1,568,394	1,868,739	1,873,336	4.00
California	1,322,666,127	1,114,939,281	989,483,247	18.6	33.7	39,679,984	33,448,236	29,684,520	3.00
Colorado	78,042,199	91,000,000	82,600,000	-14.2	-5.5	1,572,730	1,832,000	1,642,000	2.00
Connecticut	65,503,926	72,620,823	77,950,643	-9.8	-16.0	2,604,552	2,904,832	3,118,146	4.00
Delaware	9,868,577	8,675,407	7,430,683	13.8	32.8	197,372	192,656	148,614	2.00
District of Columbia[1]	43,575,950	38,983,500	33,096,650	11.8	31.7	871,519	779,670	661,933	2.00
Florida	466,807,017	469,647,589	407,347,486	-0.6	14.6	12,820,624	12,605,566	11,026,380	3.00
Georgia	127,047,157	169,085,756	155,373,121	-24.9	-18.2	5,075,249	6,635,467	6,308,487	4.00
Hawaii	44,343,232	45,739,506	41,382,584	-3.1	7.2	2,075,766	2,140,638	1,936,707	4.68
Idaho	15,894,010	21,557,277	14,516,666	-26.3	-9.5	558,834	672,976	435,500	3.00[2]
Illinois	338,035,825	346,646,405	316,576,132	-2.5	6.8	10,168,066	10,399,392	9,497,283	3.00
Indiana	90,606,848	131,468,881	85,303,390	-31.1	6.2	2,265,186	3,286,722	2,049,383	2.50
Iowa	33,603,753	31,766,123	33,363,247	5.8	0.7	672,075	635,322	667,265	2.00
Kansas[3]	37,159,279	42,916,365	49,312,365	-13.4	-24.6	1,486,371	1,716,673	1,972,322	4.00
Kentucky	37,308,250	43,270,065	33,690,878	-13.8	10.7	1,119,248	1,298,102	1,010,726	3.00
Louisiana	254,680,000	287,808,571	330,497,445	-11.5	-22.9	12,734,000	14,167,892	16,510,439	5.00
Maine	15,704,218	15,775,924[4]	12,784,909	-0.5	22.8	412,127	473,277[4]	383,547	3.00
Maryland	86,830,217	101,083,446	74,217,600	-14.1	17.0	2,576,686	2,965,293	2,143,200	3.00
Massachusetts	174,592,500	175,698,725	136,029,000	-0.6	28.3	6,983,700	7,027,949[4]	5,441,160	4.00
Michigan	333,146,483	355,468,543	323,410,768	-6.3	3.0	6,662,929	7,436,241	6,827,644	3.00[5]
Minnesota	104,594,481	124,008,126	117,288,822	-15.7	-10.8	3,137,834	3,720,244	3,518,665	3.00
Mississippi	45,268,306	49,576,170	29,734,784	-8.7	52.2	1,855,731	1,970,949	1,189,391	4.00
Missouri	142,592,505	149,595,559	132,337,316	-4.7	7.7	7,129,625	7,479,778	6,616,866	5.00
Montana	11,434,804	13,194,263	9,244,768	-13.3	23.7	314,418	359,940	261,286	2.75[6]
Nebraska	20,828,371	23,065,435	20,640,786	-9.7	0.9	630,793	816,445	619,059	3.00[7]
Nevada	26,992,360	35,532,799	39,454,106	-24.0	-31.6	809,770	1,069,856	1,183,480	3.00
New Hampshire	23,902,184	22,988,367	20,650,011	4.0	15.7	478,044	460,590	413,000	2.00
New Jersey	202,051,176	223,047,740	242,288,667	-9.4	-16.6	6,061,535	6,691,432	7,268,660	3.00
New Mexico	20,761,848	22,024,399	22,598,753	-5.7	-8.1	622,855	660,732	667,963	3.00
New York	406,805,500	498,151,667	402,787,905	-18.3	1.0	14,644,998	17,933,960	14,500,365	3.60
North Carolina	71,987,389	70,566,898	72,647,589	2.0	-0.9	3,599,368	3,528,345	3,632,380	5.00
North Dakota	6,509,053	4,833,509	7,645,013	34.7	-14.9	81,006	52,088	76,450	1.25[8]
Ohio	104,293,198	86,379,373	27,820,212	20.7	274.9	1,322,765	1,577,080	1,391,011	5.00
Oklahoma[3]	70,145,461	77,348,356	64,606,825	-9.3	8.6	4,208,728	4,604,901	3,876,409	6.00
Oregon	71,274,154	81,292,039	71,685,901	-12.3	-0.6	1,603,681	1,829,085	1,612,935	2.25
Pennsylvania	522,690,000	597,579,567	324,787,267	-12.5	60.9	15,680,700	17,927,387	9,743,618	3.00
Rhode Island	28,017,717	26,459,298	20,455,676	5.9	37.0	840,532	793,779	613,670	3.00
South Carolina	42,044,675	43,899,007	41,020,647	-4.2	2.5	1,681,787	1,755,560	1,640,826	4.00
South Dakota	6,373,960	9,212,012	8,155,195	-30.8	-21.8	162,633	237,070	219,027	2.50[9]
Tennessee	63,025,566	65,601,400	49,305,900	-3.9	27.8	1,890,767	1,968,043	1,312,500	2.50[10]
Texas	546,570,476[4]	740,411,971	742,228,129	-26.2	-26.4	25,251,556	28,505,861	28,575,783	3.85
Utah	29,856,686	37,270,215	32,895,619	-19.9	-9.2	1,268,909	1,583,984	1,007,054	4.25[11]
Vermont	14,370,804	20,000,000[4]	12,000,000[4]	-28.2	19.8	431,124	600,000[4]	360,000[4]	3.00
Virginia	60,270,672	62,035,050	61,771,262	-2.8	-2.4	1,655,744	1,690,861	1,697,721	2.75
Washington	115,678,078	136,923,822	140,780,900	-15.5	-17.8	2,313,561	2,753,632	3,080,913	2.00[11]
West Virginia	21,596,250	20,569,080	17,050,737	5.0	26.7	863,850	822,763	1,023,044	4.00[12]
Wisconsin	80,214,800	95,906,920	100,050,737	-16.4	-19.8	2,778,615	2,964,606	3,015,891	3.00[13]
Wyoming	8,675,281	9,707,300	12,340,900	-10.6	-29.7	268,067	291,219	370,227	3.00
TOTALS/AVERAGES	6,685,686,043	7,207,686,769	6,357,182,801	-7.2	5.2	220,119,882	234,886,534	210,735,718	3.27

[1]Fiscal year ends Sept. 30 [2]3.663% between July 31, 1987, and Aug. 30, 1988 [3]Fiscal year ends June 30 [4]State Insurance Department estimate/preliminary figure [5]2% before Jan. 1, 1988
[6]2.75% premium tax, 1.5% firefighters' pension tax, 0.75% fire marshal tax [7]2.75% before Jan. 1, 1987 [8]1% before July 1, 1987 [9]0.5% on fire, 2.5% on all others [10]2.5% on liability, 3.25% on fire
[11]3% before July 1, 1986 [12]6% before Jan. 1, 1987 [13]0.5% on ocean marine

Premiums fall, but Lexington keeps lead

Lexington Insurance Co.

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

	1988	1987
Gross premiums	$955,059,674	$977,700,463
Non-admitted	$886,457,838	$916,751,804
Net premiums	$297,452,647	$241,683,656
Paid-in capital	$4,100,000	$4,100,000
Capital & surplus	$186,405,562	$137,905,716
Employees	212	198
Combined ratio	84.8%	83.1%
Commercial risks	92%	93%
Net income	$50,716,766	$40,754,719
Best's rating	A-plus*	A-plus*

* Group rating

Faced with ongoing competitive pressures, Lexington Insurance Co. is looking for ways to shore up its premium base without chasing underpriced property/casualty insurance business.

Direct non-admitted premium volume at Lexington slipped 3.3% to $886.5 million last year from $916.8 million in 1987, a relatively modest decline compared with the majority of the largest surplus lines insurers, allowing the American International Group Inc. unit to retain its longstanding spot as the largest U.S. surplus lines insurance market.

Gross premium volume in the first half of 1989 is down roughly 8% and will probably be off 6% or 7% for the full year, according to Lexington President Kevin H. Kelley.

Despite the loss of premium volume, Lexington is "not interested in market share," Mr. Kelley says. "We will let business go and have let it go when we perceive there is not a profit opportunity there."

Lexington was able to renew roughly 70% of its "core" high-risk casualty business last year while renewing only about 50% of the general casualty business more vulnerable to price competition, he said.

To counter the effects of lost business and reduced prices on its volume, Lexington has started writing larger limits on existing accounts and developing new business in areas that will likely prove profitable.

As in previous years, Lexington offers a maximum gross limit of $10 million on casualty risks—typically above $5 million in underlying coverage—though an extended limit of $25 million can be arranged with facultative reinsurance support.

Lexington has been writing the extended casualty limit more frequently in the last year, Mr. Kelley reported.

The insurer also has been helped, he added, by the strong economy: With sales rising among such clients as chemical and pharmaceutical manufacturers, product liability insurance premiums have commensurately increased.

Lexington also is writing higher limits for property insurance policyholders, in some cases raising the limits by 50% to 100%, according to Senior Vp Walter L. Mooney.

Lexington can write a $20 million net line on property business and can provide a gross limit of up to $50 million, though the insurer's average policy limit is less than $5 million, Mr. Mooney said.

While preferring to write primary high-hazard property business, Lexington will occasionally write excess property risks, but only as an accommodation to clients, he added.

Earlier this year, Lexington also formed three new "working groups" to focus on the health care, transportation, and financial and professional services industries, Mr. Kelley reported.

The groups will work with key clients to cross-market property and casualty coverages as well as employee benefit stop-loss coverage for self-insurers through Lexington's special accident division, he explained.

The groups also are charged with targeting accounts Lexington isn't yet writing and identifying exposures that clients currently are not insuring.

In this, the groups will work with Lexington's research and development staff to come up with new products to cover the uninsured exposures, Mr. Kelley added.

"We think that innovation is extremely important to our future, and has been extremely important in our past," he observed.

He also sounded a note of caution, though: In its search for new products, Lexington will not venture into risky areas with which it has no experience.

"What we have learned from the early 1980s is that if you do not understand an area, you fess up to it and do not try to dabble in it in a competitive market," Mr. Kelley said.

Lexington has offered several new products since late 1988, not necessarily related to the industries covered by the new working groups. The new products include:

- A lease deficiency policy for financial institutions and leasing companies, covering the difference between the lease value and the actual value of leased equipment in case of total loss of the equipment.
- A building guarantee policy for developers covering faulty workmanship, materials and errors in the design of construction projects.
- A fine arts facility offering up to $100 million in capacity to cover corporate art collections. Lexington is participating in the facility with several London and European insurers, Mr. Kelley said.

As part of its business development strategy, Lexington also is seeking a higher profile with risk managers, Mr. Kelley said.

"There's much more buyer contact now than there was a year ago," he said. "We think that's important because it allows us to get to know an account and build a relationship."

Lexington has established direct contacts with risk managers on most of its major casualty accounts, and now tries to follow up with its clients six months after a renewal to see how things are going, Mr. Kelley reported.

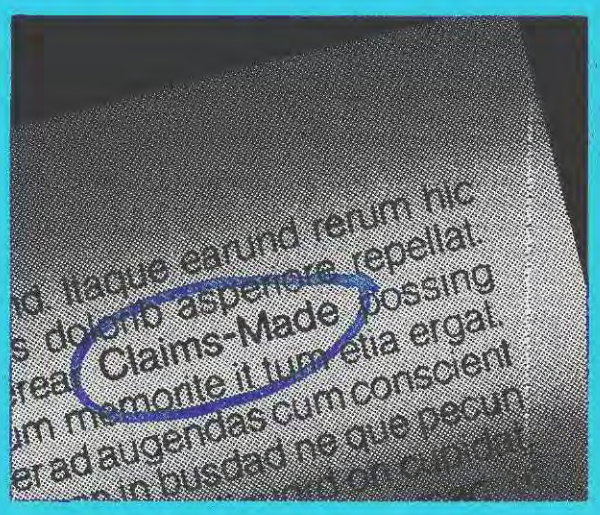
"I view this really as a long-term thing," he said. "To the extent that the buyer knows us, when the market hardens, the buyer is going to feel more comfortable and secure that they know their underwriter."

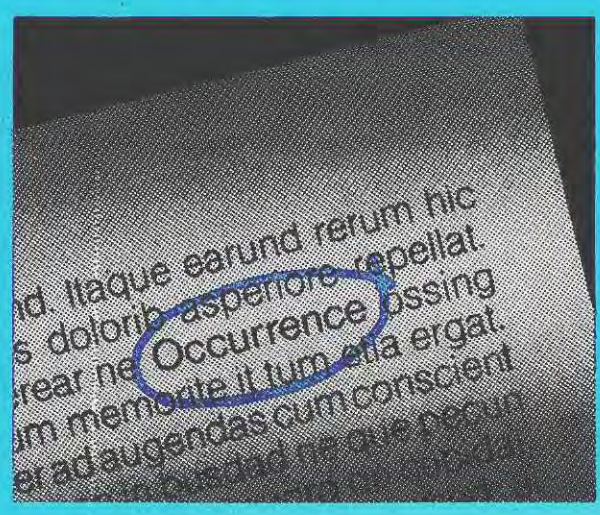
While Lexington's efforts to generate new and additional business helped hold up its volume last year, the loss of less hazardous risks to standard markets and general price competition still took their toll.

"It was pretty much what we expected," Mr. Kelley said of last year's results. "The tougher accounts held better than the general

Continued on page 14

RISKY INSURANCE VS. RISK INSURANCE





A short-term claims-made asbestos liability policy effectively provides no coverage because it's no longer in effect when it's needed.

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ENVIRONMENTAL RISK INSURANCE COMPANY
A Risk Retention Group
ERIC is a subsidiary of Environmental Safety Systems, a publicly traded company.

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A System of Discipline and Trust That Works

Over the past several months, there has been considerable discussion in Congress and several state legislatures over the role MGAs, or Managing General Agents, play in insurance company operations in the excess and surplus lines business within the property and casualty industry. Several recent insurance company insolvencies have caused considerable concern in Congress and many states about the role Managing General Agents played in the demise of these companies.

In the excess and surplus lines market, some insurance companies delegate total administrative, underwriting, claims and reinsurance placement authority to a Managing General Agent. In the case of a few recent insurance company insolvencies, company management may have delegated these authorities with no controls and little monitoring or auditing of the MGA's activities.

These insolvencies are indeed unfortunate, but they should not be allowed to sully the accomplishments and reputation of the vast majority of excess and surplus lines companies and their general agents.

The group pictured in this advertisement are all MGAs who are on the advisory council of Guaranty National Insurance Company and Landmark American Insurance Company, part of the Orion Capital Corporation family of companies. These agents, along with 50 other general agents representing Guaranty National and Landmark American, are dedicated, disciplined, and extremely knowledgeable in their field of insurance in the excess and surplus lines marketplace. Our company delegates underwriting and pricing authority to our commercial general agents based upon their insurance technical expertise and underwriting skills. We control claims handling and reinsurance placement and reunderwrite all business placed in our companies. We also conduct numerous internal and external audits, which our general agents encourage and support. Our general agents dedicate their attention to front-line field underwriting and risk selection. The combined efforts of the company and these disciplined professional agents have given our companies continuous underwriting profits, which we share with our agents.



Guaranty National's General Agency Advisory Council represents professional and dedicated individuals who understand the role of a disciplined operating insurance system. They are sitting left to right, front row : Dick Thomas, Adco General Corp., Denver, Colo., Curtis Anderson, Skanco International, Ltd., Scottsdale, Ariz., Joan Buschbach, J. Buschbach Insurance Agency, Inc. Chicago, Ill., Jimmy Stringer, Jr., Jimmy Stringer Co., Atlanta, Ga., and Bill Jackson, Agents Insurance Markets, Inc., Richmond, Va. From left to right, back row: Chuck Conway, Deleware Valley Underwriting Underwriting Agencyh, Inc., Pittsburgh, Pa., John Griffin, Cochrane, Griffin & Co., Bellevue, Wash., John Snyder, Snyder General Agency, Madison, Wisc., and Elton George, Elton George & Co., San Antonio, Texas.

Our advisory council is only representative of the thousands of professional and dedicated MGAs who, along with their insurance companies, understand the role of an integrated underwriting and disciplined operating insurance system. The general agency system does work for the vast majority of companies and agents, provided they operate like professionals. Guaranty National and Landmark American are proud to do business with these professional businessmen and businesswomen.

Guaranty National Companies
Englewood, Colorado

Continued from page 12
property/casualty accounts."

He added, however, that "we really view 1988 as a good year for us."

Gross written premiums at Lexington dipped 2.3% to $955.1 million from $977.7 million in 1987. This represented a significant slowdown from the nearly 35% growth in 1987 from the previous year's gross volume of $725 million and the near-doubling of 1986 premiums from $377.1 million in 1985.

Liability lines represented $790 million, or 82.7%, of Lexington's 1988 gross premiums, while property business accounted for the remaining 17.3%.

The drop in 1988 gross volume was related entirely to property business, the insurer's annual statement shows: While liability premiums were marginally higher than the $788.2 million reported in 1987, property premiums fell last year from $189.8 million the previous year.

Roughly 60% of Lexington's casualty book consists of excess and umbrella business, up from 55% a year ago, Mr. Kelley said. Primary liability business, meanwhile, has declined to 10% of the book from 15% a year ago.

"Some of the primary business went to the (standard) market," he observed.


Mr. Kelley

The remaining 30% of the casualty book consists of transportation risks, unchanged from a year ago.

While Lexington's transportation business is written on a occurrence form, between 62% and 67% of its non-transportation liability business continues to be written on a claims-made form, Mr. Kelley reported.

Of Lexington's total gross written premiums last year, $889.2 million were direct insurance premiums. All of the direct business was written on a non-admitted basis, except $2.7 million written in Delaware and Puerto Rico, the only two jurisdictions where Lexington is admitted.

Lexington also assumed $65.8 million in reinsurance premiums, mainly from other AIG units.

Continuing a trend of recent years, Lexington's net volume continued to rise last year as a percentage of its gross volume.

Net written premiums in 1988 amounted to $297.5 million, or 31.1% of gross premiums, compared with 1987 net volume of $241.7 million, or 24.7% of gross writings that year.

For liability lines only, net premiums last year were $271.7 million, or 34.4% of gross liability premiums, while property net premiums were $25.7 million, or 15.6% of gross property premiums.

Mr. Kelley cautioned, however, that these figures are distorted by fronting programs Lexington writes for captive insurance companies, and do not accurately represent the insurer's retention on its business.

Lexington's actual net retention on casualty risks, for example, averages 40% to 45%, he said.

Net retentions on property business average at least 25%, according to Mr. Mooney.

As in previous years, Lexington reported impressive operating results last year, producing a marginal gain in underwriting income, a larger gain in net income and a substantial boost to its year-end policyholder surplus.

Earned premiums jumped 20.8% in 1988 to $265.8 million from $219.9 million the previous year. This growth had slackened somewhat from the 67.4% spurt in earned premium growth in 1987 from 1986 volume of $131.4 million.

Losses and loss expenses, meanwhile, rose 14.1% to $208.4 million last year from $182.7 million the previous year.

This translated to a 1988 loss ratio of 78.4% for Lexington, an improvement from 83.1% in 1987.

For the first time in at least a decade, however, Lexington last year reported a positive expense ratio.

Lexington for years has collected huge ceding commissions on reinsurance it buys from hundreds of authorized and unauthorized reinsurers. In previous years, 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, ceding commission income was so large that it actually outstripped Lexington's losses and loss expenses and resulted in a negative combined ratio.

In 1987, ceding commissions totaling $125.6 million offset Lexington's underwriting expenses almost exactly and resulted in an expense ratio of zero.

Last year, though, ceding commissions of $111.7 million were not quite enough to offset the other expenses, and the insurer reported net underwriting expenses of $19.1 million. This translated into a 1988 expense ratio of 6.4%.

Thus, Lexington finished the year with a combined ratio of 84.8%, a slight deterioration from the 83.1% combined ratio reported in 1987.

After deducting losses and expenses from earned premiums, Lexington finished 1988 with an underwriting gain of $33.4 million, a 2.4% increase from $37.4 million in 1987.

Investment gains, meanwhile, rose 12.4% to $39.9 million in 1988 from $35.5 million in 1987.

After other gains and losses, Lexington produced net aftertax income of $50.7 million last year, up 24.4% from $40.8 million in 1987.

In addition to Lexington's net gain, the insurer also reported a $7.6 million unrealized capital gain last year and paid $11.4 million in dividends to the three AIG affiliates that hold Lexington's stock: National Union Fire Insurance Co. of Pittsburgh, Pa.; Insurance Co. of the State of Pennsylvania; and Birmingham Fire Insurance Co.

Even after these dividends and other gains and losses, Lexington finished the year with policyholder surplus of $186.4 million, a 35.2% increase from $137.9 million at year-end 1987.

Competitive pressures have continued so far this year, with a roughly 8% decline in gross volume, according to Mr. Kelley.

"I really don't see any great change for the rest of this year, so we will probably be seven to eight points off for the year," he said.

Profit margins are growing especially thin on property business, he added, noting that there is "no fat" in property rates to absorb any catastrophe losses that may hit the market during this year's hurricane season.

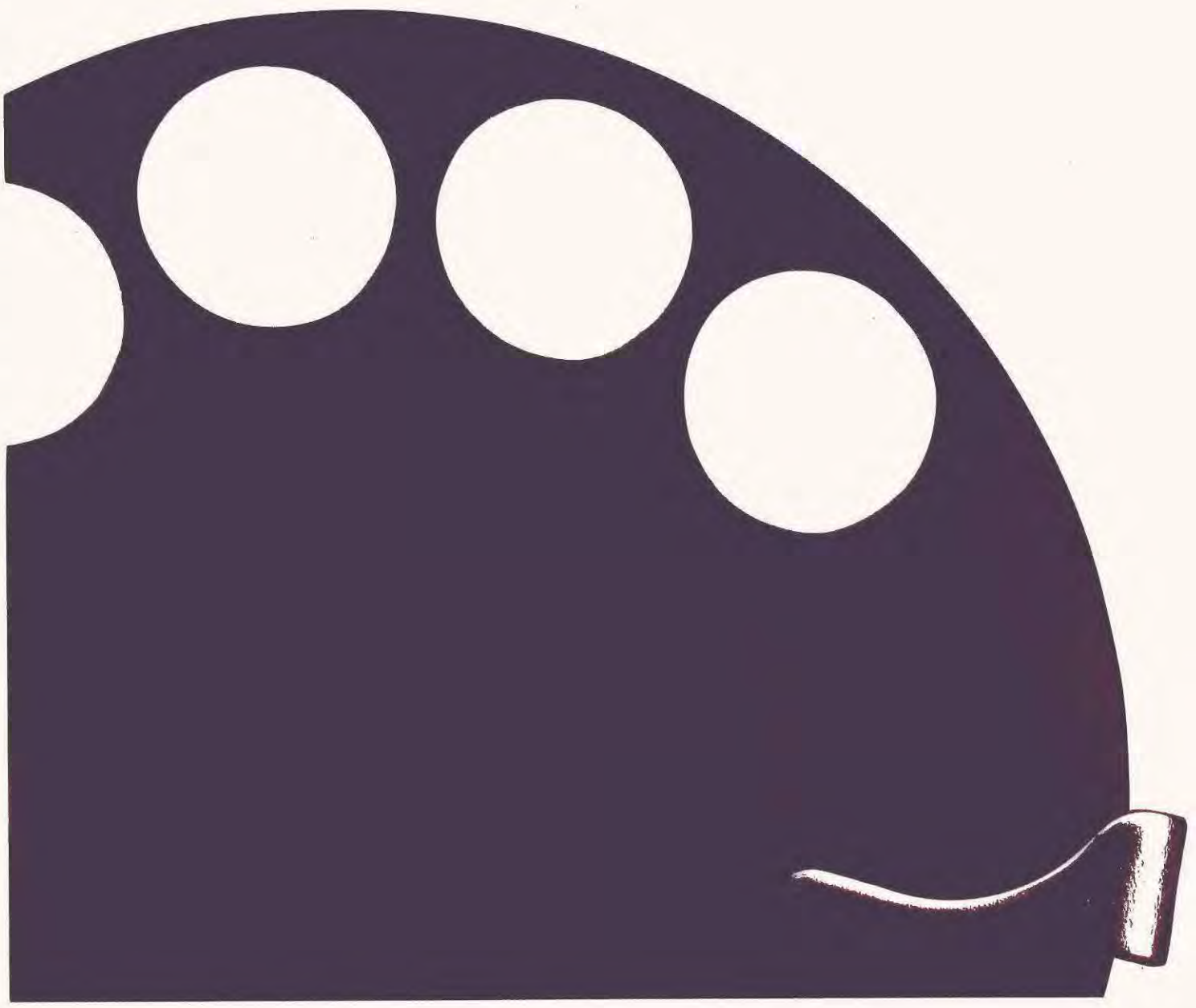
Lexington has been renewing some of its property business at expiring rates, while offering discounts of up to 20% on other property risks, Mr. Mooney said, though he added that rate reductions "appear to be slowing up a little bit."

Meanwhile, the insurer is trying to hold the line on casualty pricing, Mr. Kelley said.

Rising losses and expenses, uncollectible reinsurance and the heightened insurance industry taxation brought about by the 1986 Tax Reform Act should in theory

Continued on next page

A lot has changed since C



Continued from previous page
combine to harden the market, Mr. Kelley observed.

"Maybe it will in 1990," he said.

Along with its property and casualty divisions, Lexington maintains:

- A special accident division, offering stop-loss coverages to employers that self-insure their employee benefit programs. Gross premiums written amounted to nearly $25 million last year, up 66.7% from about $15 million in 1987, he said.
- An international division, which handles domestic and international exposures of multinational corporations. As part of this division, Lexington's London office handles North American business that has found its way to the London market.

Gross volume of this division was about $15 million last year, up 32.7% from $11.3 million in 1987.

- 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.

Lexington's staff expanded slightly last year to 212 employees from 198 at year-end 1987.

Gross volume of the program division declined 8.0% to $115 million last year from $125 million in 1987, largely because of soft market pressures, Mr. Kelley said.

About half of Lexington's business continues to be produced by wholesale brokers and half by retailers, according to Mr. Kelley. Of the insurer's Top 10 producers, four are wholesalers, four are retailers and two are London brokers, he said.

Lexington's staff expanded slightly last year to 212 employees from 198 at year-end 1987.

Most of the additions were to the insurer's claims operation, which has doubled in size over the last two years to accommodate Lexington's rapid premium volume growth, said Senior Vp Nicholas E. Anselmo.

"It's where we really put our head count," said Mr. Kelley, adding that head count has actually fallen in most of the other departments.

In addition to Messrs. Kelley, Mooney and Anselmo, principal officers of Lexington include Richard H. Bucilla, Richard E. Jodoin and Michael Rogers, senior vps.

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

—By Douglas McLeod

Scottsdale Insurance Co.

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

	1988	1987
Gross premiums	$612,211,890	$561,739,009
Non-admitted*	$416,085,563	$399,081,525
Net premiums*	$21,846,932	$22,452,616
Paid-in capital	$6,000,200	$6,000,200
Capital & surplus	$47,913,941	$13,116,936
Employees	464	371
Combined ratio*	103.6%	104.3%
Commercial risks	74.5%	71.0%
Net income	$9,606,961	$4,617,758
Best's rating	A-plus*	A-plus**

* Pooled.
** Contingent, pooled.

The soft commercial property/casualty insurance market is not halting Scottsdale Insurance Co.'s growth.

While premium volume is falling at other large surplus lines insurers as admitted companies gobble up business previously written in the non-admitted market, Scottsdale continues to grow –albeit at a slower pace.

"While everyone else is crying, we're having a damn super year," says Rolland L. Wiegers, Scottsdale's president.

Indeed, Scottsdale, the nation's second-largest surplus lines insurer, is the only company among the 10 largest non-admitted insurers ranked by *Business Insurance* to increase premium volume in 1988, and that growth is continuing into 1989.

In 1988, Scottsdale, a subsidiary of Nationwide Insurance Co., reported gross premiums written on a direct, non-admitted basis of $416.1 million, a 4.3% increase over $399.1 million in 1987. This modest increase comes after a 29.4% jump in 1987 from $308.5 million in 1986.

Total 1988 gross premium volume, including premiums assumed from Scottsdale's participation in Nationwide's intercompany reinsurance pool, rose 9% to $612.2 million from $561.7 million in 1987. The increase follows a 15.7% rise in 1987 from $485.4 million in 1986.

Net premium volume, which reflects the pooling arrangement, fell slightly in 1988 to $21.9 million from $22.5 million in 1987.

But, Scottsdale's net income after pooling more than doubled in 1988 to $9.6 million from $4.6 million in 1987.

Mr. Wiegers stresses that Scottsdale's performance looks even better when it is reviewed on its own and not on a pooled basis with other Nationwide companies.

For example, while Scottsdale reports a 1988 combined ratio of 103.6% on a pooled basis on its annual statement, compared with 104.3% in 1987, Scottsdale's combined ratio drops to 95.1% when the pooled business is not included. However, that represents a deterioration from 89.2% in 1987.


Mr. Wiegers

Both surplus lines premium volume and overall gross premium volume should vault back into double-digit percentage increases this year, Mr. Wiegers predicts.

Already, gross premium growth for the first half of 1989 is up 20% compared with 1988, he pointed out. "The bottom line is last year was super and this year looks slightly better."

Mr. Wiegers expects Scottsdale to finish 1989 with a 15% increase in gross premiums to around $704 million.

While other surplus lines insurers say their volume is shrinking because they are adequately pricing their business while competitors are not, Mr. Wiegers says Scottsdale, also, is sticking to its operating philosophy of adequately pricing its products and staying away from those lines of coverage that are underpriced.

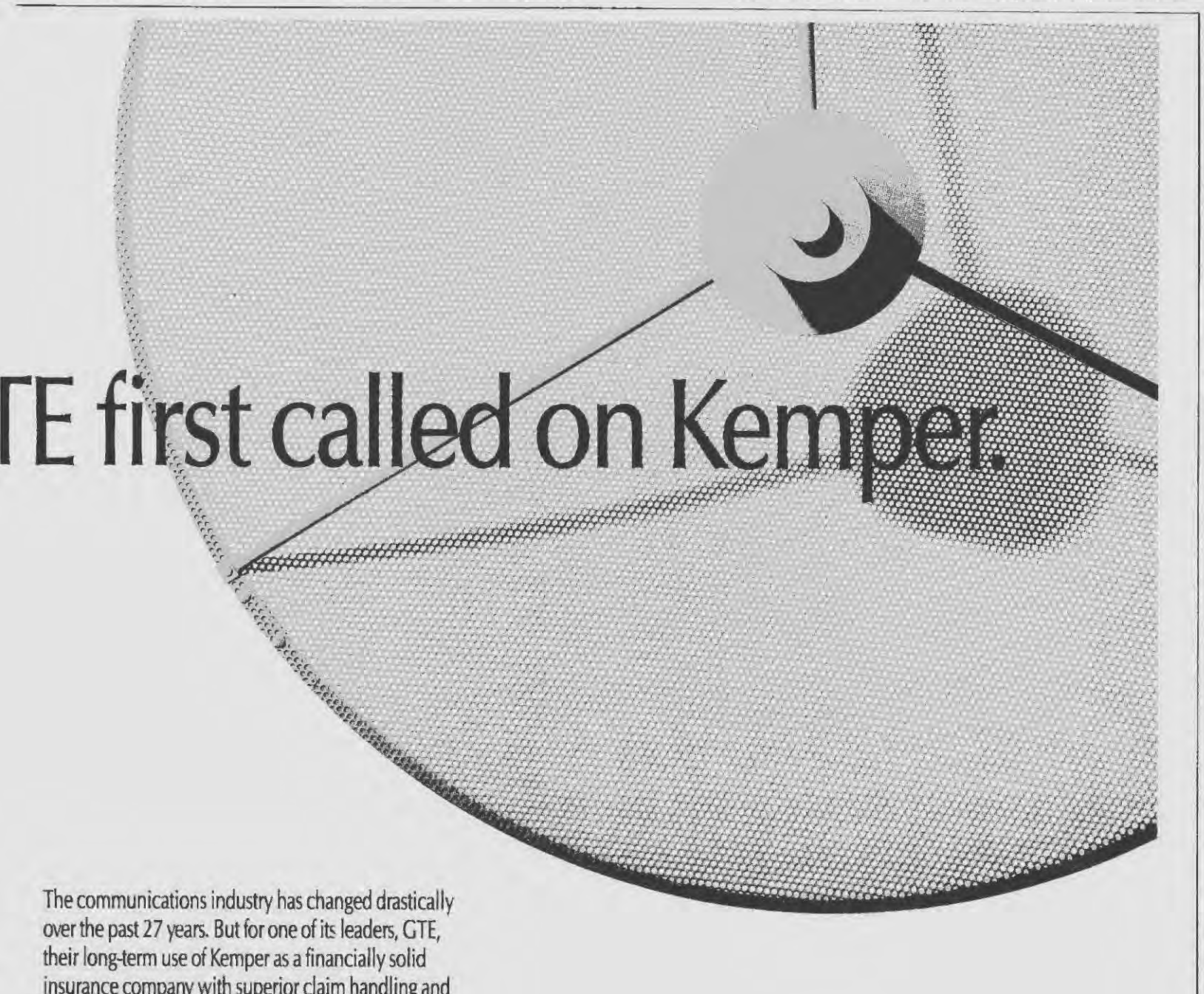
And, he emphasized, Scottsdale is aware that it must control its growth. "We're very conscious of not growing too fast," Mr. Wiegers remarked. "Scottsdale is only 7 years old now, and it has grown rapidly. We watch it very closely.

"Some of the lines that we think are very thin in pricing, we screw them down and don't get too heavy in them until the market does change. Umbrella is an example. We're not very aggressive in that area."

He pointed out that Scottsdale has "a strong financial parent. Nationwide Insurance has enabled us to take advantage of the good cycles in the market."

Indeed, Scottsdale received a $30 million contribution to surplus

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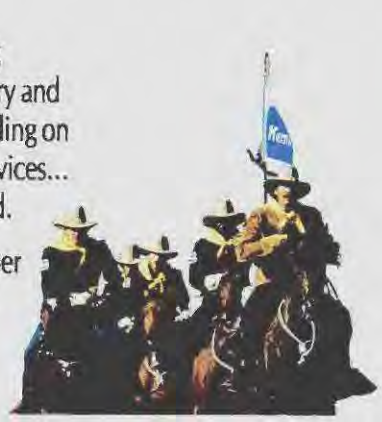


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Continued from previous page
during 1988. That helped increase Scottsdale's surplus to $47.9 million at year-end 1988 from $13.1 million as of Dec. 31, 1987, despite a $4.7 million charge against surplus related to unauthorized reinsurance.

"We will be in very good shape" for a market turn that Mr. Wiegers expects will arrive no sooner than late 1990.

However, Mr. Wiegers said he doesn't believe the next tight market will resemble the insurance crisis years of the mid-1980s.

One reason, he said, is because "I really don't think the majority of the standard companies are doing that badly in this environment. I think there will be some changes, but I don't anticipate in 1990 or '91 that there's going to be a real shortage of capacity, which drives rates up. So I don't anticipate a real disaster if the market does turn around."

Scottsdale's financial strength also has allowed it to continue to increase staff at a time when many other surplus lines companies are trimming their ranks or holding the line on new hiring.

Scottsdale's workforce swelled to 464 by the end of last year from 371 in 1987.

Scottsdale, Mr. Wiegers said, has been able to "build a staff of good people during some down cycles in the market and has positioned us really to be in an ideal spot. If and when we do see another tight market, we'll be ready for it."

Mr. Wiegers attributes Scottsdale's growth this year to increased rates for commercial property package policies, slight growth in commercial automobile business and the continuing strong performance of Scottsdale's "brokerage division," a year-old specialty underwriting department.

Scottsdale continues to target small commercial property risks as its bread-and-butter business.

Scottsdale normally writes limits of $200,000 to $300,000 for an average commercial property account, Mr. Wiegers noted, but the insurer can provide up to $1.5 million in coverage for property risks.

"Some of the rates have tended to firm up," Mr. Wiegers said of current market conditions in the commercial property insurance business.

'I don't anticipate a real disaster if the market does turn around,' says Mr. Wiegers.

The firming is unusual because property insurance is "usually the first one to be cut and the last one to firm" during a soft market, he said. "We're seeing some good growth there."

In fact, "we've started working in a 10% increase," Mr. Wiegers said. "You hear a lot of screaming and hollering about that, but we think overall that the market has firmed up to that point."

Scottsdale retains up to $250,000 per risk on its commercial property business. Reinsurance intermediary E.W. Blanch Co. in Minneapolis handles the insurer's property reinsurance placements.

Scottsdale's personal lines property business has increased slightly, he added. A typical personal lines property policy is written with limits of around $50,000.

Like property prices, commercial automobile liability rates also have firmed, according to Mr. Wiegers.

Scottsdale offers up to $1 million in liability coverage for corporate-owned vehicles, including delivery trucks that make short-distance runs. However, it does not write long-haul trucking risks.

While current rates for commercial automobile business written by Scottsdale are not as high as they were two years ago at the end of the hard market, Mr. Wiegers doesn't think that commercial auto rates will fall any lower.

Scottsdale's reinsurance for commercial auto risks is brokered by Inter Re Co. of San Francisco. The insurer retains up to $250,000 of each risk.

Mr. Wiegers is enthusiastic about the performance of Scottsdale's new brokerage division, which was established last year to write coverages that in the past Scottsdale had not authorized its managing general agents to write.

The new division wrote premiums of $190 million last year, though that volume is expected to drop to around $180 million this year because of soft market conditions, according to Mr. Wiegers.

The new department, which he describes as a "brokerage" or "speciality underwriting" division, is one of the most dramatic developments in the insurer's seven-year history, he said.

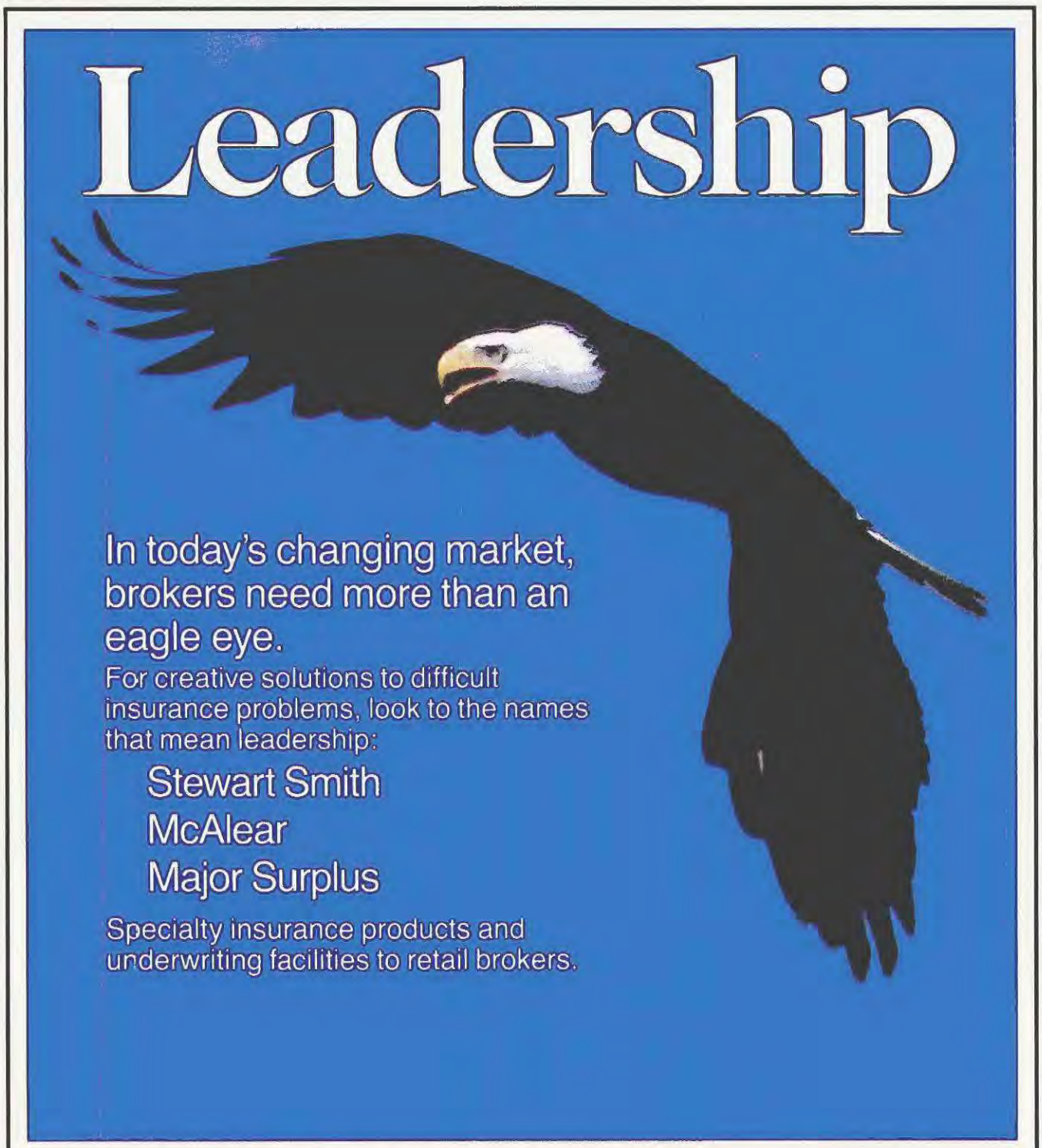
In the past, Scottsdale's MGAs found that they had to access brokerage markets to write some business that did not fall within the insurer's guidelines, either because they required higher limits than the MGA was authorized to write or were part of a class the agent was restricted from writing, Mr. Wiegers explained.

"We now have an in-house brokerage facility. . .that will underwrite a certain amount of that business through special underwriting guidelines and pricing guidelines and special reinsurance treaties."

The new department, he said, "has opened up a new avenue for the company and our general agents."

The facility mainly writes professional liability insurance for police officers, public officials, nurses and school board members.

Continued on page 18



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Continued from page 16
It can provide limits up to $1 million for these risks.

Scottsdale retains a minimum of $250,000 of each professional liability risk.

The department also writes up to $5 million in excess liability and umbrella coverages, with the insurer retaining varying amounts of those policies.

"We have the flexibility of retaining more or less than ($250,000)," said Mr. Wiegers.

Umbrella coverages remain a small part of Scottsdale's total book, making up less than 5% of its casualty business, he added. "We're not very aggressive because of the pricing. It's still very competitive."

The bulk of the business written by the specialty division is reinsured through Aon Reinsurance Agency in Chicago.

Mr. Wiegers pointed out that the specialty division is "a separate division within the company, handled by separate underwriters and separate management."

The department has about 50 employees and is headed by Vickie F. Kartchner, vp-specialty underwriting.

In contrast to commercial property, automobile and its new brokerage division, general liability insurance underwriting has not been particularly fruitful for Scottsdale, Mr. Wiegers said.

"On our general liability book, we're flat. We don't see any change in that. In fact, we're a little down over last year."

While Mr. Wiegers called the general liability business "just as competitive as ever," he said that "in certain classes in general liability. . .rates are still pretty decent. For ones that are underwritten properly, you still have a chance of making a bottom-line profit."

Among the types of general liability for which "decent" rates are being charged is coverage for contractors and manufacturers, he said.

Scottsdale generally offers $1 million in general liability limits, but can provide as much as $5 million.

Most casualty accounts are written at limits of $300,000 to $500,000, he said.

Last year, around 25%—or $153 million—of Scottsdale's 1988 gross premiums were written by National Casualty Co., an admitted Nationwide Insurance Co. affiliate that cedes business to Scottsdale. In 1987, National Casualty wrote about 22% of Scottsdale's gross premiums.

National Casualty is used by Scottsdale when an admitted insurer is needed, Mr. Wiegers explained.

Scottsdale's meteoric growth has been responsible for three relocations within the same city since the company was formed in 1982. As it continues to grow, the company needs more space to house an expanding workforce.

A new 200,000-square-foot office now under construction is scheduled to open in 1990, allowing the company to move out of its cramped 120,000-square-foot facility.

Scottsdale is approved as a nonadmitted insurer in all states except Arizona, Ohio and Delaware. Scottsdale is admitted in those three states.

In addition to Mr. Wiegers and Ms. Kartchner, Scottsdale's principal officers are: Jack A. King, vp-legal; Thomas D. Stamm, vp-general underwriting; 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-plus pooled rating from A.M. Best Co.

—By Michael Bradford

International Surplus Lines Insurance Co.

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

	1988	1987
Gross premiums	$181,508,321	$202,834,680
Non-admitted	$169,763,049	$195,898,347
Net premiums	NA	NA
Paid-in capital	$5,000,000	$1,500,000
Capital & surplus	$26,375,806	$21,534,649
Employees	0	0
Combined ratio	NA	NA
Commercial risks	100%	100%
Net income	$6,947,146	$7,424,610
Best's rating	A*	A*

* Contingent, reinsured.

Chicago-based International Surplus Lines Insurance Co. last year posted a 13.4% drop in premiums, but nevertheless moved up to No. 3 on the list of the Top 10 surplus lines insurers.

Gross premiums written on a non-admitted basis dropped to $169.8 million in 1988 from $195.9 million in 1987, when the insurer held the No. 6 position.

ISLIC's gross premium volume also slipped in 1988. Last year's $181.5 million in gross premiums represented a drop of 10.5% from the $202.8 million registered in 1987.

ISLIC Chairman David N. Thompson predicted that ISLIC, a subsidiary of Basking Ridge, N.J.-based Crum & Forster Inc., probably would not grow significantly during the foreseeable future.

Mr. Thompson noted that ISLIC has no employees, and that its operations are managed by Crum & Forster Managers Group, of which he is chairman (see profile, page 52).

Because ISLIC cedes all of its business to a pool of Crum & Forster insurers, ISLIC reported neither underwriting gains nor losses on its specialty property/casualty insurance products. It does not report a combined ratio for the same reason.

ISLIC is 100% reinsured through International Insurance Co., another Chicago-based member of the Crum & Forster pool.

Under a portfolio agreement established in 1985, ISLIC ceded all its loss reserves to International.

Mr. Thompson said that a 6.8% decline in ISLIC's net income—to $6.9 million last year from $7.4 million in 1987—could be attributed to lower interest rates.

Dennis C. Gibbs, ISLIC's senior vp and chief financial officer, said that ISLIC's net income was generated by $1.8 million in management fees for services ISLIC provided to International and other Crum & Forster pool members; an intracompany tax benefit of $4 million from allocation of corporate-wide taxes; and investment income.

But an unrealized capital loss of $1.5 million kept policyholder surplus growth to $4.8 million, according to Mr. Gibbs.

Policyholder surplus reached $26.4 million, up from $21.5 million in 1987.

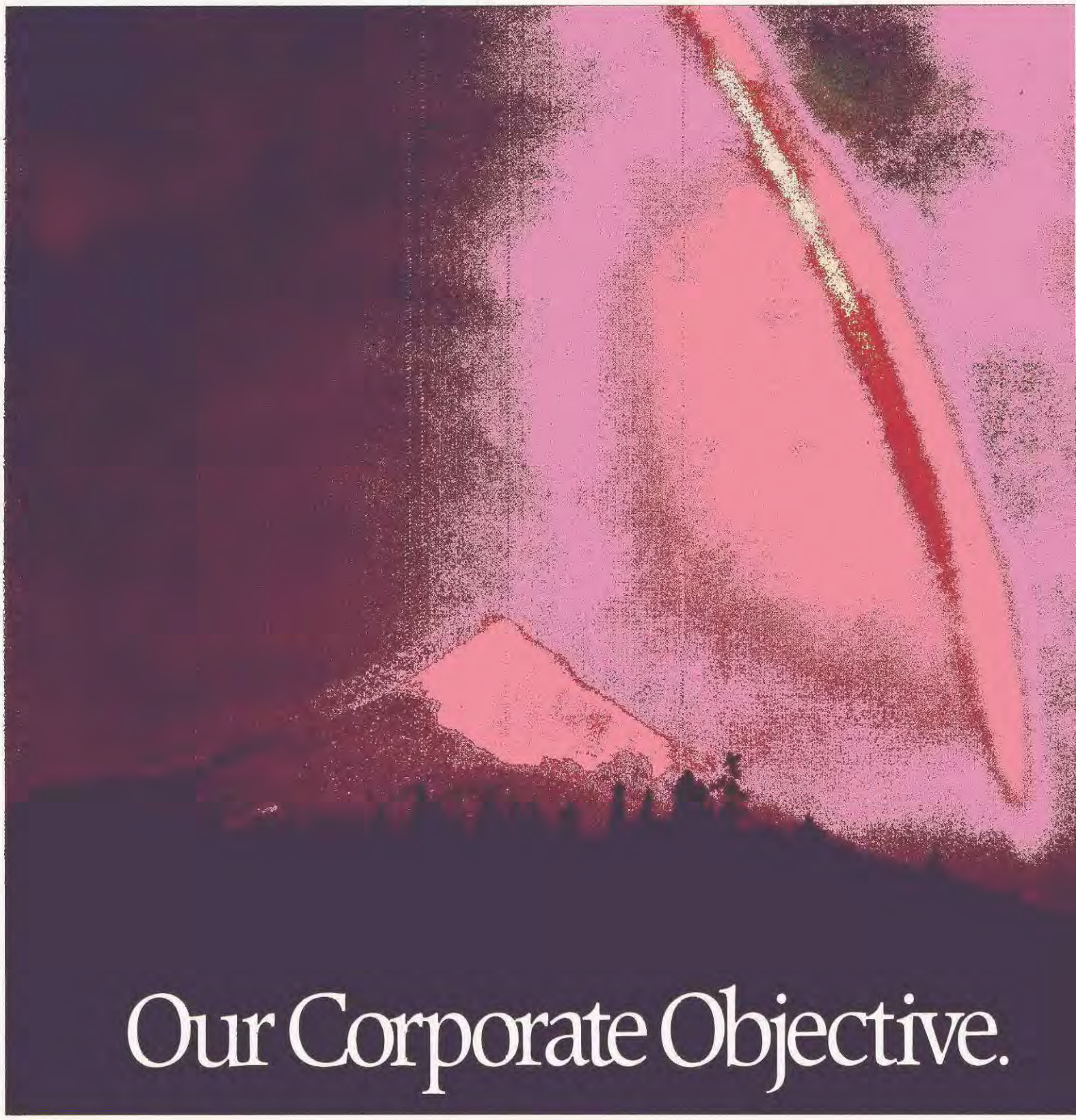
ISLIC's specialty products include errors and omissions and professional liability coverage for accountants, architects and engineers, insurance agents and real estate brokers; directors and officers liability coverage for non-profit and for-profit entities; property insurance; and excess liability coverage.

ISLIC offers limits of $5 million, except for for-profit D&O coverage, for which it offers $2 million in limits.

Those figures are unchanged from last year.

ISLIC operates as an admitted insurer in Illinois and as a non-admitted, approved insurer in all other states, including the District of Columbia and Puerto Rico.

—By Mark A. Hofmann



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First State Insurance Co.

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

	1988	1987
Gross premiums	$380,779,714	$474,500,426
Non-admitted	$137,284,728	$203,494,792
Net premiums	$152,008,649	$157,067,079
Paid-in capital	$5,000,000	$5,000,000
Capital & surplus	$108,013,373	$85,456,363
Employees	0	0
Combined ratio	101.7%	101.5%
Commercial risks	70%	70%
Net income	$22,588,886	$18,030,493
Best's rating	A-plus*	A-plus*

* Contingent, pooled.

As the soft property/casualty market stretches into another year, First State Insurance Co. is trying to expand its business in specialty niches to slow the erosion of its surplus lines premium volume.

Direct non-admitted premiums dropped 32.5% last year to $137.3 million from $203.5 million in 1987, due mainly to competition from standard market insurers and some other surplus lines insurers.

This decline left First State in the No. 4 spot in the *Business Insurance* rankings of the largest surplus lines insurers, down from the No. 3 position based on 1987 non-admitted premium volume.

"The drop was more significant than we anticipated because the market in general is more competitive than most people expected," said Chief Executive Officer Lawrence S. Doyle, explaining that much of the drop related to lost renewal business.

"We have not reduced our rates as much as most people," he said.

First State, a unit of Hartford Fire Insurance Co., offered rate reductions averaging 20% on property business and 15% on casualty risks in 1988 and 1987, he said.

Nevertheless, First State continued to see business move to other insurers—mainly admitted markets—at rate reductions of up to 50% each year, he said.

While competition from admitted insurers has been stiff, "in general, there has been good discipline in the surplus lines industry," Mr. Doyle observed. "Most of the survivors from the last soft market are fairly well scarred and have learned their lessons."



Mr. Doyle

During the first six months of this year, prices charged by surplus lines insurers have begun to stabilize, he added.

"Certainly there is a trend toward more continuity in terms of a risk staying with a carrier longer term rather than changing for a 10% price reduction," he said.

Still, First State's direct written premium volume has fallen about 30% during the first half of 1989 as the amount of new business written by First State has slowed to a trickle, Mr. Doyle said.

This slowdown is due both to standard market competition and to the fact that the available new business has not met First State's underwriting requirements, he explained.

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

The insurer also is trying to expand its primary casualty and specialty lines business, Mr. Doyle said.

First State started writing primary casualty business in January 1988, largely because market conditions for that type of casualty business are relatively favorable, he said.

"Those rates are holding up a lot better than excess casualty business. That's why we are in it," he explained.

Most of the insurer's primary casualty risks are located in the New England area and a few other states, and this business is written only out of the Boston home office of Cameron & Colby Co. Inc., another Hartford unit and the exclusive underwriting manager for First State, Mr. Doyle said (see story, page 54).

Meanwhile, First State also is working to develop its specialty property and liability programs, which include a professional liability program for lawyers in Massachusetts, Rhode Island, New Hampshire and Connecticut; a professional liability program for financial institutions; a jewelers block program; an entertainment industry program; a liquor law liability program; a nursing home program; and a truck physical damage program.

Together, these programs produced about $50 million in gross premiums last year, unchanged from 1987, according to Mr. Doyle.

There are certain coverages, he added, that First State will not consider, among them pollution liability, asbestos abatement liability, and directors and officers liability coverages.

Together, primary casualty and specialty business accounted for about 33% of First State's liability premium volume last year, while excess business accounted for the other 67%, he said.

Excess liability limits available from First State increased last August to $10 million from $5 million as the insurer's casualty reinsurance program was renewed, Mr. Doyle reported. First State's retention on the maximum $10 million limit is roughly $3.5 million, he said.

'In general, there has been good discipline in the surplus lines industry,' points out Mr. Doyle.

First State will write a $2 million net line on primary casualty business, he said.

Meanwhile, the insurer offers a gross line of $7.5 million and a net line of $1.5 million on property risks.

Overall, casualty business represented $270 million, or 70.9%, of First State's 1988 gross written premiums of $380.8 million. Property business produced $74 million, or 19.4%, of last year's gross premium volume, while property and liability combined lines and other business generated $36.8 million, or 9.7%, of total volume.

Gross premiums at First State fell 19.8% in 1988 from $474.5 million in 1987. Volume in 1987 had grown 12.8% from $420.8 million in 1986.

First State continues to make a profit on its business despite the increased competition of the last couple of years, Mr. Doyle said.

The combined ratio on First State's own direct written business was less than 100%, he said.

First State's own results, though, are somewhat difficult to discern from its financial statement because of its participation in a pooling arrangement with other Hartford affiliates, including New England Insurance Co. and New England Reinsurance Corp., which also are managed by Cameron & Colby.

Under the pooling arrangement, First State cedes all of its direct written premiums to Hartford Fire and in turn assumes as reinsurance

Continued on next page



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Continued from previous page
a share of the pool's premiums. Losses and expenses are also pooled and a proportional share is allocated to First State.

The arrangement has allowed Hartford Fire greater flexibility in allocating business to companies whose surplus can support it, Mr. Doyle has explained.

Last year, First State's $137.3 million in direct non-admitted premiums represented a 32.5% decline from direct, non-admitted business of $203.5 million in 1987.

Business written on a non-admitted basis accounted for only 36.1% of First State's gross written premiums last year, down from 42.9% of gross written premiums in 1987.

Meanwhile, the insurer generated a total of $91.5 million in direct premiums in states where it is licensed: $33.2 million from California, $322,789 from Delaware, $55.7 million from Massachusetts and $2.2 million from other jurisdictions outside the United States.

First State's admitted premium volume last year was down 19.7% from $113.9 million in 1987.

Admitted business represented 24% of First State's gross volume last year, unchanged from 1987.

In addition to direct admitted and non-admitted business, First State assumed reinsurance premiums of $152 million through the Hartford Fire pool, a marginal 3.2% decline from $157.1 million in 1987.

Pool reinsurance premiums accounted for 39.9% of last year's gross volume, up from 33.1% of gross volume in 1987.

First State assumes several classes of business as reinsurance from the pool that it does not write on a direct basis, the insurer's financial statement shows.

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

Reinsurance assumed from the Hartford Fire pool includes all of these classes plus a substantial volume of auto liability, workers compensation, and commercial and homeowners multiple peril business, as well as smaller amounts of business in several other classes.

'I think people who have experimented with existing coverages have had their fingers burnt, and because the industry is more conservative than it was in the early 1980s, there is not as much appetite to experiment,' Mr. Doyle says.

After ceding its $228.8 million in direct admitted and non-admitted premiums to Hartford Fire, First State last year reported net written premiums of $152 million, representing its share of the pool's business.

First State's earned premiums—which also represent pool business—amounted to $153.8 million last year, up a marginal 1.9% from $151 million in 1987.

Meanwhile, losses, loss adjustment expenses and other underwriting expenses inched up to $155.9 million from $154.9 million in 1987, leaving First State with an underwriting loss of $2.1 million, an improvement over the $3.9 million underwriting loss reported in 1987.

First State reported a loss ratio of 73.6% and an expense ratio of 28.1%, adding up to a 1988 combined ratio of 101.7%. For 1987, First State's loss ratio was 72.5% and its expense ratio was 29%, making for a combined ratio of 101.5%.

The combined ratios also include continuing reserve strengthening for business written in prior years. Business written in the early 1980s—before First State embarked on a massive overhaul of its book in 1984—produced devastating losses for the insurer.

"We never posted a combined ratio below 100% during the hard market, so obviously there has been substantial strengthening" of reserves during that period, Mr. Doyle observed.

Investment gains grew 8.9% to $26.2 million last year from $24.1 million in 1987.

After other gains and losses, First State finished the year with net income of $22.6 million, up 25.3% from $18 million in 1987.

Policyholder surplus, bolstered by the net gain, expanded 26.4% to $108 million by year-end 1988 from $85.5 million at the end of the previous year.

First State has not paid a dividend to Hartford Fire for several years, its annual statements show.

Mr. Doyle said the decision not to pay dividends relates to First State's effort to build up its policyholder surplus to prepare for increasing volume that can be expected with the next hard market.

"People are looking for solvency and security more than ever before," he added, explaining the surplus build-up.

Over the last four years, Hartford also has poured money into automating various areas of Cameron & Colby's operations, including claims processing and accounting and financial controls, Mr. Doyle said.

The underwriting manager has also installed an underwriting clearance system connecting its various branches, making sure—among other things—that Cameron & Colby only quotes once on the same account for First State, he added.

Automation will become especially important when the market hardens, since it will allow Cameron & Colby to cope with a rising volume of business, he said.

Meanwhile, as it weathers another soft market cycle, First State is sticking with the types of property and casualty risks it is familiar with, rather than trying to generate premium volume by branching out into exotic coverages.

"We really do not see a need to experiment when we have a proven track record as a longterm player," Mr. Doyle said. "I think people who have experimented with existing coverages have had their fingers burnt, and because the industry is more conservative than it was in the early 1980s, there is not as much appetite to experiment."

Most of First State's business is produced by the wholesale arms of the large alphabet brokers, Mr. Doyle said.

First State—like its two Cameron & Colby-managed affiliates, New England Insurance and New England Re—has no employees of its own.

In addition to Mr. Doyle, First State's principal officers include Ralph J. Palmieri, president and chief operating officer; William Griffiths, Lynford M. Richardson and David R. Robb, executive vps; and Peter J. Black, 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-plus, 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

	1988	1987
Gross premiums	$159,376,077	$225,546,793
Non-admitted	$134,287,302	$199,668,101
Net premiums	$25,088,775	$25,878,692
Paid-in capital	$4,100,000	$4,100,000
Capital & surplus	$18,715,902	$13,189,273
Employees	231	227
Combined ratio	103.7%	106.0%
Commercial risks	100%	100%
Net income	$5,419,823	$3,744,122
Best's rating	A*	A*

* Pooled.

St. Paul Surplus Lines Insurance Co. executives are not alarmed even though the insurer lost one-third of its surplus lines premium volume in 1988 and the admitted market is demonstrating an increased appetite for many risks traditionally written by surplus lines insurers.

Janet R. Nelson, St. Paul Surplus Lines' new president and chief operating officer, chalks it up to the nature of the surplus lines business.

"We do not consider ourselves in competition with the admitted market," she said. "We supplement, not compete with, the standard market."

Gross premiums written by St. Paul Surplus Lines on a direct, non-admitted basis fell 32.7% to $134.3 million in 1988 from $199.7 million in 1987, dropping The St. Paul Cos. Inc. unit to fifth place among the nation's largest surplus lines insurers as ranked by *Business Insurance*, from its fourth-place ranking a year ago.

St. Paul Surplus Lines' gross premium volume dropped 29.3% to $159.4 million from $225.6 million in 1987, though Ms. Nelson was quick to point out that 1987 was the insurer's "largest year ever" in terms of gross premium volume. Gross premiums include surplus lines business plus $25.1 million in reinsurance assumed from St. Paul Cos. affiliates.

Net written volume fell only 3.1% in 1988 to $25.1 million from $25.9 million in 1987.

"The key to our success is to maintain our underwriting integrity and to not allow ourselves to be distressed by the fact that sometimes that means we write less premium," Ms. Nelson stressed.

She noted that even in a competitive property/casualty insurance market, St. Paul Surplus Lines' goal is to maintain profitability, not premium volume.

"Sometimes you need to write less in order to protect that profitability," Ms. Nelson explained.

This strategy worked in 1988: St. Paul Surplus Lines' net income rose 44.8% to $5.4 million in 1988 from $3.7 million in 1987. And, its combined ratio improved to 103.7% in 1988 from 106% in 1987.

"Results were very profitable," Ms. Nelson summed up.

In the first six months of 1989, St. Paul Surplus Lines wrote $58.9 million in gross premiums on a direct, non-admitted basis, down more than 10% from $65.1 million in the first half of 1988. However pretax net income in the first half of this year totaled $3.1 million and the insurer's combined ratio had improved to 102.6% as of June 30.

The profits increased St. Paul Surplus Lines' policyholder surplus 41.9% to $18.7 million in 1988 from $13.2 million in 1987.

St. Paul Surplus Lines' business is written by two divisions of underwriting manager St. Paul Specialty Underwriting Inc., formerly Atwater McMillian Inc.: the Surplus Lines Division, which writes about 75% of the insurer's total premium volume, and the Athena Division, which writes about 25% of its premium volume.

A third division of St. Paul Specialty Underwriting—the Large Accounts Division—writes on behalf of St. Paul Fire & Marine Insurance Co.

St. Paul Specialty Underwriting is not ranked by *Business Insurance* among the largest insurance wholesalers because the company's three divisions have their own separate underwriting staffs (*BI*, Aug. 8, 1988).

The Surplus Lines Division writes a variety of specialty business for St. Paul Surplus Lines through a network of 37 wholesale brokers, while the Athena Division focuses on program business produced exclusively through Los Angeles-based wholesale broker Swett & Crawford Group, another St. Paul unit (see story, page 55).

Of the Surplus Lines Division's $99 million in premium volume in 1988, 87% was casualty business and 13% was property business, said Robert J. Cecconi, the division's senior vp, adding that the mix has remained about the same in 1989.

Despite market conditions, the Surplus Lines Division reports substantial new business growth from primary liability accounts, according to Mr. Cecconi.

In fact, the division's primary liability premium volume more than doubled in 1988 to represent 28% of its total liability business, up from about 10% in 1987. And, so far this year, about 45% of the division's liability premiums represent primary business.

The division had targeted primary liability accounts as a growth area in 1988, Mr. Cecconi noted. Much of this new business is coming from such classes as medical products, other "tough, heavy product lines," manufacturing and processing operations, and machinery manufacturing risks, Mr. Cecconi said.

While the Surplus Lines Division might also consider writing an individual chemical or limited pharmaceutical product liability risk, those classes of product liability business are "not something that we want to make a big splash about," Mr. Cecconi added.

While the Surplus Lines Division is increasing its primary liability business, its book of excess liability business has fallen victim to the admitted market's increasing appetite for premium volume, Mr. Cecconi noted.

Excess liability coverages "had more aggressive price reductions in the last few years, and standard (insurers) have started to absorb a lot of our book," he said.

Meanwhile, the Athena Division wrote $35.3 million in gross premiums in 1988. Of that, 50% was classified as casualty business; 28% was directors and officers liability and errors and omissions coverage; and 22% was property business.

The division's mix of business in 1989 has remained "very similar, based on our six-month figures," said Senior Vp Brian R. Jarman, who is in charge of the Athena Division.

Of the casualty business written by the Athena Division, 25% was generated by liquor liability accounts and 75% by excess liability accounts.

According to Mr. Jarman, the Athena Division "lost about 50% of its (D&O) premium income" in 1988 because of admitted insurers' greater willingness to write D&O business.

But while the division "lost premium income (compared with 1987) because of what was happening in the marketplace, where we did make some gains was in new products," Mr. Jarman said.

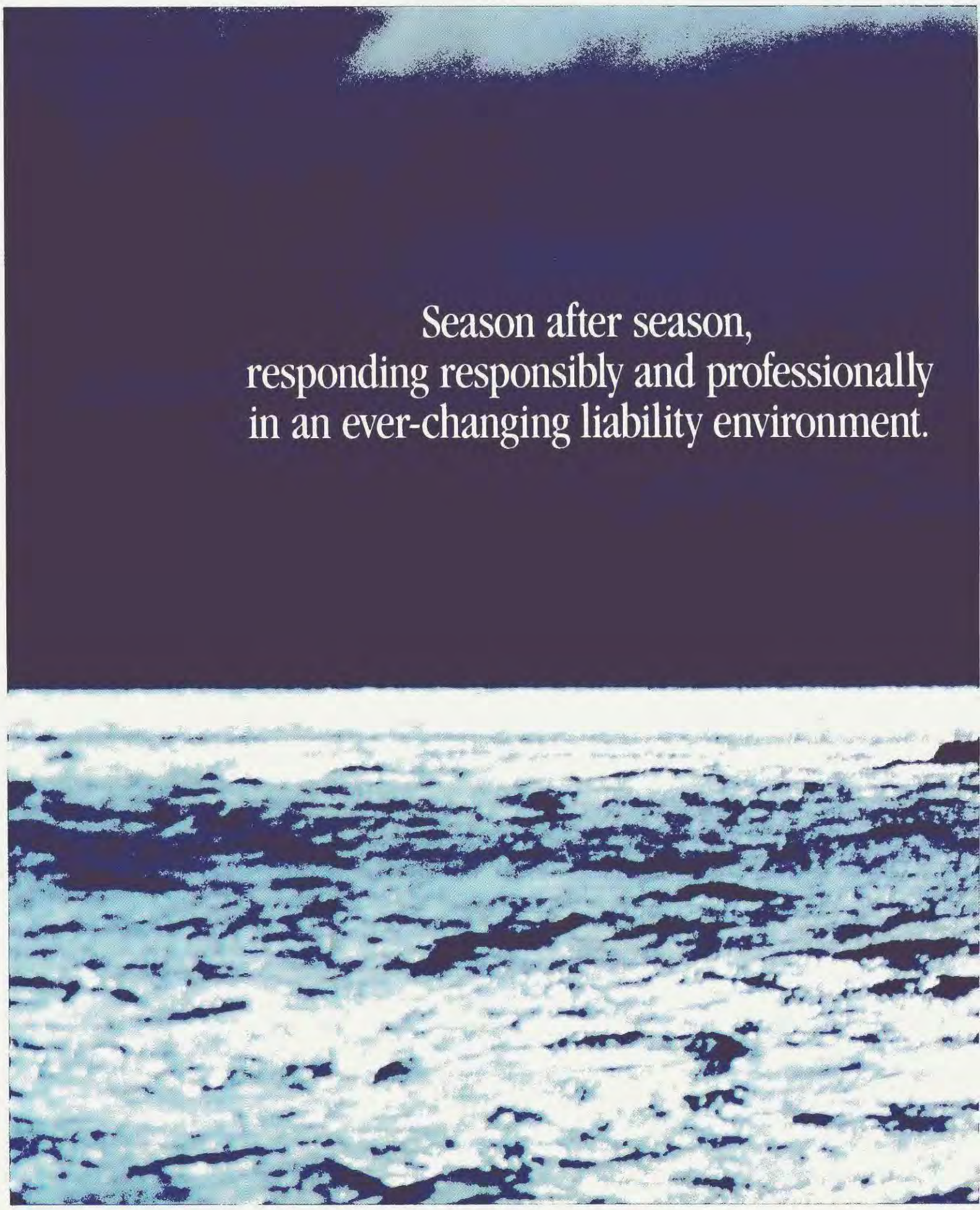
Those products include insurance company E&O, railroad protective liability and radon testing E&O coverages, Mr. Jarman said.

For instance, the Athena Division last year began offering insurance company E&O coverage to regional insurers on a claims-made basis with limits of up to $5 million over a minimum $225,000 deductible.

And, the division widened its market scope at the beginning of 1989 to target insurers with up to $1 billion in assets. Before, it had focused on insurers with assets of up to $500 million, Mr. Jarman said.

This month, the Athena Division

Continued on next page



Continued from previous page

will begin marketing a combined D&O/E&O policy to insurers with a $10 million combined single limit. While the division previously wrote D&O coverage for insurance companies, providing both D&O and E&O coverages under one policy is more convenient to policyholders, Ms. Nelson pointed out.

This year the Athena Division also has begun to market a railroad protective liability policy on an occurrence basis with up to $1 million in limits.

Contractors purchase the policies to gain access to build on or near railroad property because the coverage protects railroads from liability. A $3,500 minimum premium is required for the coverage.

Unlike insurance company E&O and railroad protective liability, which are new products for St. Paul Surplus Lines but not for other insurers, the Athena Division's radon testing E&O policy is "truly a new product and an emerging liability need," Ms. Nelson said.

The coverage is written for laboratories that investigate radon levels in buildings.

Since St. Paul Surplus Lines is not restricted by state rate and form filings as are admitted insurers, the company is "able to experiment and try to come to grips with the new and emerging issues that are out there," like radon testing liabilities, she observed.

The Athena Division will write up to $1 million in coverage for radon testing laboratories on a claims-made basis with no minimum premium requirement.

Neither the Surplus Lines Division nor the Athena Division stopped writing any lines of business in 1988 or so far in 1989.

St. Paul Surplus Lines has a "basic casualty cap of $5 million," though it offers up to $10 million in limits for D&O and E&O risks.

"That is our basic capacity, although we may choose to use different limits on individual risks," Mr. Nelson said.

For instance, the Athena Division offers a maximum of $10 million in umbrella coverage limits in 1989, up from $5 million in 1988.

But it will write only up to $1 million in liquor liability limits, either on an occurrence or claims-made basis.

The Athena Division also writes an energy insurance program for oil drillers and operators that provides up to $5 million in occurrence-based liability coverage, up to $30 million in operators extra-expense coverage and up to $5 million in rig physical damage coverage.

St. Paul Surplus Lines now offers $10 million in property insurance capacity, up from $7.5 million last year.

According to Mr. Cecconi, St. Paul Surplus Lines reduced casualty premium rates an average of 18% in 1988 from 1987 rates, while property rates were cut an average of 14%.

However, rate reductions thus far in 1989 have "kind of leveled off," he said. Rate cuts have averaged less than 5% for both property and casualty risks, Mr. Cecconi estimated.

But while St. Paul Surplus Lines is "seeing, on the book of business we are writing, a flattening or stabilization in rates, we continue to see our book get smaller" because of the admitted market's greater willingness to write more difficult lines of business, Ms. Nelson said.

"There are fewer high-quality opportunities today and I have no basis for speculation on when we might have more opportunities," she added.

The insurer does not write pollution coverage because "we are not comfortable, by and large, with being able to underwrite and price the exposure," Mr. Nelson explained. It also does not write professional liability coverage, except for its D&O/E&O package for insurers and the radon testing E&O policy.

In addition, St. Paul Surplus Lines does not write medical malpractice coverage, though St. Paul Fire & Marine Insurance Co., its immediate parent, is a major market for medical malpractice insurance. And, St. Paul Surplus Lines does not write financial guarantee coverage because "we don't see it as an area in which we can be profitable," Ms. Nelson explained.

Other lines of business that the insurer does not write include: aircraft exposures; special risk accident and health exposures; or any risk that produces a high claims frequency "because we consider the claims volume to be a problem," Ms. Nelson said.

St. Paul Surplus Lines does business exclusively through a network of 37 selected wholesale brokerages because "we believe in the value added provided by the wholesaler in the transaction," said Kathryn I. Scott, vp of marketing.

"We identify people that we can develop close working relationships with," she stressed. "We are able to share with this fairly small group of people what our view of the world is and what our desires are. In turn, we use them as a marketing arm and rely very heavily on their feedback."

Mr. Cecconi added that close communications with the insurer's wholesale brokerage network is "essential" to St. Paul Surplus Lines' success.

For example, when the insurer decided to increase its volume of primary casualty business last year, it relayed this message to its wholesalers and was able to see a dramatic increase in that business within one quarter, Mr. Cecconi explained.

"It works wonders," Mr. Cecconi said.

St. Paul Surplus Lines' top producers include: Swett & Crawford; Atlanta-based Alexander Howden North America Inc.; Grand Rapids, Mich.-based Willis Faber Holdings Inc.; Travis-Pedersen & Associates Inc. and Neal Lloyd & Co., both based in Chicago; Portland, Ore.-based Gerald J. Sullivan & Associates Inc.; and Tri-City Insurance Brokers Inc. and PCM Excess Ltd., both based in New York.

St. Paul Surplus Lines ceded $76.8 million in premiums to affiliates and $57.4 million in premiums to unrelated reinsurers. St. Paul ceded $25.1 million to the surplus lines unit.

Also according to St. Paul Surplus Lines' 1988 annual statement, its major reinsurers, besides St. Paul Cos. affiliates, include: American Re-Insurance Co.; General Reinsurance Corp.; Kemper Reinsurance Co.; New England Reinsurance Corp.; Putnam Reinsurance Co.; and Lloyd's of London underwriters.

At the end of 1988, St. Paul Surplus Lines had 231 employees, up from 227 at the end of 1987. But, as of June 30, the insurer reported only 173 employees.

There are two reasons for this staff reduction, Ms. Scott explained. Claims department personnel formerly included in St. Paul Surplus Lines' employee count are now reported as part of The St. Paul Cos. home office claims department. And some St. Paul Surplus Lines employees took advantage of an early retirement program offered to certain St. Paul Cos. employees.

Ms. Nelson, formerly senior vp of the Surplus Lines Division, was named in February to succeed President and Chief Operating Officer Kenneth F. Goldstein, who was promoted to executive vp of The St. Paul Cos. Corresponding with the promotion of Ms. Nelson, Mr. Cecconi, formerly vp of St. Paul Surplus Lines' casualty brokerage department, was named senior vp of the Surplus Lines Division.

St. Paul Surplus Lines is an approved, non-admitted insurer in all states except Delaware, where it wrote no business in 1988.

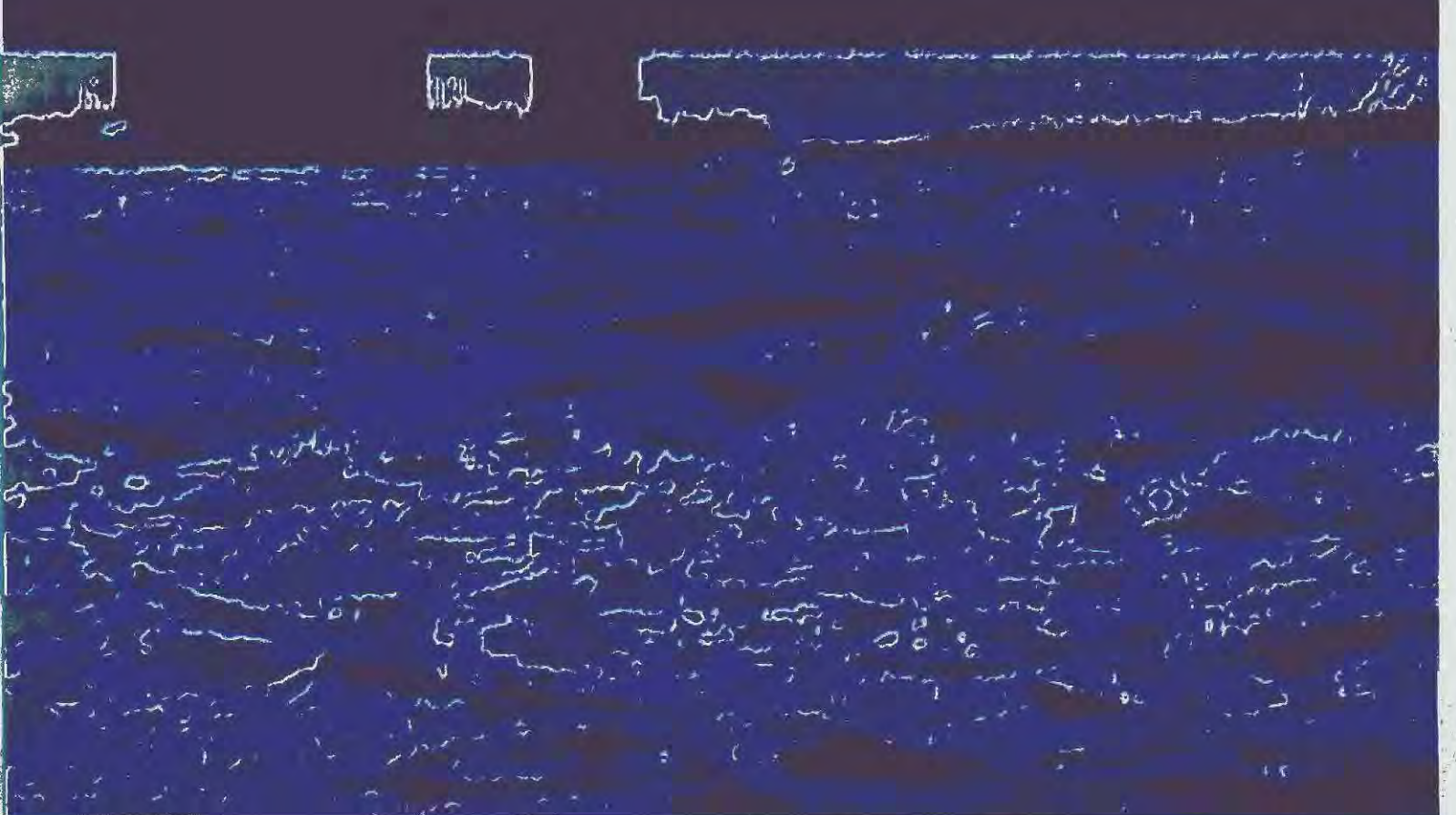
St. Paul Surplus Lines carries an A pooled rating from A.M. Best Co.

—By Linda J. Collins

Shand Morahan

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Evanston IL 60201 312 866-3800

Professional Liability and Specialty Insurance



American Empire Surplus Lines Insurance Co.

P.O. Box 5370, Cincinnati, Ohio 45202; 513-369-3000

	1988	1987
Gross premiums	$142,518,213	$199,425,422
Non-admitted	$120,624,380	$199,000,149
Net premiums	$104,911,383	$135,738,932
Paid-in capital	$4,100,000	$2,000,000
Capital & surplus	$143,099,825	$126,574,752
Employees	94	98
Combined ratio	72.5%	78.9%
Commercial risks	99%	99%
Net income	$47,745,437	$42,540,357
Best's rating	A*	A**

*Pooled
**Consolidated rating

A 40% decline in non-admitted direct premium volume for the second consecutive year is not necessarily bad news for the management of American Empire Surplus Lines Insurance Co.

"We are not unhappy with our 1988 results because they were anticipated and we made money," explained Joseph M. Walsh, president of the Cincinnati-based subsidiary of Great American Insurance Co.

"Business didn't go away at a faster pace than expected and we tend to be pretty pessimistic about our market share when the market softens," he said.

Gross premiums written by American Empire on a direct, non-admitted basis fell 39.4% in 1988 to $120.6 million from $199 million in 1987. This decline caused American Empire to fall a spot to No. 6 in *Business Insurance's* ranking of the nation's largest surplus lines insurers from fifth place a year ago.

Non-admitted premium volume had fallen 40.2% in 1987.

Total gross premium volume fell 28.5% to $142.5 million in 1988 from $199.4 million in 1987. The reduction comes on the heels of a 40.3% decrease in gross premiums in 1987 compared with 1986.

In addition, net premium volume dipped 22.7% in 1988 to $104.9 million from $135.7 million in 1987. Net premiums had declined 29.7% in 1987 compared with the previous year.

Nevertheless, Mr. Walsh and Executive Vp Walter E. Snyder labeled 1988 a successful year as American Empire increased its net income 12.2% to $47.7 million from $42.5 million in 1987.

Mr. Walsh said American Empire's premium volume fell last year as a direct result of intense competition among both surplus lines and admitted insurers.

And, the heaviest competition of all was for larger accounts produced by brokers rather than managing general agents, Mr. Snyder said, adding that large brokerage accounts have all but vanished from the surplus lines marketplace.

"We lose business to the standard lines companies. We lose opportunities for new business to surplus lines companies," Mr. Walsh summed up.

But despite the dramatic reduction in premiums written in 1988 and a prediction by Mr. Walsh that gross premium volume may fall as low as $85 million in 1989, American Empire will continue to maintain strict, sensible underwriting principles, he said.

"We know we pay a direct corresponding price for maintaining an underwriting discipline in this company," said Mr. Walsh, who pointed out that American Empire lost 40% of its book of business in 1987 by refusing to engage in bidding wars for what it perceives to be inadequately priced risks, and lost 40% of what remained in 1988.

"Generally, we insist on a surcharge above ISO (Insurance Services Office Inc.) rates. That surcharge will vary depending on where we are in the cycle," said Mr. Walsh, outlining American Empire's basic pricing philosophy.

"However, it's more than a price-cutting thing. It's a combination of maintaining an underwriting discipline beyond pricing. So, we still want applications, we still want loss histories. . .and that gets to be a very unpopular routine in the soft market. The line of least resistance interjects itself into the underwriting process."

But amid all the price cutting, American Empire still turned a profit in 1988, Mr. Walsh pointed out, adding that the company's goal—in both soft and hard markets—is to be profitable.

"Our charge to our underwriters is that you will produce an underwriting profit on the business you write," Mr. Walsh said. "And if that means the dollars of underwriting profit are to be less because your writings are to be less, then so be it."

Abiding to this philosophy, American Empire posted an impressive 72.5% combined ratio in 1988, compared with 78.9% the previous year. American Empire's loss ratio improved for the second year in a row to 56.5% in 1988 from 61.4% in 1987. Meanwhile, its expense ratio dropped to 16.0% last year from 17.5% in 1987.

Policyholder surplus increased 13.1% to $143.1 million at year-end 1988, compared with $126.6 million as of Dec. 31, 1987, even though American Empire paid a $28 million dividend to parent Great American, a unit of American Financial Co. in Cincinnati, which in turn is controlled by financier Carl H. Lindner.


Mr. Walsh

In addition, American Empire also reported unrealized capital losses of $3.2 million in 1988, though that was a decline from $5.3 million in 1987.

American Empire divides its commercial book into four categories: binding authority business; specialty risks; property business; and excess liability and umbrella business.

Mr. Walsh attributed most of American Empire's success in 1988 to the binding authority business it delegates to about 50 of its 90 wholesale producers.

This business produced $45 million, or 38%, of American Empire's gross premiums last year, compared with $63 million, or 32%, of its business in 1987.

American Empire gives wholesalers the authority to write owners, landlords and tenants liability coverage; manufacturers and contractors liability coverage for small risks; and property coverage, also for smaller risks.

American Empire commonly offers $500,000 limits—and occasionally $1 million limits—on this binding authority liability business, while it retains a maximum of $425,000 per risk.

When wholesalers bind small property accounts, American Empire offers $200,000 limits on better protected risks and $100,000 limits on more marginal risks. The insurer retains about 30% to 35% of the limits underwritten, said Mr. Snyder.

Rates for the binding authority business were reduced to 125% of ISO manual rates from 150%, said Mr. Walsh.

Specialty risks accounted for about $56 million in direct written premiums, or 46% of American Empire's commercial book of business in 1988, down from $102 million, or 51% of its book in 1987.

Mr. Snyder estimates that specialty accounts may produce only

Continued on page 26

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Continued from page 24
about $38 million in 1989.

American Empire's specialty risk business includes liability insurance for permanent amusement parks, asbestos abatement contractors liability coverage, racetrack liability coverage and product liability coverage.

However, it will not write many types of specialty risks, including professional liability coverage for attorneys, accountants, architects, engineers, real estate agents or insurance agents, according to Mr. Snyder. American Empire also will not write environmental impairment liability, earthquake, directors and officers liability and medical malpractice insurance.

American Empire will write primary asbestos abatement liability coverage with limits of $3 million per occurrence/$10 million aggregate over a $2,500 deductible. However, Messrs. Walsh and Snyder noted that premium volume derived from asbestos abatement contractors was "down substantially" in 1988.

The insurer will offer a $2 million limit for most other specialty lines, Mr. Snyder said. American Empire retains as much as $760,000 of that amount, he added.

Mr. Snyder said American Empire wrote—apart from the binding authority business—about $10 million in property coverage, which accounted for about 8% of the company's commercial book, down from $14 million in 1987.

American Empire's property book consists primarily of excess property coverage for larger facilities like department stores, warehouses and light manufacturing operations. It can provide up to $2.5 million in limits, but retains only $150,000, ceding the rest to treaty reinsurers.

Excess liability and umbrella insurance volume totaled just more than $9 million in 1988, or 7% of American Empire's commercial book, down from $20 million the previous year.

American Empire offers $5 million in excess liability capacity. It retains $550,000 and cedes the remainder to Stamford, Conn.-based General Reinsurance Corp. through an automatic facultative agreement, said Mr. Snyder.

Other reinsurance companies to which American Empire cedes major portions of its business include Zenith Insurance Co. of Encino, Calif., and the reinsurance division of Los Angeles-based Transamerica Insurance Co.

American Empire functions on an approved, non-admitted basis in all states except Delaware where it was licensed. However, American Empire wrote only about $85,000 in premiums in Delaware in 1988.

American Empire also operates a small admitted insurer, American Empire Insurance Co., which is licensed in 37 states and the District of Columbia.

American Empire Insurance Co. wrote about $6.5 million in direct premiums, mostly aviation risks and business written through New York's Free Trade Zone, according to Mr. Walsh.

Mr. Walsh said he anticipates soft market conditions to prevail until at least 1991. During this period, the insurer will continue to concentrate on controlling expenses and producing an underwriting profit.

However, Mr. Walsh says he is not predicting another 72.5% combined ratio, adding that he would be satisfied with a combined ratio somewhere in the 90% range this year.

Officers of the company, in addition to Mr. Walsh and Mr. Snyder, include Chester A. Nalepa, senior vp; Robert A. Nelson, senior vp; and Leo A. Haas, vp.

American Empire has an A pooled rating from A.M. Best Co.

—By Michael Schachner

California Union Insurance Co.

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

	1988	1987
Gross premiums	$107,291,012	$244,037,085
Non-admitted	$106,500,333	$160,332,232
Net premiums	$24,177,369	$55,866,849
Paid-in capital	$4,500,000	$4,500,000
Capital & surplus	$24,239,389	$25,171,544
Employees	NA	NA
Combined ratio	119.5%	105.7%
Commercial risks	100%	100%
Net income	$1,557,962	$7,338,607
Best's rating	A*	A**

*Parent rating.
** Contingent, parent rating.

Despite losing a third of its surplus lines business last year, California Union Insurance Co. is sticking to its strategy of writing coverage to make a profit and looking for new specialty business.

"If you want to explain the fluctuation in premiums, there's no real mystery here. It's just due to competition," said Michael P. Fujii, vp of Cal Union, a CIGNA Corp. unit and president of CIGNA Excess & Surplus Insurance Services Inc., which underwrites on behalf of Cal Union.

"We're losing business on both the property and casualty sides," he said. "We've maintained integrity in our prices, and we've lost some business due to competition."

Admitted insurers are taking the business away at much lower prices, he reported. Admitted insurers in 1988 were quoting rates in most lines that on average were 44% below rates for comparable coverages offered by Cal Union.

"But there are accounts where they are quoting 50%, 75% below our prices," said Nicolas Yuschenkoff, vp and secretary for the insurer.

That compares to rates about 40% below Cal Union prices that were quoted by admitted insurers the previous year, he said. "So basically it was even worse competition in 1988," Mr. Yuschenkoff said.

To retain accounts last year, Cal Union cut expiring rates for property risks by an average of 10% and for umbrella casualty coverages by 20%, said Kenneth W. Woods, president of Cal Union.

Still, Cal Union reported that 1988 gross premiums written on a direct, non-admitted basis plummeted 33.6% to $106.5 million from $160.3 million in 1987.

Despite the decline, Cal Union actually rose one spot to seventh place in the *Business Insurance* ranking of the 10 largest surplus lines insurers

Gross premium volume as reported in the insurer's annual statement decreased 56% in 1988 to $107.3 million from $244 million in 1987.

Mr. Fujii explained that the gross premium volume figure was deflated in 1988 because of a reduction in Cal Union's participation in CIGNA Corp.'s intercompany reinsurance pool. While reinsurance assumed accounted for $80 million in premium volume in 1987, assumed reinsurance in 1988 totaled a negative $11.1 million, representing returned premiums from prior years.

Cal Union writes on an admitted basis only in California and is an approved, non-admitted insurer in the other 49 states and the District of Columbia.

Of its entire direct book of business, including business written in California, Cal Union lost 40% of its property premiums and 20% of its casualty premiums Mr. Fujii said. "Overall we're about 28% down from last year (1987)."

Including reinsurance, net written premiums decreased 56.7% in 1988 to $24.2 million from $55.9

Continued on next page



Continued from previous page
million in 1987.

Net income plummeted 78.8% to $1.6 million in 1988 from $7.3 million in 1987.

Cal Union's net underwriting loss increased to $4.6 million in 1988 from $3.1 million in 1987, while investment income dropped to $8.3 million from $11 million. Income taxes reduced net income by nearly $2.1 million, compared with a 1987 tax credit of $81,000.

The larger underwriting loss and hit to profits was created by the decision to increase loss reserves, Mr. Fujii said. "We just felt we needed to strengthen our reserves and make the operations more secure," he said, adding that Cal Union added to reserves across all lines of business that it writes.

As a result of the reserve increase, the insurer's combined ratio rose to 119.5% in 1988 from 105.7% in 1987.

Although retaining its earnings, Cal Union reported that its policyholder surplus decreased to $24.2 million in 1988 from $25.2 million in 1987, primarily due to a $2.7 million charge for unauthorized reinsurance. Mr. Fujii said the charge was attributable to several reinsurers.

Still, with reduced premiums, the ratio of net written premiums to policyholder surplus has improved to nearly 1-to-1 from about 2-to-1, Mr. Fujii pointed out.

And, Cal Union retained its A rating from A.M. Best Co., which is assigned based on CIGNA's A rating.

The mix of property and casualty insurance policies underwritten remained unchanged in 1988, with 75% from casualty coverages and 25% from property, Mr. Fujii said. The split was nearly even between property and casualty policies until competition on property rates from admitted insurers started taking away that business three years ago, he said.

Meanwhile, the insurer has held onto much of its core business—railroads, heavy product exposures and construction.

Nearly 30% of Cal Union's casualty business still comes from transportation risks, particularly railroad and transit systems. Manufacturing and heavy products also account for about 30% each, Mr. Fujii said.


Mr. Woods

"The railroads held up pretty well. There was some slippage in manufacturing," Mr. Woods said.

Cal Union has established railroads as a specialty area and hopes to create new niche markets for itself, the executives said.

CIGNA E&S recently started a new unit, Financial Institution Risk Services & Technologies, to address the coverage needs of financial institutions.

Among the products offered by FIRST is property and liability coverage for banks to insure property used as collateral on loans. The limits written vary according to the property. And, FIRST writes up to $5 million in property and liability coverage on property taken over by banks in loan foreclosures.

Another specialty area that shows promise is property coverage for electronic equipment, the executives said.

"There's a tremendous amount of growth in the electronics industry, both in the medical fields and other services that utilize the technology. We have an insurance product with the capacity to provide coverages for that specialized area," Mr. Fujii said.

The Cal Union coverage, which has a maximum limit of $5 million, covers risks commonly excluded by other all-risk policies, he said, including mechanical breakdowns; leakage, overflow and freezing; and power interruptions.

The new specialty areas could bring in annual premiums of $10 million to $15 million, he said.

While Cal Union is interested in pursuing niche business, it does so cautiously, he said.

"We're not going to be so creative that we come up with something we don't understand. We're looking to continue to write business that we have a good level of expertise on. That's the key," Mr. Fujii said.

Its specialty business—which Cal Union says is railroads, utilities and heavy product exposures—currently accounts for about 30% of its premium volume, but the goal is to increase that figure to 40%, he said.

Cal Union does not write professional liability coverages such as directors and officers liability, errors and omissions and medical malpractice. It also does not write environmental impairment liability or coverage for pharmaceutical manufacturers.

The insurer continues to write coverage on three forms: a strict claims-made form, a less restrictive claims-made form and an occurrence form. After the share of claims-made policies fell to about 25% in 1987 from 80% in 1986, the number slipped only slightly last year to about 20%.

Cal Union has capacity with treaty reinsurance of $10 million for casualty coverages, an increase from $7.5 million in 1987. It offers limits of $11 million for property risks, up $1 million from 1987.

For some select risks, facultative reinsurance can boost the limits to $50 million, Mr. Woods said. However, the policy limits issued by Cal Union generally are below $25 million, he said.

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

In 1988 Cal Union dropped contracts with 43% of its producers in an effort to concentrate its resources on producers that have established or promise long-term relationships, Mr. Fujii said. However, the small wholesalers that were dropped contributed less than 4% of Cal Union's premium volume, he added.

Many of Cal Union's remaining brokers and wholesalers have had productive relationships with Cal Union for 10 years or more, he said.

Cal Union's top producers are Montgomery & Collins Inc. in Los Angeles, also a CIGNA subsidiary; Railroad Insurance Brokers Inc., a CIGNA unit; Insurance Brokers Service Inc. in Chicago; Avreco Inc. in Chicago; Fort Hill Insurance Agency, a unit of Swett & Crawford Group in Los Angeles; and Stewart Smith Holdings Inc. of New York.

Montgomery & Collins remains Cal Union's exclusive producer of California business and its largest producer delivering about 20% of Cal Union's premiums.

Meanwhile, CIGNA E&S, which writes business on behalf of Cal Union, reorganized its underwriting operations into two regions in January 1988.

The Los Angeles-based regional office is headed by Robert S. Cernok, Western regional vp. He is assisted by Mark Ying, assistant vp-casualty, and Matthew Peller, assistant vp-property.

The Eastern region, based in Chi-

Continued on next page



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Continued from previous page
cago, is under John P. Rugee, Eastern regional vp. He is aided by June McKinnon, assistant vp-casualty, and Robert Taylor, assistant vp-property.

CIGNA E&S also has an underwriting office in New Jersey. Ralph April is assistant vp for the New Jersey operation.

CIGNA E&S, which reported $141.5 million in premium volume in 1988, also underwrites on behalf of Illinois Union Insurance Co. and Century Indemnity Co.

Other CIGNA E&S officers are Harold N. Steinberg, vp-marketing, and W. Hall Wilson, vp-underwriting. In addition to Messrs. Woods, Yuschenkoff and the officers of CIGNA E&S, other key Cal Union officials are I. Kenneth Kitagawa, vp-finance, and John P. Rugee, vp.

Cal Union did not report any employees in 1988 because CIGNA E&S manages the insurer, Mr. Yuschenkoff said.

—By Glenn Hentley

General Star Indemnity Co.

695 E. Main St., P.O. Box 10354, Stamford, Conn. 06904-2354; 203-328-5000

	1988	1987
Gross premiums	$104,971,197	$167,949,565
Non-admitted	$105,010,571	$164,518,211
Net premiums	$62,872,189	$75,333,318
Paid-in capital	$2,000,000	$2,000,000
Capital & surplus	$103,135,355	$87,871,312
Employees	0	0
Combined ratio	97.8%	98.0%
Commercial risks	100%	100%
Net income	$17,261,538	$15,678,458
Best's rating	A-plus*	A-plus*

* Parent's rating.

If General Star Indemnity Co. is disappointed with its shrinking premium volume over the last 18 months, at least it's happy with the results of its business.

Direct, non-admitted premiums at General Star Indemnity, a unit of General Re Corp., fell 36.2% last year to $105 million from $164.5 million in 1987, dropping the insurer to eighth place in the *Business Insurance* ranking of the largest U.S. surplus lines insurers from the No. 7 spot it occupied last year.

General Star Indemnity's combined ratio, however, also dipped slightly to 97.8% from 98% in 1987, and net income rose 10.1% to $17.3 million from $15.7 million.

"The volume was disappointing, obviously, but the overall results were very acceptable," noted General Star Indemnity President Kevin P. Brooks.

"I guess it depends on what you think is important," Mr. Brooks said. "We are far more focused on underwriting income and operating income than gross volume."

Volume so far in 1989 is up modestly from the same period last year, but only because of General Star Indemnity's acquisition of the surplus lines business of Constitution State Management Co., a former Travelers Corp. unit, Mr. Brooks reported. Constitution State's reinsurance business was acquired by North Star Reinsurance Corp., another General Re unit, late last year (*BI*, Dec. 5, 1988).

Without the Constitution State business, volume at General Star Indemnity would have been down in the first six months of 1989, Mr. Brooks said.

Direct written premiums in the first six months of this year totaled $68.9 million, up 13.9% from $60.5 million in the same period last year. The 1989 figure includes about $15.1 million in Constitution State business, without which volume for the first six months would have been down 11% to $53.8 million.

The pace of rate reductions on surplus lines business generally appears to be slowing as underwriters see their profit margins thinning, Mr. Brooks observed.

"I think the rate of decline is very small now," he said. "The worst of the really dumb underwriting decisions is behind us. It appears that the number of people willing to be stupid is tiny."

In any case, the pace of rate reductions has slowed at General Star Indemnity: While the insurer's branch underwriters were allowed to offer rate decreases of up to 15% without home office approval a year ago, Mr. Brooks said he doubts General Star Indemnity's underwriters would authorize more than a 5% rate cut now.

"We are not looking to reduce prices at all on anything," he said, adding that in the first six months of this year the insurer has even managed to obtain price increases on some business.

Mr. Brooks acknowledged, however, that this underwriting stance has until now led to a loss of renewal business and "a lot less" new business. General Star Indemnity has had a much smaller chance of writing business that is also being bid on by other underwriters, he said.

Gross written premiums at General Star Indemnity dropped 37.5% last year to $105 million from $168 million in 1987, the second year in a row of declining volume after a spurt of growth brought General Star Indemnity to a peak in terms of premium volume in 1986.

Gross volume in 1987 had declined sharply from $258.3 million in 1986. Growth up to that point had been rapid, with volume rising to the 1986 peak from $79.6 million in 1985 and $20 million in 1984.

Last year's gross premiums included $105 million written on a non-admitted basis; $2.1 million written on an admitted basis in Connecticut, the only state where General Star Indemnity is licensed; and a negative $1.2 million in assumed reinsurance premiums.

The negative assumed reinsurance premiums—which caused General Star Indemnity's non-admitted premium volume to be slightly higher than its overall gross volume—related to the runoff of North Star Syndicate Inc. and Polaris Syndicate Inc., two underwriting members of the now-defunct New York Insurance Exchange.

Both syndicates were managed by North Star Management Corp., a General Re unit, and North Star Syndicate also was a General Re subsidiary.

Meanwhile, net written premiums last year dropped by a more modest 16.5% to $62.9 million from $75.3 million in 1987. General Star Indemnity retained 59.9% of its gross volume last year, up from 44.9% of gross premiums in 1987.

While General Star Indemnity ceded reinsurance to 20 non-affiliated reinsurers last year, the bulk of its business was reinsured by General Reinsurance Corp., the company's annual statement shows.

Earned premiums declined 34.7% to $66.4 million in 1988 from $101.7 million the previous year.

While volume dropped, though, General Star Indemnity was able to maintain its generally favorable loss experience: losses, loss expenses and other underwriting expenses last year totaled $63.9 million, leaving an underwriting gain of $2.5 million.

Losses, loss expenses and other underwriting expenses in 1987 had totaled $93.6 million, leaving an underwriting gain of $8.1 million.

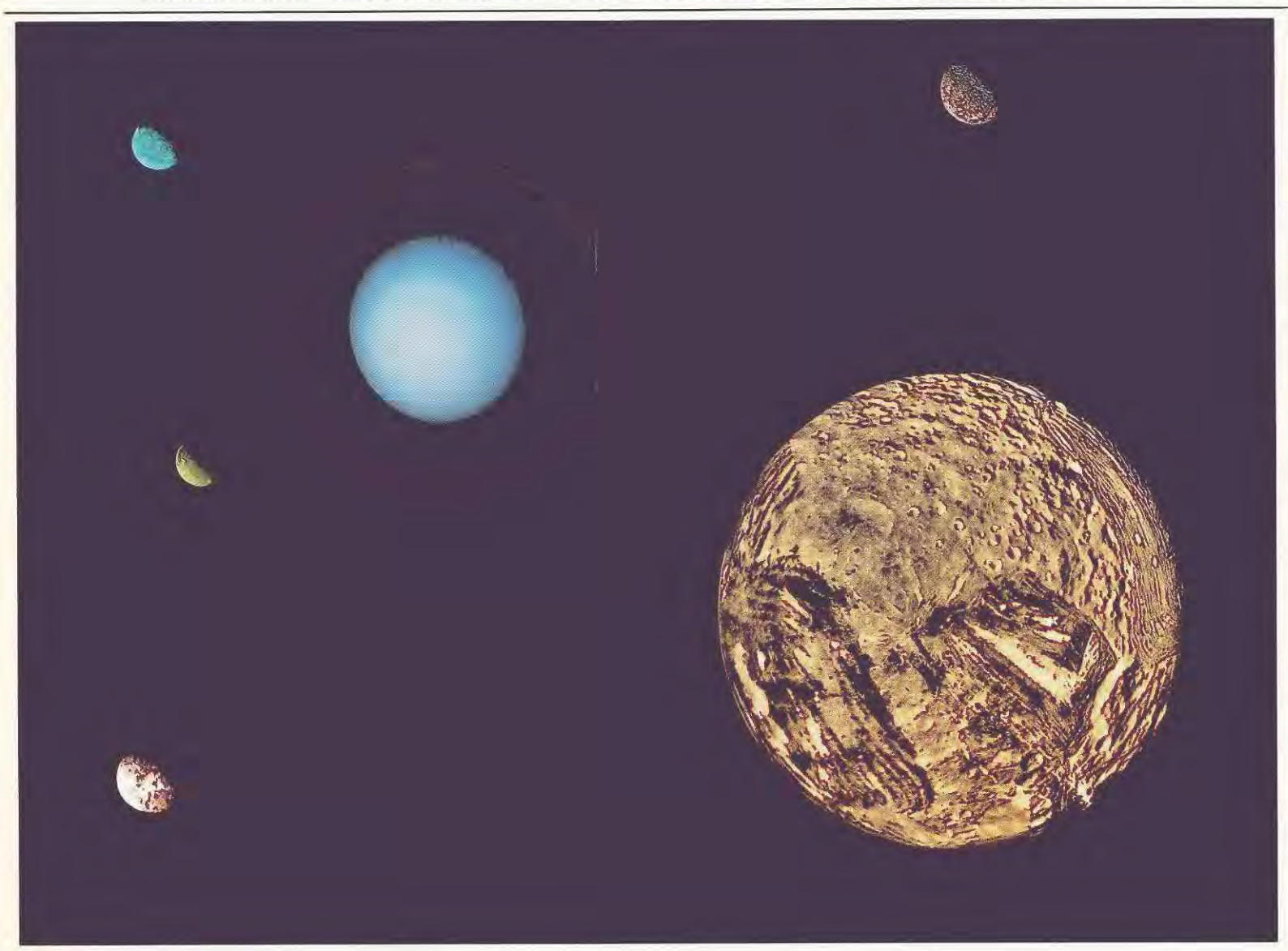
General Star Indemnity's loss ratio was 72.8% last year, while its expense ratio was 25%, making for a combined ratio of 97.8%. For 1987, the insurer reported a loss ratio of 75% and an expense ratio of 23%, for a combined ratio of 98%.

Investment income, meanwhile, jumped 24.8% last year to $21.3 million from $17.1 million in 1987.

After other gains and losses, the insurer reported net income of $17.3 million, up 10.1% from $15.7 million in 1987.

Policyholder surplus at General Star Indemnity rose 17.4% to $103.1

Continued on page 30



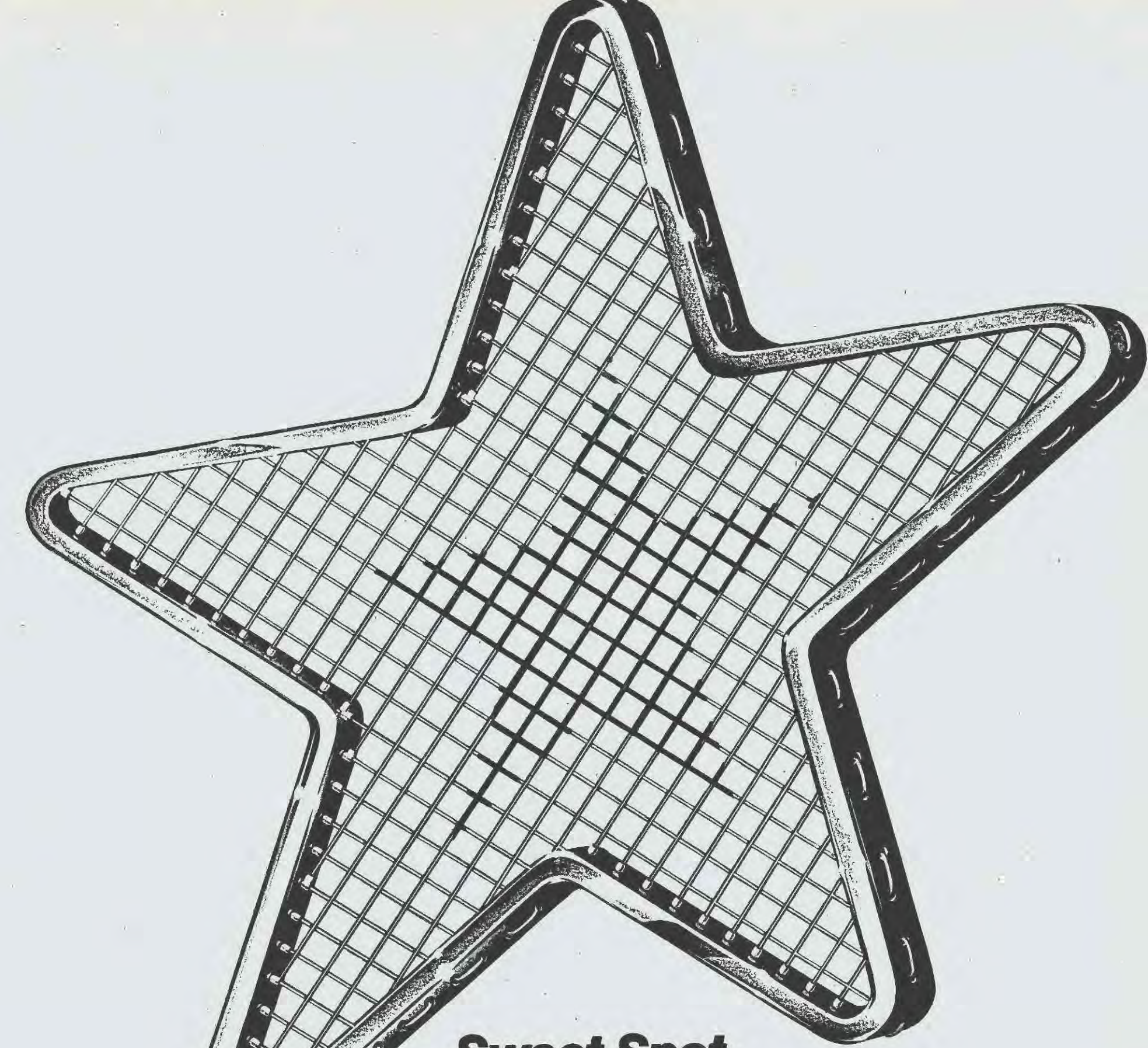
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Continued from page 28

million at Dec. 31, 1988, from $87.9 million at year-end 1987.

As in previous years, virtually all of the insurer's business last year consisted of casualty risks: Of General Star Indemnity's $107.1 million in gross written premiums—excluding the negative volume related to the exchange syndicate runoff—$105.7 million related to liability lines while only $1.5 million came from property business.

Roughly two-thirds of General Star Indemnity's gross volume comes from excess liability and umbrella business, with a smaller volume of primary casualty business, according to Mr. Brooks.

Last year, the insurer developed plans to start offering its $10 million maximum limit for umbrella and excess liability risks in layers above the first excess layer, if that layer is written by an admitted insurer.

General Star Indemnity had previously considered itself strictly a first-layer market on such programs but had found that much of this business was moving to standard markets.

For a variety of reasons, though, this second-layer business has not developed as General Star Indemnity had hoped, and the insurer has written relatively few of these risks, Mr. Brooks reported.

"We found that the price in those layers was really at odds with our own expectations," he explained, adding that General Star also found no great demand for its capacity.

"Once the first $10 million is done, it has to be a pretty hairy operation to have difficulty placing the rest of it" in the admitted market, Mr. Brooks said.

General Star Indemnity's primary casualty business consists mainly of owners, landlords and tenants and manufacturers and contractors liability coverages and product liability business.

In 1988, OL&T and M&C risks accounted for about 80% of the primary casualty book while product liability business represented 20%, according to Mr. Brooks. So far in 1989, though, the split has been closer to 60%/40%, again because of softening in the standard market, he said.

A lot of OL&T business "is simply not finding its way into the surplus lines market," Mr. Brooks explained, adding that "it probably never should have left" the admitted market in the first place.

General Star Indemnity typically offers a $1 million primary casualty limit, though it sometimes can offer an additional $1 million, he said.

The insurer can also offer up to a $5 million limit on property business, though it very rarely uses its full capacity and more typically writes a $3 million limit, Mr. Brooks said.

General Star Indemnity started writing primary quota-share property business last year, but growth in this line "has gone very slowly," he said.

"We have just never been able to find the core of property business," he observed, adding that this may change with the acquisition of Constitution State's business.

Constitution State has brought a better mix of casualty and property risks, Mr. Brooks noted: While General Star Indemnity has been heavily casualty-oriented, Constitution State's book is roughly 80% casualty and 20% property, and includes a fair amount of multiperil package business.

The former Constitution State operation is now functioning as a fourth department within General Star Management Co., the General Re unit that manages General Star Indemnity and a sister company, General Star National Insurance Co.

The new fourth department is known as the "facilities department," Mr. Brooks said, and operates alongside General Star Management's existing primary and excess casualty and property departments.

General Star Indemnity last year did business with about 115 producers, all surplus lines brokers, according to Mr. Brooks. Constitution State had dealt with an additional 26 surplus lines brokers, and there were only three or four cases where the producers of the two companies overlapped, he said.

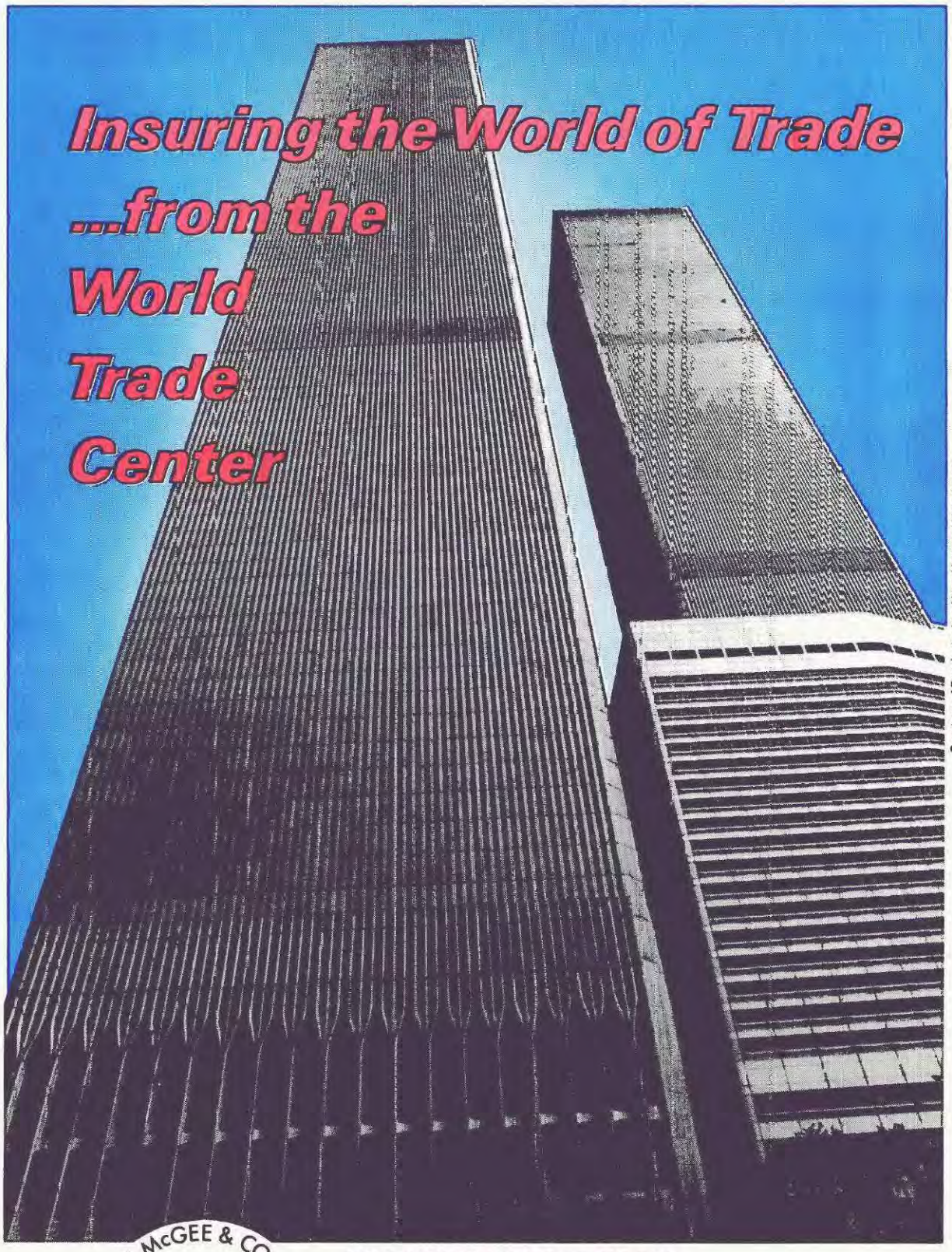
Most of these producers are regional brokerages rather than the surplus lines units of the top national brokers, he said.

General Star Indemnity has no employees of its own; all employees are General Star Management's.

In addition to Mr. Brooks, General Star Indemnity's principal officers include Samuel C. Anderson and Russell D. Hendrickson, vps; Ronald S. Austin and Scott H. Lockett, second vps;

General Star Indemnity, founded in 1978, carries General Re's rating of A—plus from A.M. Best Co.

—By Douglas McLeod



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Admiral Insurance Co.

1255 Caldwell Road, P.O. Box 5725, Cherry Hill, N.J. 08034; 609-429-9200

	1988	1987
Gross premiums	$122,636,769	$160,367,555
Non-admitted	$104,867,768	$150,216,190
Net premiums	$64,116,256	$107,024,806
Paid-in capital	$3,000,000	$3,000,000
Capital & surplus	$70,763,605	$66,498,519
Employees	128	125
Combined ratio	106.6%	91.8%
Commercial risks	85.5%	94.4%
Net income	$14,764,329	$21,843,514
Best's rating	A-plus*	A-plus*

* Contingent, consolidated.

Despite continuing to lose business to admitted insurers, Admiral Insurance Co.'s management views the soft commercial property/casualty insurance market with equanimity.

In fact, says President Michael Snead, "last year was a good year for us. We were in almost on target."

Admiral—whose specialties include product liability and professional liability insurance—wrote gross premiums of $122.6 million in 1988, just shy of the company's $125 million goal, even though it represented a 23.5% decline from gross premiums of $160.4 million in 1987.

Similarly, said Mr. Snead, although Admiral's net income dropped 32.4% to $14.8 million in 1988 from $21.8 million in 1987, "our profit margins were right on target" as well.

"We did what an E&S company is supposed to do; we wrote less business" in the soft market, Mr. Snead explained.

Admiral, a Cherry Hill, N.J.-based subsidiary of W.R. Berkeley Corp., did not compete with either the standard markets or with surplus lines competitors that "reduced rates to the point which we did not agree with," he added.

Premiums written on a direct, non-admitted basis fell 30.2% last year to $104.9 million from $150.2 million. This compares with an 8.1% drop in 1987 from $163.5 million in 1986.

However, despite the large drop in non-admitted premium volume, Admiral maintained its No. 9 spot in *Business Insurance's* ranking of the largest U.S. surplus lines insurers.

Net written premiums also fell, dropping 40.1% to $64.1 million in 1988 from $107 million in 1987.

"We're right on target for this year, too," said Robert B. Spanfelner, Admiral's executive vp and secretary.

For the first six months of this year, Admiral wrote $63.4 million in gross premiums, almost even with the $62 million written during the comparable period a year ago.

Net premiums for the first six months of this year totaled $36.1 million, down about 12% from $41 million during the comparable 1988 period.

"We felt that we could write the same amount this year as last year for two reasons," Mr. Snead said. One reason is "because we were not going to reduce rates any more."

The second is its July 1988 acquisition of Los Angeles-based underwriting manager C&F Underwriting Managers and its book of business from Travelers Corp. for an undisclosed sum.

Without the C&F acquisition, Admiral's gross premium volume would have been down about 15% in the first half of 1989, said Mr. Spanfelner. But C&F wrote about $7 million in premiums during the last six months of 1988 and wrote about $9 million in premiums in the first six months of this year.

C&F, which writes general contractors and specialty coverages, operates principally in the California market, noted Mr. Spanfelner. It writes owners, landlords and tenants risks and other types of liability coverages that tend to be less hazardous than Admiral's normal book of business, he said.

"It doesn't compete with our market. It complements our market," he said.

Because of the differences in its marketing focus, C&F continues to operate separately from Admiral and under its own name, say the insurer's officials.

The business written by C&F, in fact, is actually insured by Firemen's Insurance Co. of Washington, D.C., another Berkeley subsidiary. That business is then fully reinsured by Admiral. By taking this approach, Mr. Snead said, "We don't confuse the market."

The insurer is now negotiating another purchase as well. Admiral officials will say only that the proposed acquisition specializes in a product line that Admiral does not currently write.

"It's a first-class operation," Mr. Spanfelner said.

While Admiral is meeting its goals, there is no doubt that the insurer is operating in the midst of a tumultuous market, its officials concede. "There seems to be a lot of churning out there, which means risks are moving around," Mr. Spanfelner said.

"What's saving us is that we are renewing our business," Mr. Snead said. But as for new business, Admiral is seeing a repeat of the conditions present in the soft market of 1983. He explains that a broker with a submission is "sending it to every market known to man. We're not in that game."

Of 100 submissions for new business that Admiral receives, it will quote 50 and may actually write five, Mr. Snead said.

"Our people are working hard to accomplish less," he said.

The soft market also has changed the nature of the business Admiral now writes, its officials say.

"We're seeing a more difficult class of risk in general. We're not seeing the easy stuff anymore," Mr. Spanfelner said. At the same time "we're being requested to provide greater coverage and broader limits."

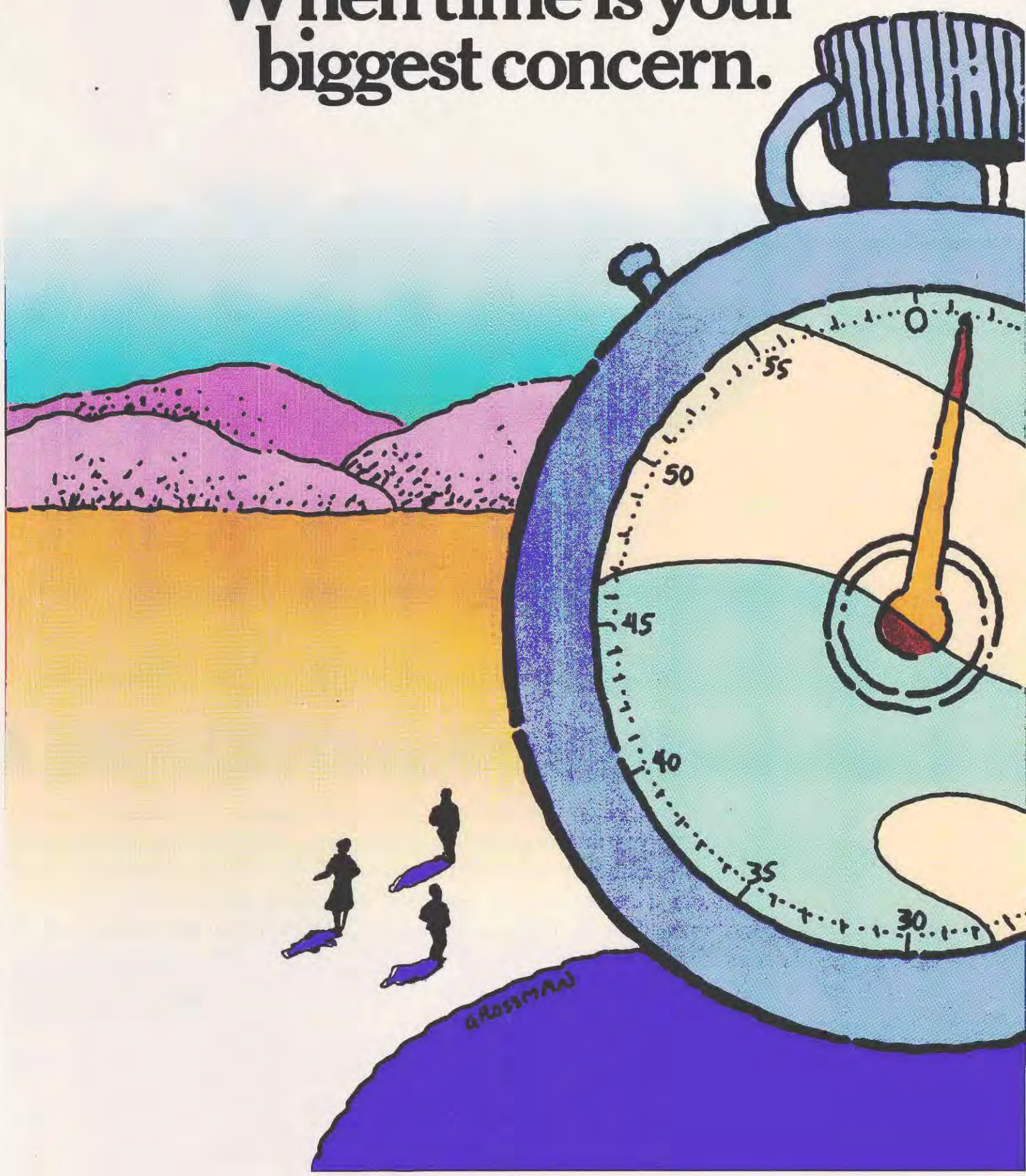
The admitted market now is writing classes of business written by Admiral during a hard market, Mr. Spanfelner explained.

"What we see is that in certain cases, the standard market is so desperate for premium, they're writing classes of business they should not write" because they do not have the track record to do so successfully, he said.

In some cases, Mr. Spanfelner said, an admitted insurer not only

Continued on next page

When time is your biggest concern.



Continued from previous page
will undercut Admiral's price for product liability coverage, but will throw in an entire package of coverages for the lower rate as well.

"When they get hurt enough, that's when the market will start to change," he predicted.

Meanwhile, Admiral does not bother to compete when an admitted market attempts to write such an account, Admiral officials say.

"We don't argue with the standard market if that's what they want to do," Mr. Spanfelner said. "If it's our business, it comes back to us. It's just a matter of time."

Despite focusing on tougher risks, Admiral's mix of business stayed essentially the same in 1988. Ninety-six percent of its gross premium volume was composed of casualty insurance, with the major portion of that business devoted to general liability, product liability and professional liability coverages.

"We write practically every class of product liability," Mr. Snead said. Admiral, for instance, will write product liability insurance on steel mill blast furnaces.

"The classes of products that we write have very little frequency, but when they do go, it's a severity loss," Mr. Snead said.

Other typical Admiral policyholders include pharmaceutical firms, electrical saw manufacturers and brake lining producers.

Among the professionals for which Admiral writes errors and omissions coverage are real estate agents and third-party claims administrators. However, it does not write medical malpractice coverage for doctors, hospitals, freestanding emergency rooms or blood banks, though it has written some policies for special blood banks where patients can store their own blood in the event they need it during surgery.

Property business accounted for only about 3% of Admiral's gross premiums last year. "The property market is so soft we are just able to write less and less at what we consider adequate rates," Mr. Snead said.

One type of property insurance that Admiral has begun writing in the past year is mortgage impairment coverage, which could generate $8 million in gross premium volume this year, officials say.

Mortgage impairment insurance, which is purchased by banks, is triggered when a bank takes over a property after a mortgage default and a named peril, like a fire, damages the property before the bank is able to sell it.

Admiral was asked to take over the seasoned book of business by one of its reinsurers after the insurer that had written the book, Providence, R.I.-based Canadian Universal Insurance Co., lost its A plus rating from A.M. Best Co.

Canadian Universal, a subsidiary of Resolute Holdings Inc., was put under the control of a court-appointed trustee last year (*BI*, Oct. 17, 1988). However, the insurer is now operating autonomously, said Peter Fallon, president and chief executive officer. It now has an NA-5 rating from A.M. Best Co., which indicates it is under new management, he said.

Admiral is writing no other new lines of business.

Admiral offers up to $1 million in limits. About 23% of risks written that are covered by Admiral's reinsurance treaties are insured for the full $1 million limit, up from about 13% a year ago. Another 5%-7% of business, reinsured on a facultative basis, is written for the full $1 million limit, Mr. Snead said.

Admiral retains 70% of the first $250,000 layer of risk, then cedes the remaining 30%. The remaining $750,000 excess of $250,000 layer is fully reinsured. Its reinsurers are Prudential Reinsurance Corp., USF&G Corp., Constitution Reinsurance Corp. and Transamerica Corp. Transamerica has been added as a reinsurer during the past year.

While premium volume fell off in 1988, Admiral's combined ratio increased to 106.6% last year from 91.8% in 1987. Admiral posted a 104.8% combined ratio in the first half of 1989, compared with a 93.1% ratio for the first six months of 1988.

Now that the market has softened, "we're not getting the same premium dollar for the exposure we had before" and this is reflected in Admiral's combined ratio, explained Kathleen Crawford, vp and treasurer.

Admiral's surplus stood at $70.8 million at year-end 1988, up from $66.5 million a year earlier, despite paying a $10.4 million dividend to its parent last year.

Admiral deals with 199 wholesale producers, down from 220 a year ago, primarily because of mergers and takeovers, explained Mr. Snead.

For the most part, the producers Admiral deals with are "very good friends of ours," said Mr. Spanfelner, noting that Admiral has no desire to deal with 500 or 600 producers.

Admiral does the most business with Cherry Hill, N.J.-based Francis Brokerage Services, a subsidiary of Atlanta-based Alexander Howden North America Inc.; Dallas-based Crump E&S Group; Los Angeles-based Montgomery & Collins Inc.; Houston-based London American Risk Specialists Inc.; IWest Insurance Managers, a Stockton, Calif.-based unit of Swett & Crawford Group; Grand Rapids, Mich.-based Willis Faber Holdings Inc.; and Philadelphia-based British American Associates.

Admiral is now in arbitration over a dispute involving financial guarantee bonds it 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, Mr. Snead said. Admiral eventually expects the entire matter to cost $10 million and is fully reserved for the amount.

Besides Messrs. Snead and Spanfelner and Ms. Crawford, Admiral's principal officers are John J. Murphy, vp and claims manager; and Clifford L. Harrington, John J. Kinsella and Albert V. Sonini, regional vps.

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

Admiral carries an A-plus contingent rating from A.M. Best Co.

—By Judy Greenwald

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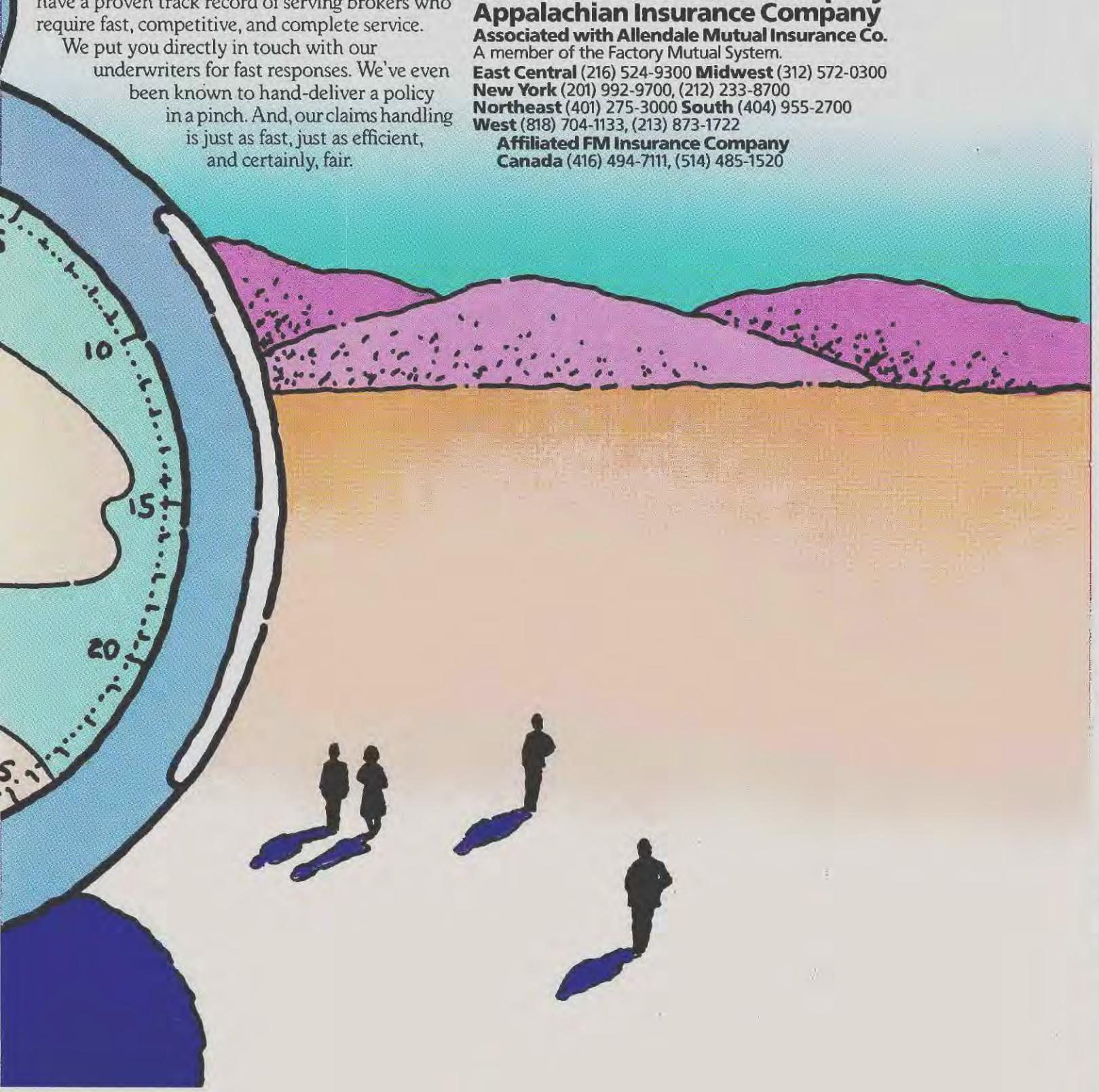
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United National Insurance Co.

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

	1988	1987
Gross premiums..	$138,325,449	$159 528,418
Non-admitted	$100,410,228	$127 343,000
Net premiums....	$52,317,713	$49 957,432
Paid-in capital..	$5,000,000	$5 000,000
Capital & surplus.	$102,304,349	$84 629,332
Employees.....	101	96
Combined ratio...	97.4%	90.5%
Commercial risks.	67.6%	76.5%
Net income.....	$12,245,190	$12 325,426
Best's rating.....	A plus*	A*

Pooled

For the second consecutive year United National Insurance Co.'s premium volume declined, but a 21% increase in policyholder surplus and a higher rating from A.M. Best Co. made 1988 a successful year nonetheless, according to the company's executives.

United National strictly adhered in 1983 to its underwriting policy of writing or renewing business if the premium isn t right As a result, gross premiums written fell 13.3% to $138.3 million in 1988 from $159.5 million in 1987.

"We believe pricing is the major issue fueling a soft market," said Seth D. Freudberg, president and chief executive officer of the Philadelphia-based insurer. 'Our philosophy is that there is a price at which surplus business can be written and that is at a surcharge. On all new business we will stick with those surcharges and walk away if we don't get them."

Chairman Raymond L. Freudberg, Seth's father, added that "it has to be a piece of business that is highly meritorious to even get as low as manual (rates). Generally, it has to be business we have had in the house for a period of time."

And, despite a 21.1% fall in gross premiums written on a direct, nonadmitted basis to $100.4 million last year from $127.3 million in 1987, United National maintained its No. 10 spot in the *Business Insurance* ranking of the 10 largest surplus lines insurers.

But, receiving an A-plus rating from Best and increasing policyholder surplus 20.9% to $102.3 million in 1988 from $84.6 million in 1987 were the year's highlights, the two executives agree.

A.M. Best Co. told the company that its higher rating was based on its "sound record of profitability over the last five years, which, coupled with surplus contributions, has enabled policyholder surplus to exceed $100 million for the first time."

Seth Freudberg said, "We are delighted about the increase in our rating, and we've demonstrated a track record that Best's requires of an A-plus company."

The increase in policyholder surplus included an $11.5 million capital infusion from its owners and $12.2 million in retained earnings. United National also paid its owners a $6.7 million dividend, under customary procedures.

United National is owned by American Insurance Services Inc., which is owned by American Manufacturing Corp. of Philadelphia.

In addition to last year's fourth-quarter capital infusion, United National also received capital infusions from American Insurance Services of $8.5 million in 1987 and $13 million in 1986.

The reduction in written premiums in 1988 at United National is directly related to the disappearance of large accounts from the surplus lines marketplace, said Seth Freudberg.

"Six-figure risks that are properly priced are very few and far between," he said. "Therefore, we not only lose six-figure renewals, but we don't write too many new ones."

United National, however, maintained its earnings in 1988 as net income fell ever so slightly, to $12.2 million in 1988 from $12.3 million in 1987. Profits took a leap in 1987 when income increased 60.7% from $7.7 million in 1986.

The Freudbergs predict that conservative investing, falling interest rates and continued falling premium rates will produce flat earnings again in 1989.

Despite reduced premium volume in 1988, United National reported stable profits in 1988 due to a reduction in federal taxes and increased investment income, said Seth Freudberg. Investment income rose 7.1% to $12.1 million in 1988 from $11.3 million in 1987.

Also in 1988, United National retained about 38% of its gross premiums, a significant increase from the 31.3% retention level in 1987, said Kevin L. Tate, vp/treasurer.

United National is retaining nearly 40% of its business this year, he added.

"Because our capital base has increased dramatically in the past four years, we decided to increase our retention in property business because we have been coming in at our most favorable loss ratios for many years," Seth Freudberg said.

Because United National insists that it isn't cutting prices on business in order to keep abreast with the competition—much of which currently is coming from admitted insurers—it offset lost premiums by expanding some successful lines in 1988.

Expansion of profitable lines and the introduction of new products fit securely within United National's market strategy that all avenues are open.

Seth Freudberg said United National is perfectly willing to look into new ways of deriving income as long as lines are profitable and they show potential for longevity when the market turns hard.

Therefore, United National has used the soft market as a chance to look in the mirror and plan new strategies for the future.

"This has been a time United National has used to catch up," said Raymond Freudberg. "We're learning more about the risks we want to write. We're rewriting our underwriting manual based on experience. It has been R&D time to a great extent."

Among new programs that showed success in 1988 was United National's buffer layer auto liability coverage. United National commonly writes buffer coverage within the first $1 million limit.

In addition, the insurer began a program for urban low-value dwellings last year. United National writes both property and liability coverage for houses, apartments or condos valued up to $75,000 with common risks valued at $30,000 to $40,000.

It also expanded its liquor law liability insurance program, which debuted in 1987. It now writes liquor liability coverage in Georgia and Florida with limits up to $1 million and in Pennsylvania with a limit of $50,000—retained entirely by United National.

Another new product from United National falls within the company's existing Community Health Services program. It now insures, in addition to traditional nursing homes, selected facilities, including schools for the mentally retarded, halfway houses and mental health clinic.

United National writes up to $1 million in general liability and professional liability coverage for these risks on a claims-made basis. Reinsurance is obtained through United National's major treaty.

United National still writes up to $1 million in general and professional liability insurance for nursing homes on an occurrence form.

At the same time, United National continues to target the same

Continued on page 36

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Continued from page 34

types of risks that it has written for a number of years: primary property and primary liability coverage for restaurants, hotels, taverns, small shopping centers, light manufacturers and condominiums.

United National does not write skating rinks, explosives manufacturers, heavy general contractors, daycare centers or product liability insurance.

It touts $3.25 million automatic property capacity through various reinsurance agreements. "We don't even have to pick up a phone to secure those limits," said Seth Freudberg, who added that United National's maximum in-house retention on the $3.25 million of automatic coverage is $150,000.

United National's liability capacity remains at $1 million, with varying retentions.

United National also continues to offer excess general and automobile liability coverage to trucking and bus companies. United National writes occurrence-based limits of up to $10 million excess of $1 million.

Last year, United National derived approximately 35% of its total premium volume from excess liability and umbrella business. Seth Freudberg estimated that another 25% came from primary liability insurance; 18%, special multiperil package accounts; 13%, professional liability—especially hospital professional liability; 5%, personal lines; and the remaining percentage, miscellaneous coverages, including jewelers block coverage and liquor law liability.

Commercial insurance risks generated 67.6% of direct written premiums in 1988, down from 76.5% the previous year.

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

On a facultative basis, United National uses Motors Insurance Corp. of Detroit; General Reinsurance Corp. of Stamford, Conn.; and Skandia America Reinsurance Corp., American Re-Insurance Co. and Munich American Reinsurance Co., all of New York.

United National added several new producers to its list of major wholesalers including Insurex of Paramus, N.J.; Delaware Valley Underwriting Group of Hatboro, Pa.; American Insurance Managers of Atlanta; Sentinel Agency of Glenside, Pa.; and Symons Underwriting Managers Inc. of Fort Lauderdale, Fla.

United National still receives large amounts of business from Doran Excess Underwriters Inc. of Mechanicsburg, Pa.; Myron F. Steves & Co. of Houston; Sunderland Insurance Services of Walnut Creek, Calif.; Transco Insurance Services of Solvang, Calif.; The IPC Group in Philadelphia; James H. Ferguson & Associates of Evanston, Ill.; and TRM Insurance Group of South Plainfield, N.J.

In addition, longtime producer Professional Managers Inc. of Atlanta changed its operating name to Commercial Services & Protection Inc.

United National's main goal for 1989, Raymond and Seth Freudberg said, is to maximize underwriting profits. Its combined ratio increased 7% in 1988 to 97.4% from 90.5% in 1987, mostly because it lost ceding commissions from reinsuring less business, thereby increasing its expense ratio. Its loss ratio in 1988 actually fell to 61.4% from 66.3% in 1987, while the expense ratio increased to 36% from 24.2%.

Mr. Tate said United National is targeting a 50% increase in underwriting profits for 1989. Underwriting profits in 1988 totaled $1.8 million.

United National increased its staff to 101 from 96 employees in 1987.

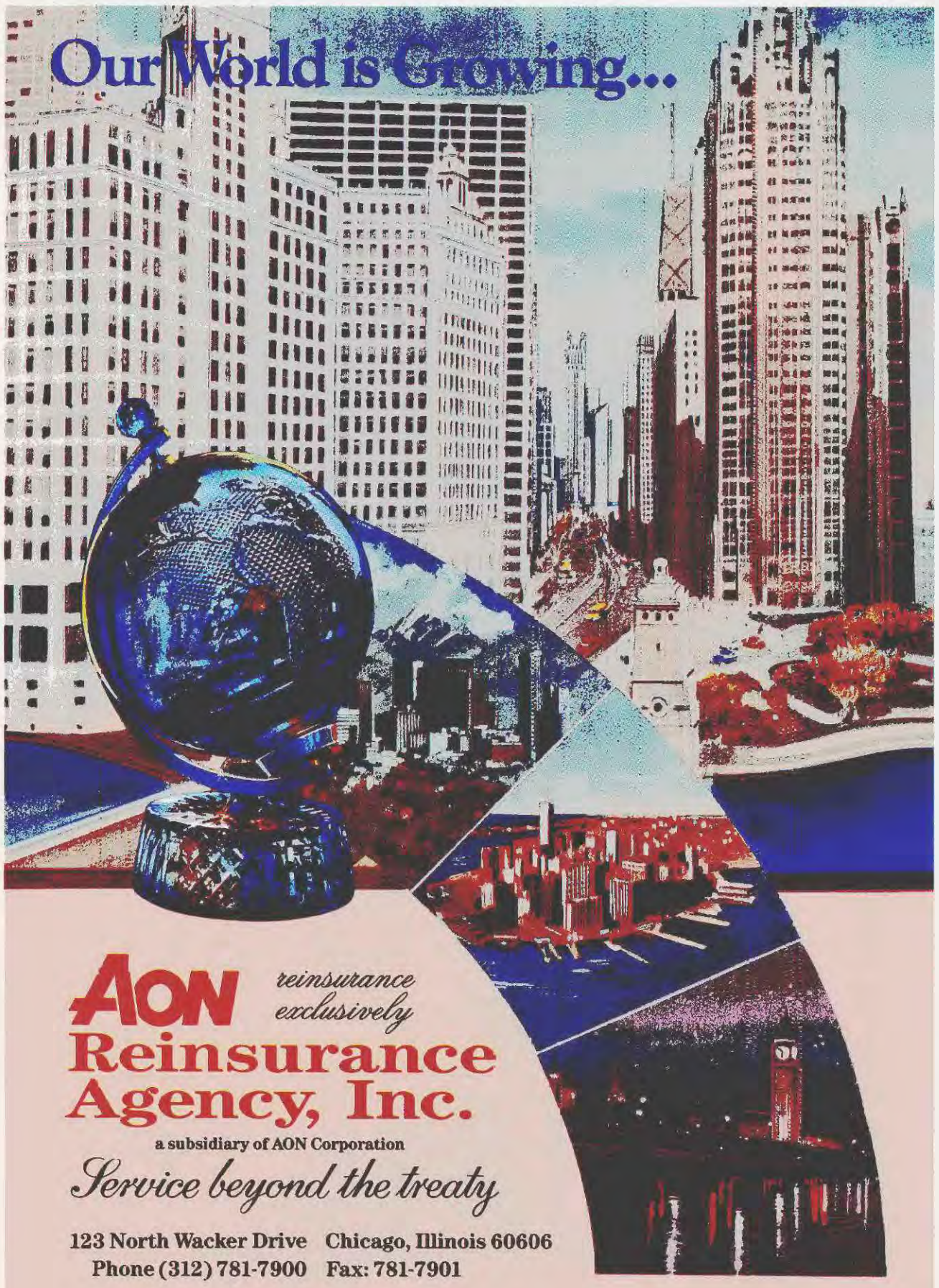
United National has two subsidiaries: Diamond State Insurance Co. and Hallmark Insurance Co.

United National in 1988 was an approved, non-admitted insurer in all states except Pennsylvania where it is licensed. It has since been licensed in Oklahoma. Diamond State is non-admitted in Pennsylvania and Hallmark is non-admitted in Oklahoma giving the United National Group excess and surplus underwriting capabilities in all 50 states.

Either Diamond State or Hallmark is licensed in one or more of the following states: Delaware, Florida, Georgia, Louisiana, Illinois, Indiana, Iowa, Missouri, Mississippi, South Carolina, Wisconsin and West Virginia.

Other executives include Benn Prybutok, vp-marketing, Patricia Rodman, vp-underwriting, Gerald Durkin, vp-claims, and Anthony Cancelliere, vp-systems.

—By Michael Schachner



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Directory lists excess/surplus lines insurers

Acceptance Insurance Co.

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

	1988	1987
Gross premiums	$46,121,547	$55,800,131
Non-admitted	$30,486,726	$36,086,830
Commercial risks	66.1%	64.7%
Net premiums	$32,155,319	$33,083,088
Paid-in capital	$2,023,027	$2,023,027
Capital & surplus	$17,209,112	$14,146,865
Employees	54	50
Combined ratio	94.4%	90%
Net income	$3,513,093	$2,741,319
Best's rating	B+(s)	B+

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, Ariz.
Approved non-admitted in: 32 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.

Adriatic Insurance Co.

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

	1988	1987
Gross premiums	$16,255,758	$17,528,697
Non-admitted	$15,484,489	$16,950,692
Commercial risks	67.9%	54.4%
Net premiums	$13,314,161	$14,344,140
Paid-in capital	$1,500,000	$1,200,000
Capital & surplus	$5,915,916	$3,618,204
Employees	19	19
Combined ratio	78%	77.1%
Net income	$2,445,335	$1,253,157
Best's rating	B+	B-

Year founded: 1979.
Parent company: Anglesey Corp.
Specialties: Commercial physical damage.
Approved non-admitted in: District of Columbia and 30 states.
Admitted in: Arizona, Delaware, Mississippi, Nevada and New Mexico.
Principal officers: Anthony Ciervo Jr., president; Joseph E. Taylor, secretary; Kenneth A. Jurgensen, vp.

Allianz Underwriters Insurance Co.

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

	1988	1987
Gross premiums	$55,868,544	$61,563,504
Non-admitted	$16,966,605	$21,184,799
Commercial risks	55.7%	65.6%
Net premiums	$6,085,411	$4,544,193
Paid-in capital	$4,500,000	$2,000,000
Capital & surplus	$33,535,103	$34,466,329
Employees	40	46
Combined ratio	148.1%	125.8%
Net income	($870,042)	$1,061,385
Best's rating	A(qp)	A(p)

Year founded: 1978.
Parent company: Allianz of America Inc.
Specialties: Commercial property, multinational commercial risks.
Approved non-admitted in: District of Columbia and all states except California, New York, Missouri and New Hampshire.
Admitted in: California, New York and Missouri.
Principal officers: Marcus Hildmann, president/chief executive officer; Paul D. Kaduk, senior vp/chief financial officer/secretary/treasurer; Trevor E. Care, senior vp-underwriting; Wolfgang Schlink, vp-international underwriting; John W. Keefe III, senior vp-claims.

American Excess Insurance Assn.

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

	1988	1987
Gross premiums	$75,000,000	$100,000,000
Excess liability	100%	100%
Admitted	100%	100%
Net premiums	NA*	NA*
Paid-in capital	NA	NA
Capital & surplus	NA*	NA*
Employees	18	20
Excess liability	9	10
Combined ratio	NA*	NA*
Net income	NA*	NA*
Best's rating	NA*	NA*

* Results are those of member companies.
Year founded: 1986.

Continued on next page

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Continued from previous page

Admitted in: District of Columbia and all states except Hawaii, North Dakota, Texas and Wyoming.

Principal officers: T.V.A. Kelsey, president; C.N. Greene, vp; N. Colgan, secretary.

Casualty Indemnity Exchange

235 E. High, Suite 300, Jefferson City, Mo. 65101; 314-634-3531

	1988	1987
Gross premiums..	$38,199,484	$38,227,829
Non-admitted	$24,251,168	$25,288,031
Commercial risks.	63.5%	66.2%
Net premiums....	$35,344,524	$24,672,577
Paid-in capital...	NA	NA
Capital & surplus.	$11,335,628	$8,214,509
Employees.....	NA	NA
Combined ratio...	87.7%	86.1%
Net income.....	$2,794,495	$2,756,004
Best's rating.....	A-	B+

Year founded: 1977.

Approved non-admitted in: Florida, Hawaii, Idaho and Montana.

Admitted in: Alabama, Illinois, Indiana, Missouri, Nebraska, Nevada, North Dakota, Rhode Island, Texas, Utah and Washington.

Principal officers: Anthony A. Firley, president; Warren F. Dampf, senior vp; David Johnson, vp; V. Joan Firley, secretary; Robert L. Gooderl, treasurer.

Columbia Casualty Co.

300 S. Riverside Plaza, Chicago, Ill. 60606; 312-822-6826

	1988	1987
Gross premiums..	$174,663,166	$180,954,467
Non-admitted	$49,183,031	$61,922,933
Commercial risks.	97%	97%
Net premiums....	$124,125,189	$110,144,871
Paid-in capital...	$4,100,000	$2,000,000
Capital & surplus.	$70,083,938	$52,340,134
Employees.....	25	30
Combined ratio...	106.4%	109%
Net income.....	$16,186,130	$3,743,657
Best's rating.....	A+(p)	A+(p)

Year founded: 1974.

Parent company: Continental Casualty Co.

Continued on next page

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How to use directory

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

The Best's rating listed under each year is the rating given by A.M. Best Co. following the close of each year. 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 year the insurer was founded and its parent company (if any). 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 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.

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Continued from previous page

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

Admitted in: Illinois.

Principal officers: Edward J. Noha, chairman; Noel W. Prather, president; Dennis H. Chookaszian, Ernest A. Lausier and Thomas R. Igleski, vps.

Empire Indemnity Insurance Co.

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

	1988	1987
Gross premiums	**$14,985,081**	$16,146,028
Non-admitted	**$11,266,544**	$13,155,803
Commercial risks	**75.2%**	81.5%
Net premiums	**NA**	NA
Paid-in capital	**$1,500,000**	$1,500,000
Capital & surplus	**$7,854,000**	$7,326,000
Employees	**160**	142
Combined ratio	**NA**	NA
Net income	**$528,000**	$510,000
Best's rating	**A-(r)**	B+(r)

Year founded: 1957.

Parent company: Empire Fire & Marine Insurance Co.

Specialties: Auto physical damage, high-valued auto, excess private passenger, tanning salons, special events, gas operations and utilities.

Approved non-admitted in: 41 states.

Admitted in: Oklahoma.

Principal officers: Richard F. Williams, president; Charles B. Ralph, senior vp; Steven R. Sell and Daniel M. Cranny, vps; Francis J. Kratky, vp/secretary/treasurer.

Essex Insurance Co.

4551 Cox Road, Glen Allen, Va. 23060; 804-273-1400

	1988	1987
Gross premiums	**$37,772,565**	$30,177,189
Non-admitted	**$37,236,689**	$29,247,790
Commercial risks	**98%**	98%
Net premiums	**$18,377,407**	$14,339,212
Paid-in capital	**$1,500,000**	$1,500,000
Capital & surplus	**$11,091,057**	$6,605,126
Employees	**40**	32
Combined ratio	**80.1%**	85.1%
Net income	**$3,394,541**	$1,813,336
Best's rating	**B+**	NA

Year founded: 1980.

Parent company: Markel Corp.

Approved non-admitted in: District of Columbia and 43 states.

Admitted in: Delaware.

Principal officers: Anthony F. Markel, Jacquelyn Ash, W. Graham Carter, Brad Dickler and R.A. Johnson.

Evanston Insurance Co.

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

	1988	1987
Gross premiums	**$100,671,272**	$137,010,010
Non-admitted	**$83,300,458**	$103,104,000
Commercial risks	**88%**	90%
Net premiums	**$57,647,918**	$71,357,255
Paid-in capital	**$24,753,687**	$24,753,687
Capital & surplus	**$86,950,025**	$76,904,128
Employees	**20**	21
Combined ratio	**106.7%**	108.1%
Net income	**$12,142,784**	$13,074,921
Best's rating	**B+(s)**	B(s)

Year founded: 1977.

Parent company: Shand Morahan Services Inc.

Specialties: Professional liability, product liability, medical malpractice.

Subsidiaries: Insurance Co. of Evanston, Evanston, Ill.

Approved non-admitted in: District of Columbia and all states except Illinois and New Hampshire.

Admitted in: Illinois.

Principal officers: Joseph J. Prochaska, chairman/chief executive officer; Robert H. Libby, president/chief operating officer; Richard A. Adler, executive vp; Paul W. Springman, senior vp; Steven K. Lauer, senior vp/treasurer/chief financial officer.

General Star National Insurance Co.

695 E. Main St., P.O. Box 10354, Stamford, Conn. 06904-2354; 203-328-5000

	1988	1987
Gross premiums	**$61,711,439**	$76,418,527
Excess liability	**100%**	100%
Admitted	**100%**	100%
Net premiums	**$17,893,973**	$17,255,426
Paid-in capital	**$4,000,000**	$4,000,000
Capital & surplus	**$36,453,093**	$32,219,261
Total employees	**NA**	NA
Combined ratio	**98.3%**	99.7%
Net income	**$3,716,664**	$2,924,994
Best's rating	**A+(e)**	A+(e)

Year founded: 1985.

Parent company: General Re Corp.

Specialties: Casualty excess and umbrella.

Admitted in: District of Columbia and all states except Hawaii.

Principal officers: John Etling, president; Kevin Brooks, general manager.

Gulf States Insurance Co.

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

	1988	1987
Gross premiums	**$6,797,991**	$4,691,074
Non-admitted	**$3,141,981**	$3,875,779
Commercial risks	**98%**	98%
Net premiums	**$3,141,982**	$1,238,563
Paid-in capital	**$500,000**	$500,000
Capital & surplus	**$1,353,735**	$941,962
Employees	**15**	13
Combined ratio	**73.5%**	74.3%
Net income	**$517,100**	$67,988
Best's rating	**NA**	NA

Year founded: 1986.

Specialties: Taverns, restaurants, grocery and convenience stores, welders, oil risks, janitorial services, landscapers, exterminators, daycare centers.

Approved non-admitted in: Wyoming and Texas.

Admitted in: Oklahoma.

Principal officers: Ann Cangelosi, president; Sam Cangelosi and Don Cangelosi, vps; Don E. Meyer secretary/treasurer.

Harbor Insurance Co.

180 Maiden Lane, New York, N.Y. 10038; 212-440-3400

	1988	1987
Gross premiums	**$316,828,676**	$315,524,448
Excess liability	**35%**	35%
Admitted	**100%**	100%
Net premiums	**$164,051,702**	$209,264,084
Paid-in capital	**$3,000,000**	$3,000,000
Capital & surplus	**$87,548,095**	$91,765,129
Total employees	**210**	200
Excess liability	**50**	45
Combined ratio	**126%**	101.3%
Net income	**($8,172,120)**	$785,949
Best's rating	**A(p)**	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: Eugene Allen, Bryan Reid III, William Cullen, Alan Pritz and Edward Jerge.

Indemnity Underwriters Insurance Co.

2111 Denver Harnar Drive, Miami, Okla. 74354; 918-542-1871

	1988	1987
Gross premiums	**$7,961,649**	$11,245,423
Non-admitted	**$7,178,872**	$4,632,800
Commercial risks	**90%**	36%
Net premiums	**$948,463**	$1,276,499
Paid-in capital	**$1,500,000**	$1,500,000
Capital & surplus	**$3,861,699**	$3,185,511
Employees	**22**	22
Combined ratio	**2.5%**	67.1%
Net income	**$778,276**	$408,724
Best's rating	**NA**	NA

Year founded: 1976.

Approved non-admitted in: 23 states.

Admitted in: Oklahoma.

Principal officers: Robert H. Garwood, president; Robert H. Garwood II and James J. Florio, vps; Melinda L. Florio, secretary/treasurer.

Illinois Union Insurance Co.

8755 W. Higgins Road, Chicago, Ill. 60631; 312-380-8100

	1988	1987
Gross premiums	**$47,684,331**	$70,406,300
Non-admitted	**$44,849,150**	$58,391,295
Commercial risks	**100%**	100%
Net premiums	**$18,629,175**	$17,189,801
Paid-in capital	**$4,200,000**	$2,550,000
Capital & surplus	**$15,925,490**	$10,814,778
Employees	**NA**	NA
Combined ratio	**50.8%**	105.7%
Net income	**$5,228,657**	$3,409,053
Best's rating	**A(e)**	A(ce)

Year founded: 1973.

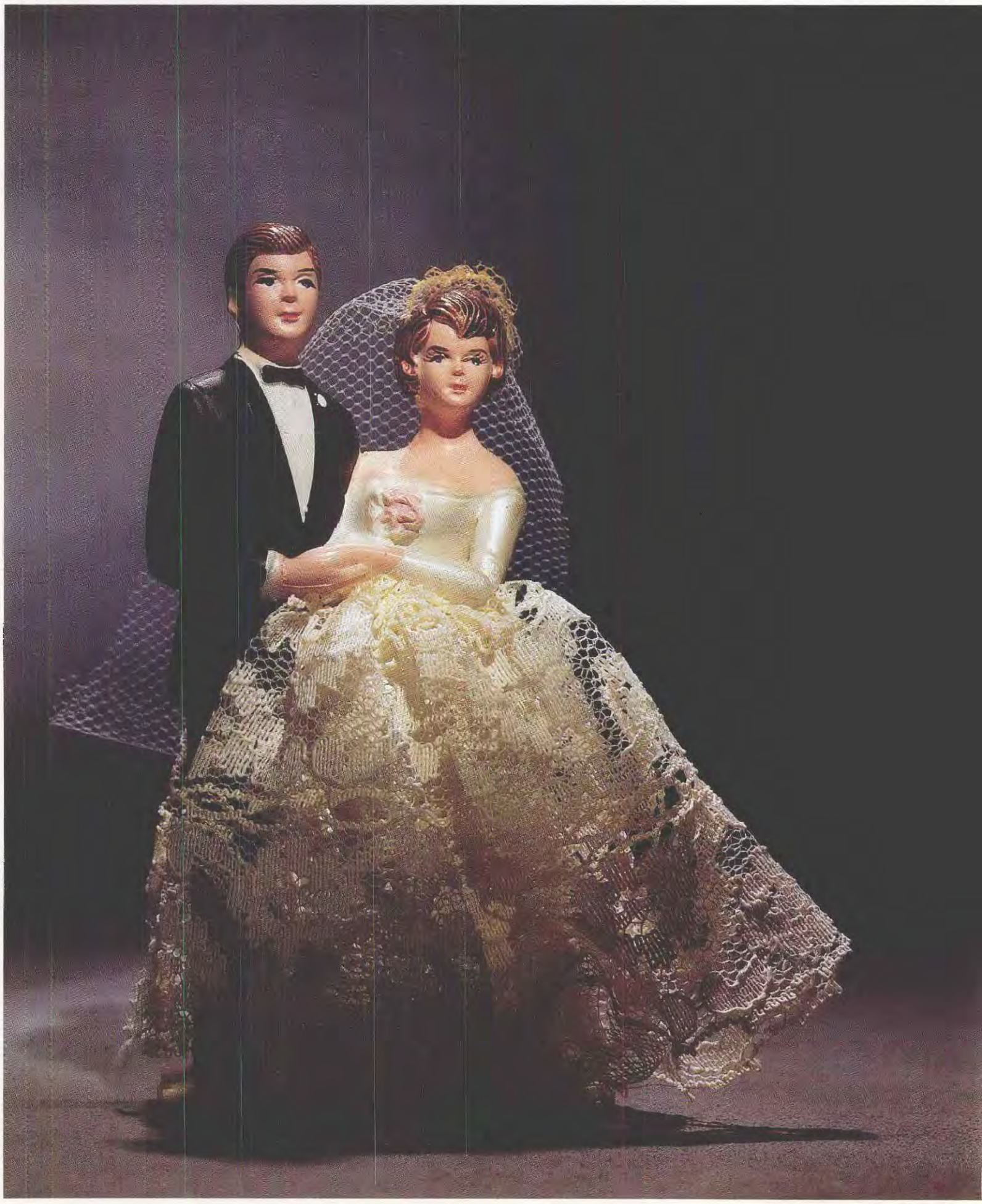
Parent company: CIGNA Corp.

Approved non-admitted in: District of Columbia and all states except Alaska, Illinois and Nebraska.

Admitted in: Alaska, Illinois and Nebraska.

Principal officers: Raymond Earl Main, president; Harry Edward Hoyt, vp/secretary; James Anthony Sears, vp/controller; Robert Karl Gross, vp/

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Continued from previous page
treasurer; Nicolas Yuschenkoff, vp.

Interstate Fire & Casualty Co.

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

	1988	1987
Gross premiums	$99,757,400	$153,395,404
Non-admitted	$50,464,379	$77,598,286
Commercial risks	96.6%	96.4%
Net premiums	$45,896,244	$57,809,107
Paid-in capital	$4,200,000	$1,750,000
Capital & surplus	$70,540,777	$52,802,261
Employees	109	107
Combined ratio	110.7%	158.1%
Net income	$10,802,640	($13,198,045)
Best's rating	A-(p)	A-(p)

Year founded: 1951.
Parent company: Interstate National Corp.
Specialties: Small and medium size contractors, special events, automobile and trucking.
Approved non-admitted in: District of Columbia and all states except New Hampshire, Illinois and Michigan.
Admitted in: Illinois and Michigan.
Principal officers: Patrick S. O'Flynn, Kenneth T. Batchelder, James T. McGill, Raymond J. Garver and Timothy P. Makowski.

Mount Hawley Insurance Co.

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

	1988	1987
Gross premiums	$40,689,632	$28,821,618
Non-admitted	$40,564,066	$28,556,347
Commercial risks	100%	100%
Net premiums	$11,138,749	$12,832,927
Paid-in capital	$4,100,000	$4,100,000
Capital & surplus	$14,422,442	$13,589,388
Employees	NA	NA
Combined ratio	109.7%	73%
Net income	$2,033,526	$4,678,419
Best's rating	A-(e)	B+(e)

Year founded: 1979.
Parent company: RLI Corp.
Specialties: Flood and earthquake, oil operations, product liability.
Approved non-admitted in: District of Columbia and all states except Delaware.
Admitted in: Delaware.
Principal officers: Gerald D. Stephens, president/chief executive officer; Camille J. Hensey, secretary; James E. Zogby, treasurer; R. Robert Leventry, executive vp; Jonathan E. Michael, vp-finance/chief financial officer.

Mount Vernon Fire Insurance Co.

1030 Continental Drive, King of Prussia, Pa. 19406-0951; 215-688-2535

	1988	1987
Gross premiums	$57,176,238	$70,522,381
Non-admitted	$38,840,960	$50,316,649
Commercial risks	68%	71%
Net premiums	$49,007,720	$48,082,646
Paid-in capital	$4,100,000	$4,100,000
Capital & surplus	$75,683,612	$55,417,915
Employees	80	80
Combined ratio	66.2%	77.5%
Net income	$27,354,118	$18,235,135
Best's rating	A+	A+

Year founded: 1958.
Parent company: United States Liability Insurance Co.
Specialties: Professional liability for nursing homes, substance abuse rehabilitation centers, primary liquor liability, commercial umbrella, buffer layer automobile.
Subsidiaries: U.S. Underwriters Insurance Co., King of Prussia, Pa.
Approved non-admitted in: District of Columbia and 37 states.
Admitted in: Delaware, Indiana, Kentucky, Massachusetts, New York and Pennsylvania.
Principal officers: Archie W. Berry, chairman; Robert B. Berry, president; Bernard T. Quinn, secretary; Louis F. Rivituso, treasurer; Henry J. Mitchell and Theodore M. Ziffer, vps.

National Fire & Marine Insurance Co.

3024 Harney St., Omaha, Neb. 68131; 402-536-3000

	1988	1987
Gross premiums	$71,188,846	$131,293,548
Non-admitted	$53,497,629	$102,894,427
Commercial risks	75.1%	78.4%
Net premiums	$31,105,896	$67,187,709
Paid-in capital	$2,500,000	$2,500,000
Capital & surplus	$503,767,295	$437,162,313
Employees	NA	NA
Combined ratio	80.6%	69.6%
Net income	$25,926,498	$26,078,647
Best's rating	A+(s)	A+(s)

Year founded: 1949.
Parent company: Berkshire Hathaway Inc.
Subsidiaries: Redwood Fire & Casualty Insurance Co., Pasadena, Calif.
Approved non-admitted in: District of Columbia and all states except Hawaii, Massachusetts, Nebraska, New Jersey, New York, New Hampshire and Rhode Island.
Admitted in: Nebraska and New Jersey.
Principal officers: Donald F. Wurster, president; Betty J. Peterson, secretary; Robert D. O'Connell, vp/treasurer; William D. Lyons and Tyson T. Cross, vps; Roland D. Miller, vice chairman.

Nautilus Insurance Co.

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

	1988	1987
Gross premiums	$60,340,495	$60,249,223
Non-admitted	$59,915,360	$59,493,699
Commercial risks	99.3%	98.7%
Net premiums	$31,875,554	$31,877,239
Paid-in capital	$4,200,000	$4,200,000
Capital & surplus	$15,956,105	$13,338,599
Employees	70	63
Combined ratio	96%	92.5%
Net income	$3,158,800	$2,930,027
Best's rating	A+(ce)	A+(ce)

Year founded: 1985.
Parent company: W.R. Berkley Corp.
Specialties: Daycare centers, tanning salons, special events, health clubs, exterminators, roofing contractors, rehabilitation centers.
Approved non-admitted in: District of Columbia and all states except Arizona.
Admitted in: Arizona.
Principal officers: Mike Snead, Gene Keating, Ken Brundage, Ken Lewin and Doug Rutherford.

New England Insurance Co.

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

	1988	1987
Gross premiums	$132,424,170	$157,485,557
Excess liability	80%	80%
Admitted	100%	100%
Net premiums	$78,625,164	$81,241,585
Paid-in capital	$3,000,000	$3,000,000
Capital & surplus	$56,619,219	$44,280,605
Total employees	250	250
Excess liability	25	25
Combined ratio	101.7%	101.5%
Net income	$12,099,931	$9,674,181
Best's rating	A+(cp)	A+(cp)

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.

Northfield Insurance Co.

P.O. Box 64816, St. Paul, Minn. 55164-0816; 612-688-4100

	1988	1987
Gross premiums	$43,579,500	$54,911,027
Non-admitted	$43,579,500	$54,911,027
Commercial risks	99.6%	99.7%
Net premiums	$23,925,847	$30,766,089
Paid-in capital	$2,500,000	$2,500,000
Capital & surplus	$29,896,038	$26,750,043
Employees	NA	NA
Combined ratio	97.8%	80.3%
Net income	$3,201,753	$4,741,124
Best's rating	A+	A+

Year founded: 1972.
Parent company: Northland Insurance Co.
Specialties: Primary and excess liability.
Approved non-admitted in: District of Columbia and all states except Hawaii, Maine, Massachusetts, New Jersey and New York.
Admitted in: Delaware.
Principal officers: Gene Gopon, president; D.W. Elliott and David Pickard, senior vps; Randall Jones and Daniel Zaborsky, vps.

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Pacific Insurance Co.

180 Maiden Lane, New York, N.Y. 10038; 212-440-3400

	1988	1987
Gross premiums	**$74,490,304**	$83,117,764
Non-admitted	**$50,089,553**	$57,453,739
Commercial risks	**100%**	100%
Net premiums	**$18,227,967**	$23,251,565
Paid-in capital	**$4,500,000**	$4,500,000
Capital & surplus	**$26,935,407**	$25,554,501
Employees	**NA**	NA
Combined ratio	**127.2%**	99.2%
Net income	**$522,963**	$488,057
Best's rating	**A(p)**	A(cp)

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: Eugene Allen, Bryan Reid III, William Culler, Alan Pritz and Edward Jerge.

Penn-American Insurance Co.

420 S. York Road, Hatboro, Pa. 19040; 215-443-3600

	1988	1987
Gross premiums	**$23,491,823**	$27,051,452
Non-admitted	**$11,463,823**	$14,081,997
Commercial risks	**50.5%**	52%
Net premiums	**$12,701,583**	$15,167,829
Paid-in capital	**$2,600,000**	$2,600,000
Capital & surplus	**$9,316,431**	$8,653,963
Employees	**37**	41
Combined ratio	**105.8%**	107.3%
Net income	**$888,666**	($632,759)
Best's rating	**B+**	B+(c)

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: District of Columbia and 30 states.
Admitted in: California, Delaware, Missouri, Nebraska, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota and Washington.
Principal officers: Jon S. Saltzman, president; Art Petzel, senior vp; John DiBiasi, vp-underwriting/marketing; Tom Reed, vp-claims.

RLI Insurance Co.

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

	1988	1987
Gross premiums	**$84,637,805**	$96,048,222
Excess liability	**21%**	27%
Admitted	**100%**	100%
Net premiums	**$46,397,437**	$55,881,155
Paid-in capital	**$2,500,094**	$2,500,094
Capital & surplus	**$60,023,543**	$57,243,317
Total employees	**418**	387
Excess liability	**4**	13
Combined ratio	**93.9%**	87.1%
Net income	**$9,361,145**	$11,834,687
Best's rating	**A-(s)**	B+(s)

Year founded: 1959.
Parent company: RLI Corp.
Specialties: Product liability, directors and officers liability, professional liability.
Admitted in: District of Columbia and all states.
Principal officers: Gerald D. Stephens, president/chief executive officer; Camille J. Hensey, secretary; James E. Zogby, treasurer; R. Robert Leventry, executive vp; Jonathan E. Michael, vp-finance/chief financial officer.

Tudor Insurance Co.

48 S. Franklin Turnpike, Ramsey, N.J. 07446; 201-825-3300

	1988	1987
Gross premiums	**$31,248,677**	$41,051,682
Non-admitted	**$25,819,027**	$34,985,058
Commercial risks	**100%**	100%
Net premiums	**$9,578,549**	$7,585,208
Paid-in capital	**$4,100,250**	$3,500,350
Capital & surplus*	**$5,755,480**	$5,722,777
Employees	**138**	147
Combined ratio	**110%**	120.9%
Net income	**$1,114,394**	$363,172
Best's rating	**A(p)**	A+(cp)

* $9,124,252 as of March 31, 1989.
Year founded: 1979.
Parent company: Western World Insurance Co.
Specialties: Public officials, school board legal and directors and officers liability.
Approved non-admitted in: District of Columbia and all states except New Hampshire.
Admitted in: New Hampshire.
Principal officers: Derek Hughes, president; Andrew Frazier, executive vp; Richard L. Smith, senior vp; John Caruccio, senior vp-claims; Robert J. Livingston, senior vp/treasurer.

United Capitol Insurance Co.

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

	1988	1987
Gross premiums	**$56,460,769**	$73,248,772
Non-admitted	**$53,212,147**	$71,419,345
Commercial risks	**94.2%**	97.5%
Net premiums	**$36,821,281**	$45,032,217
Paid-in capital	**$4,100,000**	$4,100,000
Capital & surplus	**$55,701,264**	$29,240,523
Employees	**45**	36
Combined ratio	**72%**	88.4%
Net income	**$8,720,067**	$4,923,483
Best's rating	**NA**	NA

Year founded: 1986.
Parent company: United Capitol Holding Co.
Specialties: Product liability, asbestos abatement contractors.
Approved non-admitted in: District of Columbia and all states except Arizona and Wisconsin.
Admitted in: Arizona and Wisconsin.
Principal officers: Bruce A. Esselborn, president/chief executive officer; Mary Jane Robertson, senior vp/controller; Steven S. Zeitman, senior vp-specialty lines; Peggy H. Brown, vp-property; Gary S. Resman, vp-primary casualty.

United Coastal Insurance Co.

1 Corporate Center, Hartford, Conn. 06103; 203-560-1670

	1988	1987
Gross premiums	**$17,494,152**	$18,305,162
Non-admitted	**$16,126,935**	$16,632,294
Commercial risks	**100%**	100%
Net premiums	**$17,360,759**	$18,305,162
Paid-in capital	**$1,500,000**	$1,500,000
Capital & surplus	**$20,817,454**	$21,126,394
Employees	**8**	7
Combined ratio	**55.8%**	83.2%
Net income	**$6,952,309**	$1,306,155
Best's rating	**NA**	NA

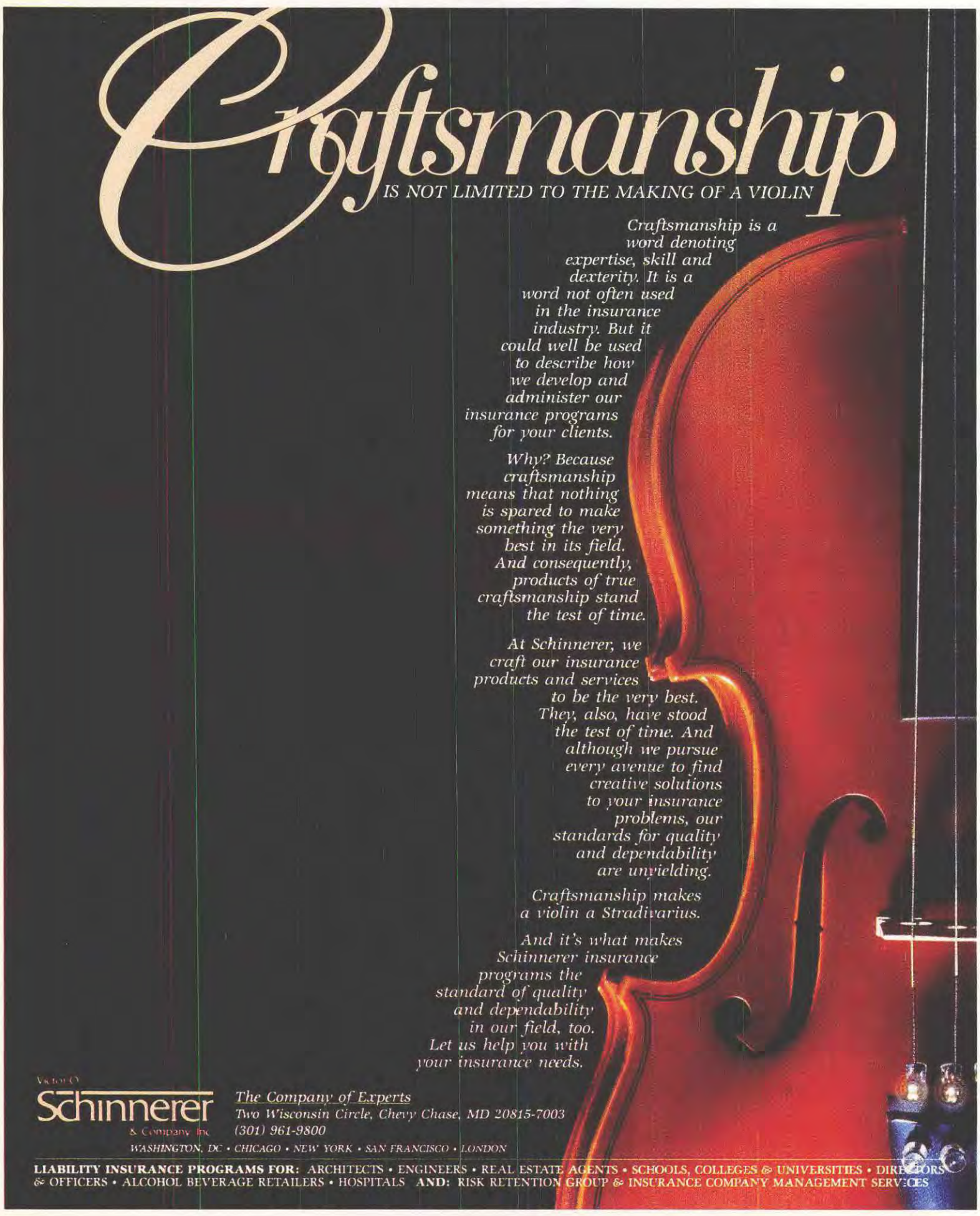
Year founded: 1985.
Parent company: United Coasts Corp.
Specialties: Abestos abatement contractors' risks.
Approved non-admitted in: District of Columbia and all states except Arizona, Idaho, Maine, New Hampshire, Tennessee and Vermont.
Admitted in: Arizona.
Principal officers: Louis Dolan, chief operating officer; Henry W. Nozko Jr., executive vp; Harold D. Wirth, treasurer; Alfred W. Charbonneau, underwriting manager.

Western World Insurance Co.

48 S. Franklin Turnpike, Ramsey, N.J. 07446; 201-825-3300

	1988	1987
Gross premiums	**$80,220,638**	$96,839,297
Non-admitted	**$69,166,997**	$77,996,528
Commercial risks	**100%**	100%
Net premiums	**$49,337,772**	$60,858,676
Paid-in capital	**$4,100,000**	$3,500,000
Capital & surplus*	**$25,163,260**	$35,102,653
Employees	**138**	147
Combined ratio	**103%**	103%
Net income	**$8,788,375**	$5,673,605
Best's rating	**A(p)**	A+(cp)

* $50,093,925 as of March 31, 1989.
Year founded: 1964.
Parent company: Westco Holding Corp.
Specialties: General liability and miscellaneous malpractice.
Subsidiaries: Tudor Insurance Co., Stratford Insurance Co.
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 Frazier, executive vp; Richard L. Smith, senior vp; John C. Caruccio, senior vp-claims; Robert J. Livingston, senior vp/treasurer. ■



Schinnerer ranks as largest wholesaler

The Schinnerer Group Inc.

2 Wisconsin Circle, Chevy Chase, Md. 20815-7003; 301-961-9800

	1988	1987
Premium volume	$569,000,000	$587,000,000
Gross revenues	$48,365,000*	$49,895,000*
Employees	356	341
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

BI estimate

The Schinnerer Group Inc., unlike other major insurance wholesalers, is weathering the soft market with only a small decline in business.

Schinnerer, the nation's largest wholesaler, reported 1988 premium volume of $569 million, down just 3.1% from $587 million in 1987 and 8% more than the $527 million in premium volume the underwriting manager racked up in 1986.

Schinnerer's decline in premium volume last year contrasts sharply with the double-digit decreases in premium volume suffered by eight of the Top 10 wholesalers.

Holding on to business at a time when premium volume is sharply falling among competitors is no accident, said Schinnerer Senior Vp Douglas C. Dolan Jr. It is the result of the company's decision to stick to its decades-old practice of pricing coverage according to risk and loss experience, he said.

"More insureds are coming to put more stock in a stable, long-term relationship than in trying to find what will be the cheapest coverage this year," Mr. Dolan explained.

While there is no sign that rate cutting will ease, Schinnerer has no intention of following those underwriters that —without sufficient experience —slash prices to temporarily capture market share.



Mr. Dolan

"If we can't write the business at a rate that is appropriate to the risk, then we are bound to let it go somewhere else," Mr. Dolan said.

This long-term outlook has served Schinnerer well.

As recently as 1984, Schinnerer held the No. 6 position in the *Business Insurance* ranking of the nation's largest underwriting managers and managing general agents.

In 1985, Chevy Chase, Md.-based Schinnerer climbed three notches to the No. 3 position, and in 1986 the company moved ahead to the No. 1 spot, a ranking that it has held ever since.

In addition, Schinnerer's 1988 performance pushed it past surplus lines broker Swett & Crawford Group, which reported a 22% decline in premium volume last year, to make Schinnerer the largest U.S. wholesaler of any kind.

Schinnerer, a Marsh & McLennan Cos. Inc. subsidiary, does not disclose its gross revenues. However, *BI* estimates Schinnerer's 1988 revenues at just more than $48 million, based on 8.5% of premium volume. That compares with estimated 1987 revenues at about $50 million and 1986 estimated revenues of nearly $45 million.

During the first six months of this year, Schinnerer's premium volume fell to $255 million, down about 10% from $284 million during the first half of 1987.

Indeed, Mr. Dolan noted that competition appears as strong as ever. "There are no particular signs of anyone withdrawing or reducing capacity," he says.

This eventually will trigger a turn in the market, which will allow Schinnerer to grow again, he added.

"When coverage is written based on reinsurance capacity and not according to risk and experience, reinsurers eventually will realize what they allowed to be done to themselves and they will pull the plug," he said.

When that happens, those price-cutting insurers, faced with a loss of reinsurance support, will have to withdraw or sharply cut back limits, he added.

However, because Schinnerer refused to chase the price-cutting leaders and thus protected its insurers' financial base during the soft market, it will be prepared to provide coverage in the next hard market.

"The risks will be back," Mr. Dolan said.

For now, though, competition has been intense in a traditional Schinnerer strength: hospital excess professional liability insurance. Schinnerer's program, written through units of Hartford, Conn.-based Travelers Corp., provides up to $28 million of limits over retentions of $1 million per claim/$3 million aggregate.

While Schinnerer's rates for hospital excess professional liability insurance have held steady since 1988, "We have seen some competitors in the hospital area providing coverage at much lower premiums than we believe can be justified other than by a desire to increase market share," Mr. Dolan said.

When the hospital excess professional liability insurance market turns, those that priced coverage solely to gain market share will disappear, he added.

"That is how it has happened in the past," he said.

While Schinnerer has added new insurance products over the years, one program stands out as its flagship: architects and engineers professional liability insurance. This program, now in its 33rd year, offers up to $15 million of coverage, underwritten by CNA Financial Corp. under an exclusive agreement with Schinnerer.

While premium volume for Schinnerer's architects and engineers professional liability insurance program declined slightly during 1988, compared with a modest increase in 1987 and a doubling of premium volume in 1986, the program still constitutes more than half of Schinnerer's business.

Rates for the coverage were stable in 1988 and should remain so this year, Mr. Dolan said.

While competition has increased in the architects and engineers professional liability market, the Schinnerer program—endorsed by the American Institute of Architects and the National Society of Professional Engineers—probably offers the highest limits available, Mr. Dolan said.

At the same time, the Schinnerer program offers premium credits for

Continued on page 46

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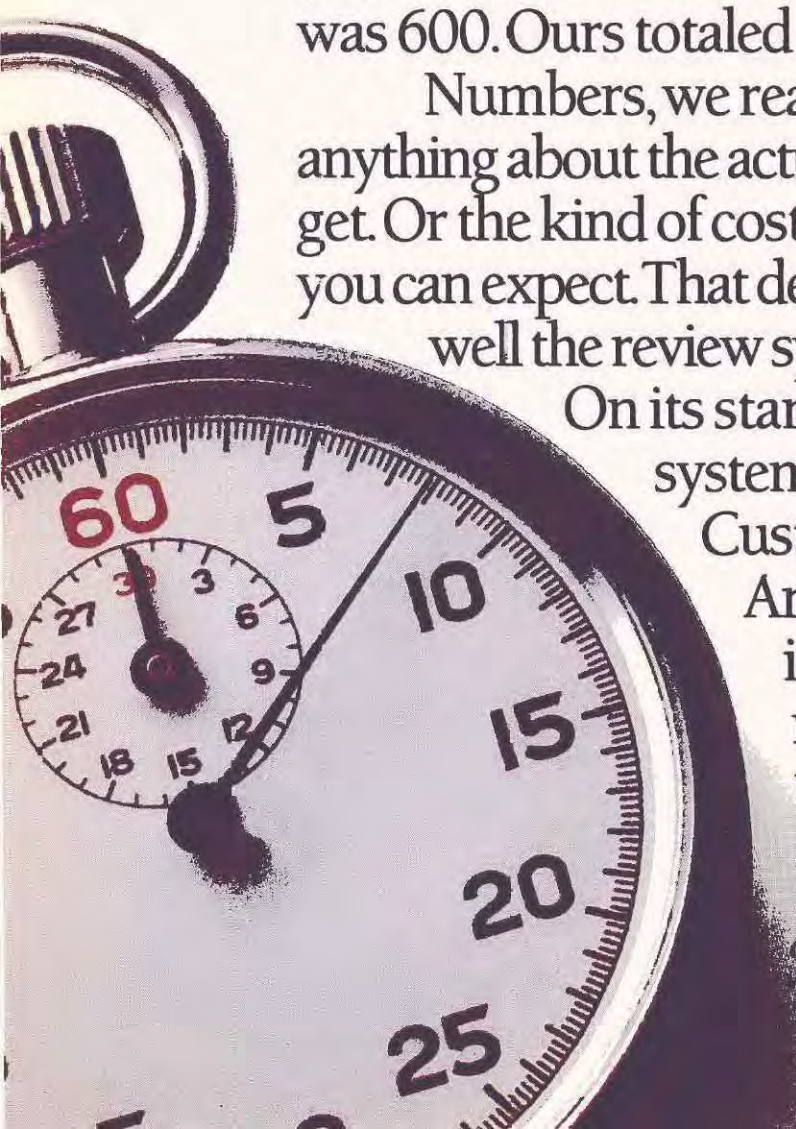
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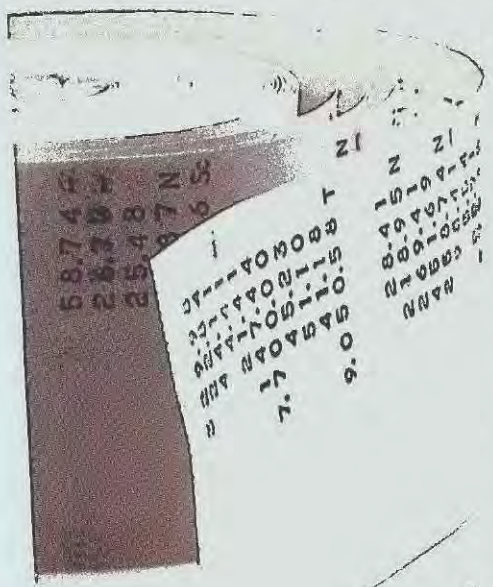


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policyholders with favorable loss experience and for companies utilizing loss control techniques.

"Many insureds have been in the architects and engineers program for decades. As a result, we can appropriately reward those with favorable loss experience and can appropriately charge those with less than favorable experience," Mr. Dolan said.

And, Schinnerer takes an active role in helping architects and engineering firms to prevent losses and to reduce the size of claims that are filed.

For 28 years, Schinnerer has sponsored an annual meeting bringing together defense attorneys who represent architects and engineers to discuss emerging issues in the field of architects and engineers liability.

The most recent meeting, held in June, was attended by 250 defense attorneys. Issues discussed included new defense strategies and areas that plaintiffs' attorneys are attempting to exploit.

CNA, the longtime underwriter of the architects and engineers liability program, now is beginning to underwrite another longtime Schinnerer program: real estate agents errors and omissions coverage.

For years, this national program, which is endorsed by the National Assn. of Realtors, had been underwritten by Travelers Corp. Schinnerer can provide up to $5 million in limits under the program.

However, late last year, Travelers, concerned about whether the passage of Proposition 103 in California would allow the company to obtain rate hikes needed because of poor experience in the state, told Schinnerer that it intended to stop writing real estate agents E&O policies in California. Travelers, though, was willing to continue writing policies in all other states.

"This presented a problem. California is a major segment of the membership of the National Assn. of Realtors, and the association wanted very much to continue to have a national program for its members. But you can't have a true national program if coverage only is offered in 49 states," Mr. Dolan said.

As a result, Schinnerer searched for an insurer that was willing to write real estate agents E&O coverage nationwide, and CNA agreed to take over the program and write the coverage in all states.

To minimize possible disruption during the change in insurers, Travelers agreed to continue to write policies in those states in which CNA was awaiting approval of rates and forms.

"Travelers is being very helpful during this transition period," Mr. Dolan said.

By sometime next year, CNA affiliates should be writing real estate agents E&O policies in all states. As of the beginning of August, CNA was underwriting the coverage in about half of the states.

As was the case with Travelers, CNA offers up to $5 million in real estate agents E&O limits.

Rates for the E&O program nationwide were stable last year after 1987 increases were up in the 40% to 60% range. Rates are expected to remain steady again this year.

Rates also have held steady, after 15% to 20% drops since mid-1987, for another Schinnerer program that provides errors and omissions as well as directors and officers liability insurance for non-profit as-

Continued on page 48

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sociations and organizations.

Up to $25 million in E&O and D&O limits are available under the program, which is underwritten by Federal Insurance Co. of Short Hills, N.J., a unit of Chubb Corp.

Besides its professional liability and D&O programs, Schinnerer serves as underwriting manager for several risk retention groups, a business segment that Schinnerer management believes will expand when the market turns.

The risk retention groups for which Schinnerer underwrites include:

- United Educators Insurance Risk Retention Group Inc., domiciled in Vermont, which provides educational institutions with up to $10 million of excess liability and $5 million of educators legal liability coverage.
- Beverage Retailers Insurance Co. Risk Retention Group, which provides up to $1 million of liquor liability coverage. BRICO was licensed last year in Vermont.
- Title Industry Assurance Co. Risk Retention Group, licensed in Vermont, which offers agents performing real estate title searches up to $1 million in E&O coverage.
- AAOMS Mutual Insurance Co. Risk Retention Group, licensed in Illinois, which provides up to $150,000 in primary professional liability coverage for oral surgeons. In addition, $4.85 million in excess liability coverage is available to policyholders.

Of those risk retention groups, United Educators is by far the largest, with 1988 gross written premiums of $8.6 million, which represents more than a five-fold increase in premium volume from $1.77 million in 1987.

The big increase is partly the result of a restructuring late last year in which United Educators agreed to write policies for educational institutions that previously purchased coverage from School, College & University Underwriters Ltd., a Bermuda-based captive owned by about 55 institutions. Schinnerer also serves as SCUUL's underwriting manager.

As part of the restructuring, SCUUL stopped writing direct policies, though it continues to reinsure business written by United Educators.

With United Educators exclusively issuing policies, a lot of confusion in the educational liability insurance marketplace has been eliminated. Still, Mr. Dolan noted, there is a lot of competition from commercial insurers in the market.

Typical of a Schinnerer-managed program, United Educators is not "going to duke it out" with the commercial market and try to match other insurers' excessive price cuts, Mr. Dolan said.

Instead, United Educators, whose policyholders include such prestigious academic institutions as Cornell University, Vassar College and the University of Chicago, is promising its policyholders long-term coverage and pricing stability, he said.

"United Educators, like the other risk retention groups, will be primed to move quickly when the hard market returns. Their capital bases will be strong and well-protected," Mr. Dolan said.

In the United States, Schinnerer, which began business in 1938, maintains offices in New York, Chicago, Dallas and San Francisco. It also has offices in London and Bermuda, while in Canada it maintains offices in Ottawa and Toronto.

As part of a 1988 realignment, The Schinnerer Group Inc. serves as a holding company, while three operating subsidiaries were created. Those subsidiaries, all of which are underwriting managers, are: Victor O. Schinnerer & Co. Inc., which does business in the United States; ENCON Insurance Managers of Ottawa, which is Schinnerer's Canadian underwriting manager; and Schinnerer & Co. Ltd. in London.

Schinnerer did not make any acquisitions last year.

In 1988, about 95% of Schinnerer's business was written through admitted insurers, the same as the previous year.

About 95% of the company'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.

Schinnerer is a correspondent for underwriters at Lloyd's of London.

Currently, Schinnerer has 358 employees, up from 356 employees at the end of 1988 and 341 employees in December 1987.

J. Sprigg Duvall is president and chief executive officer of The Schinnerer Group Inc., while Merrill B. Walker is senior vp and chief financial officer. Officers of Victor O. Schinnerer & Co. Inc. are James R. Stevens, president; and Mr. Dolan, Marshall A. Ames, Paul L. Genecki, Thomas F. Tucker and James F. Willging, senior vps.

—By Jerry Geisel

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The London Agency Inc.

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	1988	1987
Premium volume	$455,560,000	$554,746,000*
Gross revenues	NA	NA
Employees	200	200
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

* Restated.

The London Agency Inc. is feeling the pinch of the soft commercial property/casualty insurance market but is nonetheless comfortable with its performance.

A 17.9% drop in gross premium volume recorded by The London Agency last year was approximately what the Atlanta-based underwriting management unit of Crum & Forster Inc. had forecast.

And so far this year, premium volume is down only about 3% from 1988's pace.

John M. Griffin, the London Agency's president, pointed out that the competitive casualty insurance marketplace appears to "be at the bottom of the cycle and starting its way back up."

The London Agency has a big stake in casualty insurance, as umbrella coverage comprises between 65% and 70% of the agency's premium volume.

But even if the market does not harden, The London Agency would not be in bad shape, Mr. Griffin added.

"If things don't change that much, that's not bad," Mr. Griffin said. "We would hope that things get better and we get a little bit more price as we go along, but we're not all that unhappy the way things stand today."

The London Agency is "still able to select the risks we want and still able to get the price we want on those risks," according to Mr. Griffin. "We have a strong distribution force that comes to us with accounts with particular coverage needs rather than needing a low price. And we can respond to that."

For instance, The London Agency just increased its capacity for umbrella risks to $10 million from $5 million. The increased limits allowed The London Agency to generate $5 million more than its budgeted premium volume for the month of July.

Although the London Agency's 1988 premium volume was down 17.9% to $455.6 million from $554.7 million the year before, the underwriting manager retained second place in the *Business Insurance* ranking of the top U.S. underwriting managers/managing general agents. In addition, it remains the third-largest wholesaler overall.

It was in 1986 that The London Agency's performance propelled it to near the top of the ranks.

That year, premium volume shot up 127% over 1985's $205.6 million.

The London Agency's premium figures include business generated on a brokerage and underwriting manager basis by subsidiaries Seaboard Underwriters Inc. in Burlington, N.C.; brokerage Floyd West & Co. in Dallas; and London Brokers Ltd. in Atlanta.

These subsidiaries' business has not previously been included in The London Agency's figures. As a result, The London Agency's previous report of $472.2 million in 1987 premium volume has been restated.

Of the $455.6 million in 1988 gross premiums, $398.4 million, or 87.5%, was written as an underwriting manager.

Approximately $27 million, or 5.9%, was handled on a brokerage basis by London Brokers, a year-old facility that "concentrates in the Southeast," Mr. Griffin said.

"They've done real well," he said. "They serve some 700 to 800 retail agents."

London Brokers "will do anything any wholesaler will do," placing a broad range of commercial property/casualty insurance, including directors and officers liability, kidnap and ransom and "anything else a retailer has to go to a wholesaler to get," he explained.

Another $25 million, or 5.5%, of The London Agency's overall premium volume was brokered by Floyd West & Co., which also brokers a broad range of commercial property/casualty insurance, mostly for Texas-based businesses.

Seaboard Underwriters contributed about $5 million, or 1.1%, of The London Agency's premiums in its capacity as an underwriting manager and broker.

Seaboard specializes in long-haul liability trucking coverage, which it places with Crum & Forster companies.

"Seaboard runs nicely in a very difficult, competitive market," Mr. Griffin said. "We have high-quality underwriters that specialize in long-haul and they had a good year in '88."

Although Seaboard's premium volume this year is not up to par with its 1988 results, a price increase of 10% to 15% on long-haul business earlier this year is expected to make up some lost ground, according to Mr. Griffin.

Upon arriving at The London Agency in 1988, Mr. Griffin immediately faced the challenge of rebuilding the company's team of senior managers.

For example, Mr. Griffin took over for former President James A. Dixon, who left in 1987 with former Chairman Steven D. Smith to

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Continued from previous page

form a new Atlanta-based agency —Royal Specialty Underwriting Inc.— that now competes with the London Agency.

Altogether, five senior managers left The London Agency to join Royal Specialty.

"This time last year I was worried that the change in management and the creation of a new competitor by former management would be a threat to us," Mr. Griffin said.

"But, I think that we have come out of that very well by replacing the people that left with good people. We've always had a core of excellent employees and a core of excellent wholesalers, and I think those factors should lead to our continued success. We've come over that hump very well."

There are four new senior vps on The London Agency roster this year, and Mr. Griffin even sees the management turnover in a positive light.

"I think one of the good things about our management turnover here is that each of these four people came from within The London Agency or Crum & Forster," Mr. Griffin said. "We were able to maintain a stability or a continuity of management rather than bringing in people from the outside. That was really one of the pluses for us."

With the task of building a new management team completed, The London Agency was able to address the challenges of a soft property/casualty insurance market.

During the first half of 1989, gross premiums totaled $209.2 million, down 3.5% from last year's $216.7 million in first-half volume.

The first half "has been very good for us," Mr. Griffin said.

"The bottom line has held. We're turning a nice underwriting profit, and brokerage is holding its own in a difficult market," he said. "We're very pleased."

While first-half revenues were about 5% below projections, Mr. Griffin said a strong July has made up for that lost ground.

"July has been a spectacular month for us," he said, attributing the success to the increase in umbrella limits to $10 million from $5 million. The increase was made possible by a new reinsurance treaty.

"What happened in July was what we had hoped for," Mr. Griffin remarked. "A lot of the $5 million renewals became $10 million renewals," he said, referring to coverage limits.

The result was $45.2 million in gross premiums for the month instead of an expected $40 million, Mr. Griffin pointed out.

"My expectation and hope would be that this is a good sign, that we will gain a competitive edge by having more capacity available and will outperform our plan in the second half."

The London Agency writes umbrella coverage for a broad range

The first half of 1989 'has been very good for us,' says The London Agency's Mr. Griffin.

of commercial policyholders, including manufacturers, contractors, mercantile risks, hotels, motels and stores.

The umbrella coverage is written on an occurrence form and is offered excess of at least $1 million. Most policies are written on behalf of International Insurance Co. in Chicago, another Crum & Forster unit.

Mr. Griffin said he hopes the added reinsurance capacity will give The London Agency an edge in the umbrella marketplace.

The number of umbrella policies written in 1988 remained stable after dropping 15% in 1987 and 20% in 1986.

"Most of our normal competition has $5 million in capacity," he said.

However, he acknowledged that a few insurers may offer limits as high as $25 million.

"Where we compete with the standard companies, they'll have more capacity. But, their capacity is for more normal, routine, Main Street-type of risks, whereas we're working on the more difficult, high-hazard type accounts," Mr. Griffin explained.

However, The London Agency avoids such high-hazard exposures as medical malpractice risks, pharmaceuticals, asbestos or potential pollutants, Mr. Griffin said.

Continued on next page

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Continued from previous page

The average umbrella premium dropped in 1988 to between $50,000 and $70,000, depending on limits purchased, from between $75,000 and $80,000 in 1987.

The average umbrella premium had topped out in 1986 at $86,000, up from $25,000 the year before.

Mr. Griffin noted that The London Agency is seeing a firming of umbrella coverage prices throughout the marketplace.

"It's in a transitional stage, you might say. We've been able to renew a number of policies at the expiring premiums or even a little bit more. We've been able to get a price that we feel is adequate for the exposures," he said.

While umbrella coverage rates were still falling six months ago, a leveling that began last month is bringing some stability to rates, Mr. Griffin said.

"They're not decreasing as rapidly, I guess, which is a good sign. Of course, we're working in a market area that is pretty narrow, in terms of the high-hazard accounts, and I don't know that I can readily translate what's happening here to the whole umbrella world."

Mr. Griffin pointed out that The London Agency is committed to walking away from umbrella business when the price gets too low.

The next hard market will not be as severe as the hard market of the mid-1980s, says Mr. Griffin.

The London Agency sets a "floor price" for business, Mr. Griffin explained.

"One of our management objectives is to keep our pricing levels substantially above our walk-away price. You have to recognize that the market we're dealing with is more volatile than the normal marketplace, so common sense demands that we get a better rate for the risk than umbrella risks in general," he said.

The London Agency's commercial property book of business—which includes excess property and inland marine insurance—generally is composed of difficult-to-place accounts as well, though that business is "much more competitive" than the agency's excess casualty business, Mr. Griffin said.

For instance, in July alone, property and inland marine premiums totaled $8 million, down 20% from $10 million during the same month last year.

Mr. Griffin blamed the decline on "competitive rates." "We say 'no' a lot more often in property," he said, adding that The London Agency expected property and inland marine premium volume to decline.

The property business written by The London Agency includes coverage for substandard risks, such as vacant buildings.

In addition to International Insurance Co., The London Agency writes coverage on behalf of other Crum & Forster units: United States Fire Insurance Co. in Morristown, N.J.; North River Insurance Co. in Morristown; and Westchester Fire Insurance Co. in Basking Ridge, N.J.

All of The London Agency's business is commercial lines and 95% is written for admitted insurers.

Mr. Griffin said he believes the next hard market will not be as severe as the hard market of the mid-1980s.

"I think the hard market will be defined by better pricing and better results, but not to the extreme that we saw last time around," he said.

"I think management at most insurance companies has wised up. There is a point that they don't want to go beyond. Every company has a minimum price and that is going to be a better policeman than in the last cycle."

The London Agency has branch offices in New Orleans and Tampa, Fla.

In addition to Mr Griffin, principal officers at The London Agency include William P. Garrigan, senior vp-financial; Joseph J. George, senior vp-casualty; Richard J. McAdam, senior vp-property; Larry D. Morris, senior vp-claims; Donald R. Sandgren, president of Seaboard Underwriters; Ted A. Hosterman, president of Floyd West; and Robert B. Portwood, senior vp of London Brokers.

The London Agency is a member of NAPSLO.

—By Michael Bradford

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Crum & Forster Managers Group

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

	1988	1987
Premium volume	$318,779,000	$382,100,000*
Gross revenues	NM	NM
Employees	490	467
Commercial lines	100%	100%
Admitted business	49%	51.2%
Non-admitted	51%	48.8%

* Restated.

The consolidation of Crum & Forster Underwriting Managers of Illinois and Crum & Forster Managers of New York into Crum & Forster Managers Group was formalized only weeks ago, but it already "looks like it will be a very effective combination," its top executive says.

"The consolidation of the two units creates a nationwide network that will enhance Crum & Forster Managers Group's position in the excess and surplus lines and specialty market place," said David N. Thompson, chairman and chief executive officer of the expanded Chicago-based underwriting manager.

"Obviously, this combination is very young," said Mr. Thompson, who has been president of CFMC (Ill.) since 1986. Noting that the consolidation only became official on May 23, he said, "we're very happy about the synergy" stemming from the consolidation.

Bringing the New York operation into the CFM Group fold brings to four the number of offices under the direction of Mr. Thompson. In addition to the Chicago and New York offices, Mr. Thompson oversees Los Angeles-based Crum & Forster Insurance Managers & Brokers and Miami-based Crum & Forster Managers Corp. (Fla.), both of which are branch offices of CFMC (Ill.).

CFM, a unit of Basking Ridge, N.J.-based Crum & Forster Inc., underwrites insurance on an admitted and non-admitted basis for Crum & Forster insurance companies.

Although premium volume for the combined operations declined 16.6% in 1988 from their combined premiums in 1987, Mr. Thompson said that the Crum & Forster units are not cutting prices to try to maintain premium volume.

The combined operations underwrote $318.8 million in premiums in 1988, compared with $382.1 million the previous year. CFMC (Ill.) and its Los Angeles and Miami branches wrote $319.2 million in premiums in 1987.

Still, CFM ranked as the third-largest managing general agent/underwriting manager in the United States based on its 1988 premiums.

CFM has maintained "stable pricing," said Mr. Thompson. "We have a walk-away price," he said, referring to the lowest price it will accept before refusing to write the business.

Because CFM's prices are actuarially based, the underwriting manager knows the lowest price that it can charge for a product and still make a profit. "And, we are not inclined to price at the lowest price we can handle," said Mr. Thompson.


Mr. Thompson

Rather than competing on price, "we've set as a strategy a high level of quality service to our insureds," he said.

The decline in premium volume continued during the first six months of 1989, albeit at a slower pace than last year. The group's combined premium volume fell 10.6% for the first half of 1989 to $138.3 million from $154.7 million during the comparable period in 1988.

"We're certainly satisfied" with the underwriting manager's performance even given the premium volume shrinkage, noted Dennis C. Gibbs, CFM's senior vp and chief financial officer.

Mr. Thompson expressed satisfaction with the quality of the business that CFM is writing. "We've been monitoring results on an accident-year basis and 1988 performed extremely well," he said, adding that the results for 1989 to date were encouraging, as well.

The group introduced two new products in 1988, noted Robert E. Stalker, CFM's marketing vp. One is a real estate appraisers professional liability program, which offers limits of $5 million. The other is a professional liability program for police officers, which carries limits of $1 million.

Mr. Stalker said that the police program is "synergistic" with an existing liability program for public officials and employees of municipalities, counties, utilities, airport authorities and water districts.

One or two other new programs may be introduced later this year, Mr. Stalker said.

The new programs reflect CFM's traditional emphasis on professional liability and directors and officers liability coverages.

The underwriting manager currently offers more than 20 products, the underwriting guidelines for which are contained in separate underwriting books, Mr. Thompson noted.

In addition to public entity employees, CFM's major professional liability programs are aimed at: insurance agents and brokers, which includes managing general agents and surplus lines brokers; law firms with two to 100 attorneys, particularly if they emphasize defense work; small to medium-sized real estate agencies; executive recruiters; management consultants; pension actuaries, including actuarial consultants and pension trust consultants; public and private schools, colleges and universities; and trustees and fiduciaries of both commercial and non-profit organizations.

CFM also writes several professional liability insurance programs that are produced exclusively by certain brokers. These include a program for certified public accountants brokered by Chicago-based Rollins Burdick Hunter Co.; a program for architects and engineers produced by Professional Coverage Managers of New York; and the new program for real estate appraisers, which is brokered by Myers Baker & Co. of Chicago.

CFM also underwrites D&O liability insurance for both

Continued on next page



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Continued from previous page
non-profit and for-profit entities, excess liability insurance and hard-to-place property accounts on a primary and excess basis. CFM writes monoline and specialty property programs.

All D&O and professional liability insurance is written on a claims-made basis. Most of the general liability coverage written by CFM is written on an occurrence basis.

Limits of up to $5 million are available for most lines of coverage written by CFM. However, for-profit entities are limited to purchasing $2 million in D&O coverage.

Smaller companies that CFM targets require lower coverage limits, Mr. Stalker said.

CFM can boost the available limits for most lines to $10 million through facultative reinsurance, he said, though for-profit D&O coverage has a ceiling of $5 million.

CFM reported that 47% of its 1988 premium volume was generated by professional liability business. In 1987, professional liability insurance generated 53% of the business written by CFMC (Ill.) and its Los Angeles and Miami branches.

However, the proportion of premiums generated by D&O coverage, for both non-profit and for-profit organizations, grew considerably because of the consolidation with the New York operation. D&O coverage accounted for 22% of the combined CFM premium volume last year. Before the combination, D&O had accounted for only 13% of premium volume generated by CFMC (Ill.) in 1987.


Mr. Gibbs

The amount of D&O business now reflects the New York office's traditional emphasis on non-profit D&O coverages.

Combining efforts did not significantly affect the percentage of premium attributable to CFM's two other significant lines of business. Excess liability insurance accounted for 19% of the combined premium volume in 1988, while property business accounted for 12% of the combined group's premium volume.

Mr. Thompson noted that while each of the offices has its own specialties, Chicago has the broadest spectrum of business.

In addition to New York's emphasis on D&O coverage for non-profit entities, the Miami office stresses professional liability for non-profit entities and the Los Angeles operation emphasizes both general liability and professional liability for non-profit entities, said Mr. Stalker.

Chicago, however, is the only full-service office underwriting all CFM products.

CFM placed slightly more business in the non-admitted market in 1988 than in 1987, with the combined operations placing 51% of premiums in the non-admitted market. And in the first six months of this year, 57% of CFM's business was placed in the non-admitted market. In contrast, CFMC (Ill.) and its branches wrote about 48.8% of their business on a surplus lines basis in 1987.

But Mr. Stalker said that he thinks it was a short-term swing toward non-admitted markets. Two factors should move the group's business back toward the admitted market, he said.

One, the New York office has been "heavily involved in the admitted market" for a number of years and will continue to be, he said.

Two, CFM has traditionally relied on its surplus lines insurer—Chicago-based International Surplus Lines Insurance Co.—for rate and form flexibility. But, in recent years, "we have enhanced our products and achieved a level of coverage that is attractive to customers while remaining competitive in the marketplace," Mr. Stalker said.

And, CFM is "comfortable" with its rates because they are actuarially sound. Therefore, he anticipates few changes in form or pricing so CFM can file forms and rates in individual states and write the coverage through the admitted Crum & Forster units.

CFM writes on an admitted basis for four Crum & Forster units: Chicago-based International Insurance Co.; The North River Insurance Co. and United States Fire Insurance Co., both of Basking Ridge, N.J.; and New York-based Westchester Fire Insurance Co.

But, he added, surplus lines insurer ISLIC is in no danger of extinction.

"There's still a very serious need for ISLIC. If we want to enter a product line quickly, we have access to our non-admitted facility" (see story, page 18).

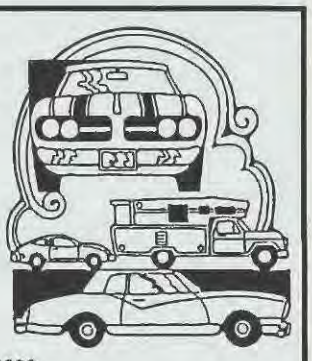
Business written by CFM is produced by about 730 brokers, Mr. Stalker said. About 53% of CFM's business is produced by retail brokers and about 47% by wholesalers. Wholesalers receive a 15% commission, while retailers receive a 10% commission, unchanged from 1987.

CFM does not release gross revenues. An estimate of its revenues would not compare meaningfully to those of other underwriting managers that do business with unrelated insurers since CFM is an affiliate of all of the insurers for which it writes.

Major reinsurers used by the Crum & Forster units include syndicates at Lloyd's of London; Kemper Reinsurance Co. of Long

Continued on next page

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Continued from previous page
Grove, Ill.; and Transamerica Reinsurance Co., a Stamford, Conn.-based unit of Los Angeles-based Transamerica Corp.

These reinsurance companies also were CFM's major reinsurers last year.

Mr. Gibbs, the chief financial officer, explained that "we seek out long-term relationships with our reinsurers."

In an attempt to maintain long-term relationships with clients, as well, CFM stresses its claims handling and loss control expertise, Mr. Thompson said.

CFM's loss control efforts involve both written and electronic programs. CFM has produced one loss-control videotape for accountants and is currently developing another for the same profession.

In addition, the underwriting manager has prepared several loss-control brochures for professional E&O coverages, Mr. Stalker said.

The consolidation of the CFM operations led to some management changes in 1988. Donald M. McGuire, CFMC (N.Y.) senior vp, now manages the New York operation and reports to Mr. Thompson, who retains his position as president and chief operating officer of CFMC (Ill.).

Roger J. Consolla, who had been president and chief operating officer of CFMC (N.Y.), joined Crum & Forster Commercial Insurance as senior vp and chief underwriting officer.

In addition to Mr. Thompson and Mr. Gibbs, CFMC (Ill.) officers also became officers of CFM. They include: 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

Cameron & Colby Co. Inc.

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

	1988	1987
Premium volume*	$282,570,000	$393,633,000
Gross revenues	NA	NA
Employees	430	430
Commercial lines	100%	100%
Admitted business	51%	48%
Non-admitted	49%	52%

* Direct writings only; excludes reinsurance.

Cameron & Colby Co. Inc. is trying to hold the line against excessive price competition while developing new business in specialty niches for the two Hartford Insurance Group affiliates it manages that write direct business.

Boston-based Cameron & Colby, itself a Hartford unit, is the underwriting manager for First State Insurance Co., a surplus lines market; New England Insurance Co., its admitted market counterpart; and New England Reinsurance Corp. (see story, page 19).

Volume at First State fell last year for the first time since 1985, partly because of renewal business lost to price competition from admitted insurers and from some surplus lines markets, according to Chief Executive Officer Lawrence S. Doyle.

Cameron & Colby has let much of its business go rather than match rate reductions that often have been more than double the reduction First State was willing to offer, Mr. Doyle suggested.

The aim of Cameron & Colby's restraint, he said, is to allow First State to continue building its policyholder surplus without the drain of losses on underpriced business, and to maintain the insurer's position as a secure market.

"We are looking for stability and continuity of relationships" with producers and policyholders, Mr. Doyle observed.

Gross direct written premiums at First State and New England Insurance totaled $282.6 million last year, down 28.2% from $393.6 million in 1987. First State, writing mainly non-admitted business, accounted for $228.8 million of last year's volume, down 27.9% from $317.4 million in 1987, while New England Insurance, writing exclusively on an admitted basis, accounted for $53.8 million in gross direct premiums in 1988, down 29.4% from $76.2 million the previous year.

The business written by the two insurers is basically identical, with New England Insurance used when an admitted market is required, Mr. Doyle said. First State's direct business included $137.3 million in premiums written on a non-admitted basis and $91.5 million in premiums written on an admitted basis in Massachusetts, California, Delaware—the only states where the insurer is licensed—and other jurisdictions outside the United States.

The direct volume figures for both First State and New England Insurance do not include reinsurance assumed by the two companies from a Hartford Fire Insurance Co. pool. Under the pooling arrangement, each company cedes its direct business to Hartford Fire and assumes a portion of the pool's premiums, losses and expenses.

Meanwhile, Cameron & Colby—the fourth-largest underwriting manager and sixth-largest wholesaler—is focusing on specialty program business as an area of opportunity for First State. Programs already in place include professional liability programs for attorneys and financial institutions, and liability programs for the entertainment and nursing home industries.

First State also is building its surplus in anticipation of the rising volume that will accompany a tightening market.

"Obviously we are looking forward to the next hard market, whenever that may be," Mr. Doyle said.

First State and New England Insurance both added significantly to their surplus last year despite the decline in premium volume.

While recording an underwriting loss of $2.1 million last year, First State finished the year with net income of $22.6 million and surplus of $108 million. This compares with a $3.9 million underwriting loss, net income of $18 million and policyholder surplus of $85.5 million in 1987.

New England Insurance also experienced an underwriting loss of $1.1 million in 1988, but finished the year with net income of $12.1 million and surplus of $56.6 million. In 1987, New England Insurance reported an underwriting loss of $2 million and net income of $9.7 million, finishing the year with $44.3 million in surplus.

Including the reinsurance premiums of New England Re, the three Hartford units managed by Cameron & Colby reported earned premiums of $440.3 million last year, up slightly from $432.2 million in 1987. The three companies' combined operation had reported net income of $55.8 million, up 31.9% from $42.3 million in 1987, and finished the year with combined surplus of $392 million, up 30.4% from $300.6 million at year-end 1987.

In addition to Boston, Cameron & Colby has offices in Atlanta, Chicago, Los Angeles, New York and San Francisco.

In addition to Mr. Doyle, Cameron & Colby officers include Ralph J. Palieri, president and chief operating officer, and William Griffiths, executive vp.

Cameron & Colby is a member NAPSLO.

—By Douglas McLeod

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Swett & Crawford Group

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

	1988	1987
Premium volume	$501,138,000	$642,753,000
Gross revenues	$46,966,000	$58,356,000
Employees	629	777
Commercial lines	100%	100%
Admitted business	60	60%
Non-admitted	40%	40%

Swett & Crawford Group's new emphasis on a common corporate identity for all of its underwriting and brokerage units spells a bright future for the wholesaler, officials of the Los Angeles-based firm say.

"We see ourselves being one of the great survivors of this difficult market," said Warren S. Stanley, president and chief executive officer.

Despite a 22% drop in premium volume in 1988, Swett & Crawford remains the largest surplus lines broker ranked by *Business Insurance* for the sixth consecutive year. However, Swett & Crawford's decline in premium volume allowed underwriting manager The Schinnerer Group Inc. to rank as the largest U.S. insurance wholesaler of any kind.

Because of the continuing soft property/casualty insurance market, Swett & Crawford's premium volume last year fell off to $501.1 million from $642.8 million in 1987.

Still, this volume was more than $200 million ahead of the second-largest surplus lines broker, Alexander Howden North America Inc.

"We feel the worst is behind us. We'll achieve at least the same amount of premium in 1990 as in 1989," Mr. Stanley predicted.

And through July, premium volume and gross revenues kept pace with with those posted for the same period a year ago, said Robert A. Scott, executive vp and chief financial officer.

To help assure its continued success, Swett & Crawford, a unit of The St. Paul Cos. Inc., has spent the past year integrating the specialties and services of its nine brokerage and underwriting units and reorganizing its management structure to streamline and strengthen the company.

The wholesaler is "beginning to operate as a single organization, not as a holding company structure," Mr. Scott explained. "That's probably the most significant thing that has been going on with an accelerating pace in the last year at Swett & Crawford."

And, Swett & Crawford developed several new niche products in 1988.

And, the wholesaler also continued to invest time and money in its proprietary training and education program, dubbed Swett University.

After almost a decade of activities dedicated to creating a national wholesale network, Swett & Crawford during 1988 focused on "a continuing movement toward a common identity," noted Senior Vp Nancy L. Oblinger.

"There continues to be a blending and blurring of lines. Where in the past we talked about several organizations that make up Swett & Crawford, there now is a blending of resources," she said.

Today's Swett & Crawford Group began forming in 1981, when St. Paul acquired 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 Lloyd's of London brokerage Minet Holdings P.L.C., St. Paul 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, Chicago-based wholesaler Bowes & Co. and Minet Professional Indemnity Ltd. (*BI*, Aug. 8, 1988; May 2, 1988).

As part of this realignment, Bowes became part of Swett & Crawford Group and the decision was made to accelerate the blending of the seven other Swett & Crawford units, Mr. Stanley explained.

These units are:

- John H. Crowther Inc. of Minneapolis, which specializes in commercial automobile and financial services liability coverages, along with liquor liability coverages in Minnesota.
- 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 specializes in commercial automobile coverage and errors and omissions coverages.
- IWest Insurance Managers of

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Continued from previous page

Stockton, Calif., which offers public officials liability coverages and binds commercial umbrella coverage with St. Paul Surplus Lines Insurance Co.

- Dana Roehrig & Associates of St. Petersburg, Fla., which places excess liability and commercial auto coverage for small to medium-sized clients. This unit also has general liability binding authority for some markets.
- Robert S. Martin of Detroit, a general wholesale broker and underwriting manager.
- SFO Inc. of Kansas City, a specialty wholesaler that places coverage for bowling centers and supermarkets.

To facilitate the integration of the specialty units, Swett & Crawford Group in October 1988 reorganized its management and internal structure, said Mr. Stanley, who then was named president and CEO.

"We broke our core business down into three divisions geographically: the Eastern, Central and Western divisions," he explained.

Each division is headed by an executive vp. Senior vps are responsible for smaller territories within the region, such as the Mid-Atlantic or the Southwest regions.

"One of the things we were trying to do is to group the organization into small production teams. We didn't want any of our senior people in the field organizations to be so burdened with the wide variety of reporting relationships (with upper management) that they weren't able to do what they do best, which is to be involved in day-to-day business production," explained John R. Hartman, executive vp and chief operating officer.

Swett & Crawford Group also established four marketing or specialty councils to enable it to manage its business "by discipline as opposed to managing only by geography," Mr. Hartman said.

Each council consists of eight to 10 members from all geographic regions within the company.

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 plans and products for the wholesaler's casualty insurance business.
- Property Council, which develops plans and products for the property insurance business.
- Financial Services Council, which specializes in developing plans and products for the wholesaler's errors and omissions and directors and officers liability insurance business.

"We are trying to use these facilities—which have a separate budget—within the company to better develop product lines and to manage our operations a little more effectively by line of business as well as by geography," Mr. Hartman explained.

All of the integration and restructuring activities mean that "simply put, we are one organization, one ownership, one management, one mission and one focus. Accordingly, we feel it's important that we begin to identify internally and externally as one organization. And, that will be something that will be taking place

Continued on next page

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Continued from previous page
in a transition throughout this year and into 1990," Mr. Stanley asserted.

Swett also downsized somewhat in 1988, reducing its total number of offices to 37 in 28 states from 41 in 29 states in 1987. Swett closed its Kansas City, Kan., office but still services Kansas through other offices.

Most of the closed offices were merged into other offices within geographic proximity, Ms. Oblinger said.

In addition, Swett's staff size declined 19% to 629 employees in 1988 from 777 employees in 1987.

Given the wholesaler's preoccupation with its internal restructuring in 1988, "results were slightly below what we had projected they would be," Mr. Hartman acknowledged.

"We probably could have done a little better job of marketing," Mr. Stanley added.

Along with the drop in premium volume, Swett & Crawford's gross revenues fell 19.5% in 1988 to $47 million from $58.4 million in 1987.

So far in 1989, Swett's executives have "started to see some upward movement in the second quarter," Mr. Hartman said.

But, "in terms of premium or revenue growth, there has not been a lot of change. But that very much typifies the surplus lines and wholesaling world right now," Mr. Stanley noted.

About 20% of Swett & Crawford's premium volume is related to business for which it acted as an underwriting manager or as a managing general agent, the same as in 1987. Swett & Crawford affiliates act as an underwriting manager for more than 10 insurers and serve an an MGA for more than 30 insurers. The remaining 80% of its premium volume was produced by brokerage activities.


Mr. Stanley

In 1988, renewal business accounted for about 75% of the wholesaler's binding authority business and about 60% of its pure brokerage business.

Sixty percent of premium volume was placed with admitted insurers and 40% with non-admitted insurers, the same as in 1987.

Most of Swett's business in 1988 was generated from a wide range of large national retail brokers and regional retail brokers, but independent agents brought slightly more business to the wholesaler last year than in 1987, Mr. Hartman said.

Swett's principal markets include: American Empire Surplus Lines Insurance Co.; American International Group Inc. units; Canal Insurance Co.; Chubb Corp. units; CIGNA Corp. 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.

Swett offered some new niche products in 1988, Mr. Hartman said.

For example, using its existing strength in product and general liability coverages for utilities and energy concerns, the wholesaler offered a liability insurance program for companies that use the byproducts of their manufacturing process to create alternative energy sources.

And, Swett offered errors and omissions coverage for radon-testing contractors. The coverage is written by the Athena Division of St. Paul Surplus Lines (see story, page 22).

However, "our core business is still basically the same as in 1986 and 1987," Mr. Stanley said.

About 55% of Swett's book of business is primary and excess casualty insurance; 23% is D&O and E&O coverage; 18% is property coverages; and various coverages account for the remaining business.

However, Swett's casualty business has "tended to be more on the primary side," Mr. Hartman said.

The wholesaler did less business in the umbrella area last year, largely because admitted insurers were writing more umbrella coverage.

Also, "there's been some diminution in the property area, and that is mostly driven by competition in prices" by admitted and non-admitted insurers, Mr. Stanley said.

Overall, price competition was fierce in 1988 and remains hot in 1989, Mr. Hartman said.

"In the property area, it would have to be free to be much cheaper," he quipped. "We're seeing rates at 20% to 30% off of last year."

Rates for excess casualty insurance were reduced about 30% to 50% in 1988 compared with 1987, while rate cuts of 25% to 35% are common this year, he said.

But, for the tougher product liability classes of business, which are "the more traditional surplus lines products," rates were down only 10% to 15% in 1988 and are falling by about 5% in 1989, Mr. Hartman noted.

And, "on D&O rates, we've seen a plateau at 10% to 15% reductions. E&O rates were off maybe about 5% to 15% in 1988 and are holding this year," he said.

"Capacity is hardly an issue. Usually, whatever limits an insured wants, they can get. Outside of the environmental-type risks, we really are having no problems placing risks," he noted.

In fact, "in the aggregate, our markets are more aggressive on underwriting than they were a year ago," Mr. Stanley said.

Swett continued to invest in its 18-month-old training program, Swett University, Ms. Oblinger said.

The program began as a three-day, three-part course intended to improve brokerage skills. The course is taught by active Swett & Crawford brokers.

So far, "235 people have been through the basic course, and 70 have gone through the advanced training," she said.

Swett is now launching a new phase of the program for the company's technical support staff that will include customer service skills and time management training.

Along with Mr. Stanley's appointment as president and CEO, other top management changes included the appointment of Mr. Hartman to the post of chief operating officer, a new position. Also, Mr. Scott was named to the additional position of chief financial officer, another new position.

Other principal officers are Daniel V. Colacurcio, executive vp and manager of the Western Division; Thomas J. Sullivan, executive vp and manager of the Eastern Division; and Ronald D. Wartick, executive vp and manager of the Central Division.

Swett & Crawford Group is a member of both AAMGA and NAPSLO.

—By Donna DiBlase

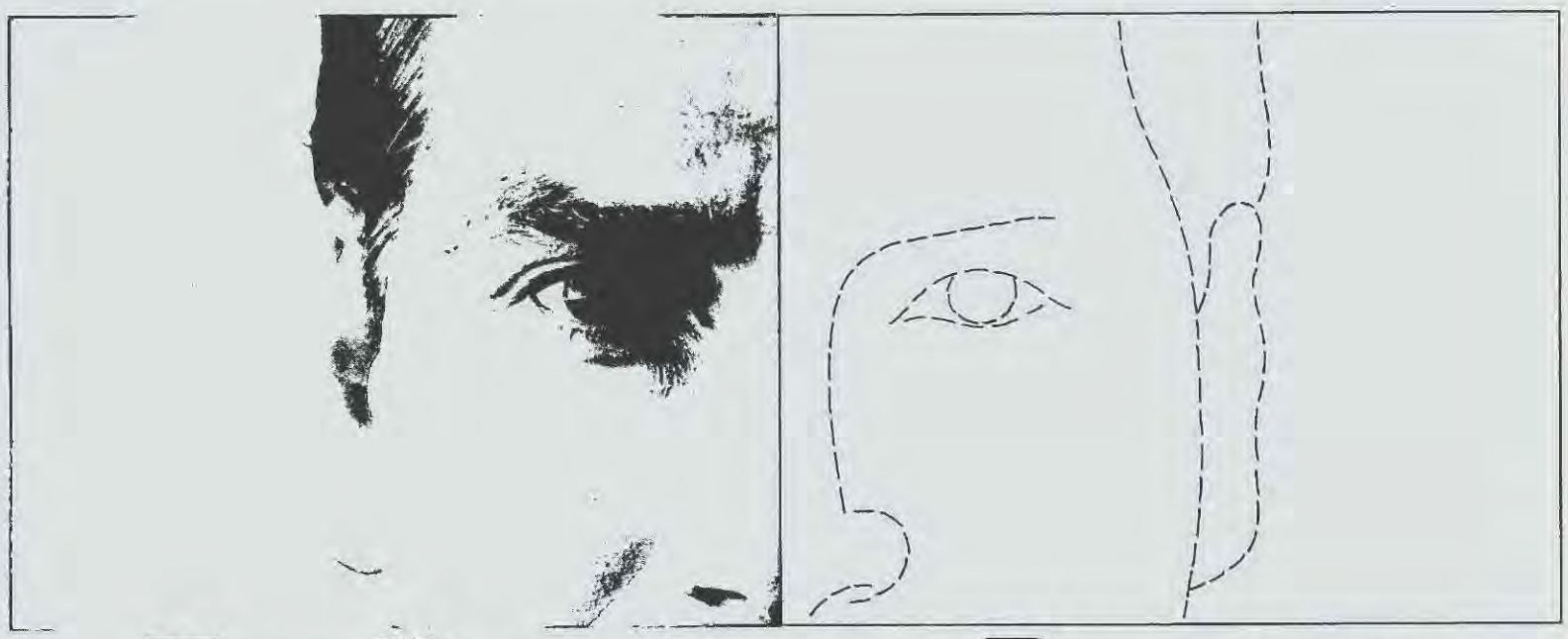
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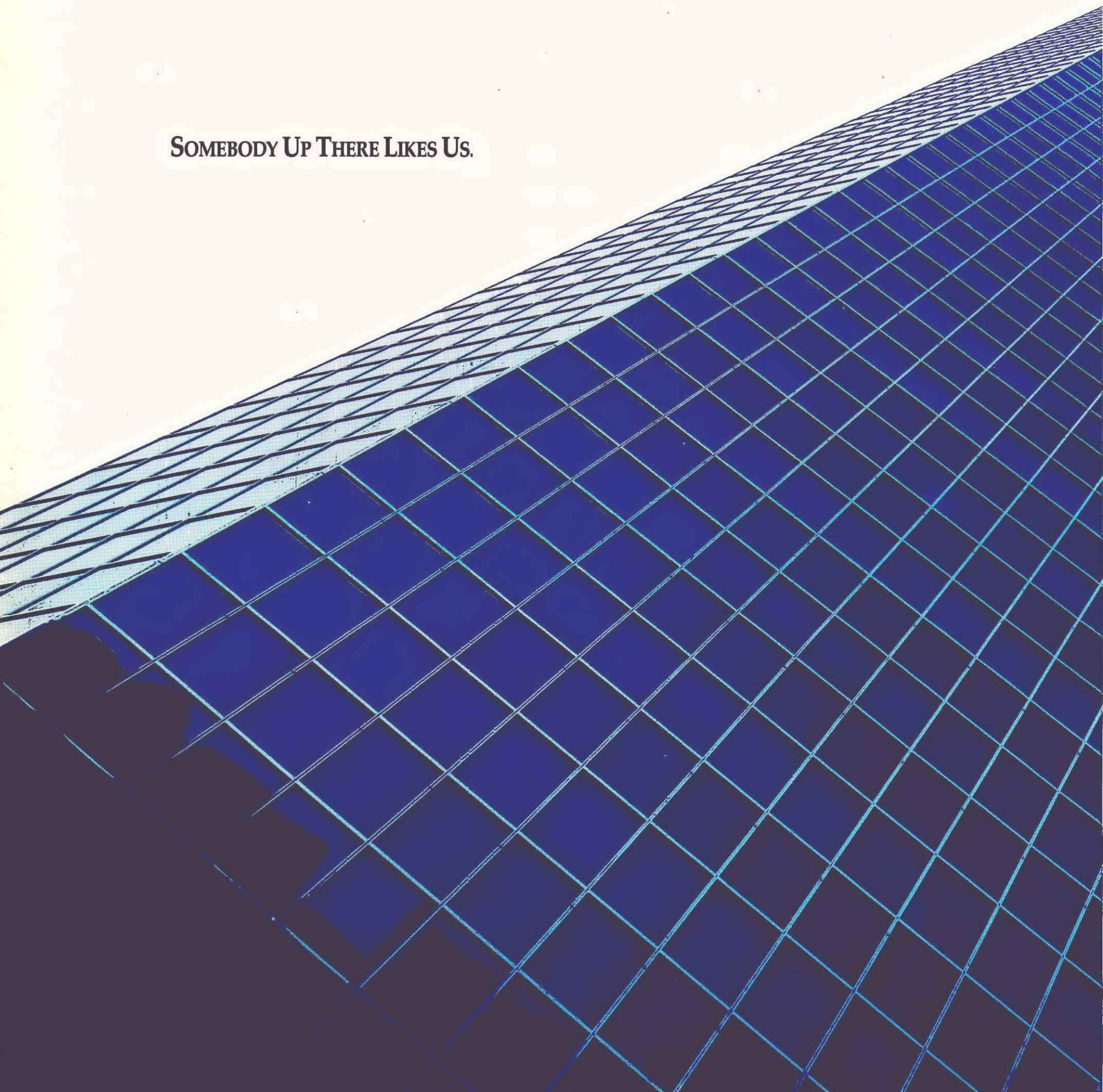
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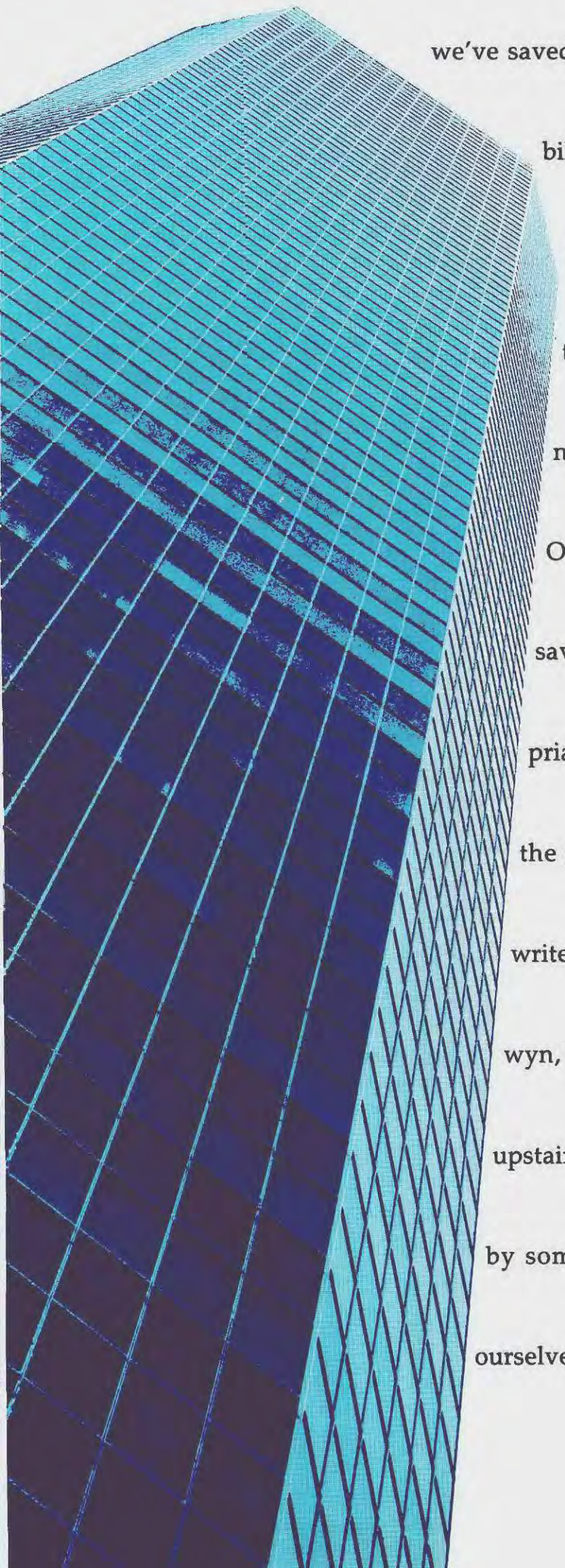
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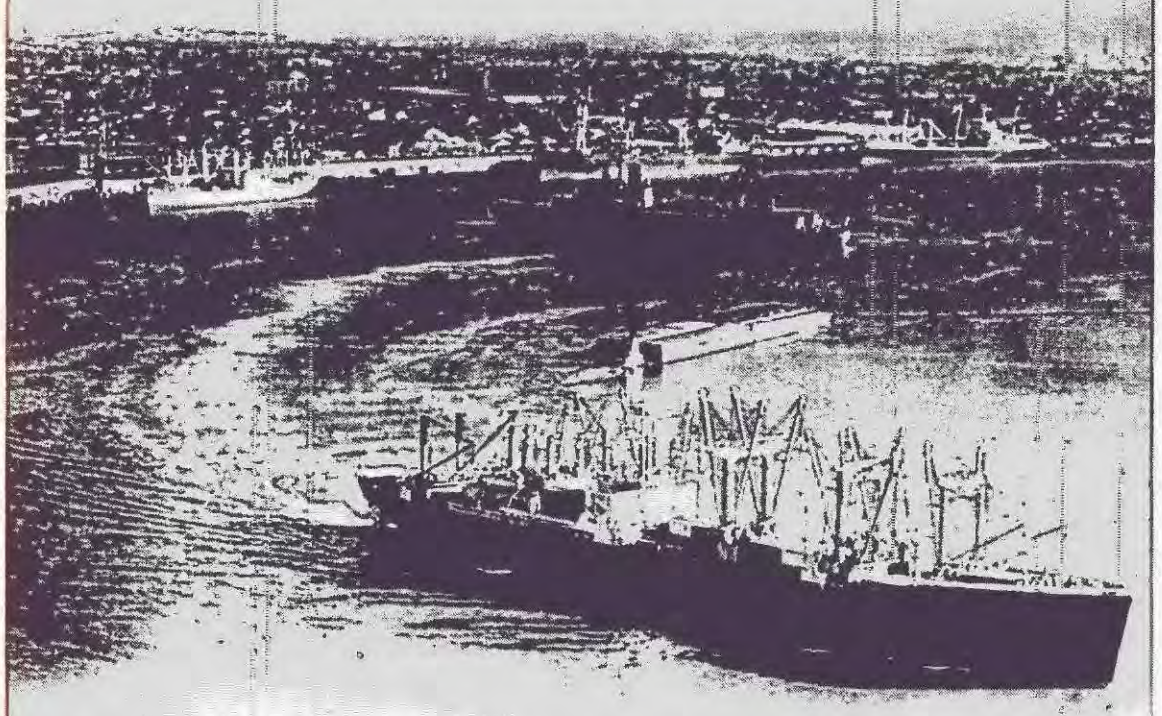
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Alexander Howden North America Inc.

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	1988	1987
Premium volume	$308,513,000	$369,599,000
Gross revenues	$22,267,000	$24,836,418
Employees	207	230
Commercial lines	100%	100%
Admitted business	65%	43%
Non-admitted	35%	57%

A larger than expected decline in gross premium volume and gross revenues at Alexander Howden North America Inc. is reminding officials of the Atlanta-based wholesaler of the severity of the soft market.

Premium volume and revenues last year "dropped greater than we expected. . . .We didn't expect the rates would continue to drop as sharply throughout '88 as they did," said Howden North America Chairman Daniel E. Kestenbaum.

While rates continued to slide, the broker tried to "fight the tide with new business," he said. "The tide is just very strong this time."

Despite reporting $106 million in premiums from new business, Howden North America's overall premium volume declined 16.5% to $308.5 million last year from $369.6 million in 1987.

Gross revenues fell 10.3% to $22.3 million last year from $24.8 million in 1987.

In addition, during the first half of 1989, Howden's premium volumed dropped by nearly 24% to $148.3 million from $194.4 million in the comparable period of 1988.

However, Howden North America moved ahead of Willis Faber Holdings Inc. into the No. 2 position in the *Business Insurance* ranking of the largest U.S. wholesale brokers, up from No. 3 a year ago.

Howden North America, a unit of Alexander & Alexander Services Inc. of New York, also moved up a notch to become the fifth-largest wholesaler overall.

Mr. Kestenbaum acknowledged that he does not hold much hope for a turn in the soft market during the remainder of 1989.

"There's been no change," he said. "It's just the same. There's no hardening of the market, no stiffening of prices, no firming that we can see at all. It keeps going on."

Bruce E. Harrell, Howden North America's chief financial officer, noted that "as we said last year, the only way we see of dealing with the soft cycle is selling our way through it."

Mr. Kestenbaum added: "We have to be successful in the soft cycle because it has become the rule rather than the exception. We have not made any allowance in our plan for a hard market through 1992." Noting the abundance of capacity in the property/casualty insurance marketplace, Mr. Kestenbaum pointed out that "we don't see anything to change that."

"I think one of the things that will lengthen" the current soft market, "as opposed to other soft cycles, are the captives, risk retention groups and alternative insurance vehicles that weren't there before," Mr. Harrell said.

"There's not enough pain" to motivate insurers to increase prices, added Mr. Kestenbaum. "We don't think until the combined loss and expense factors approximate 112% will there be enough pain" to cause insurers to raise their rates.

"When that happens, there's going to be some significant fallout," he added. "There will be some companies in big trouble. I think the way things are going, the next hard cycle will not be a gradual one. It will be very precipitous."

As the market has softened during the late 1980s, Howden North America's role in the marketplace has changed, Mr. Kestenbaum pointed out.

For example, in 1987, Howden North America placed 43% of its business in the admitted market and 57% with non-admitted insurers. Last year, the amount of Howden's book written by admitted companies swelled to 65%, with surplus lines insurers writing only 35% of the broker's business.

Howden North America's role has also changed in other ways, Mr. Kestenbaum noted.

"We view ourselves as an intermediary, not a wholesaler," he explained. "An intermediary has to bring value-added as a marketer, no matter which market is used anywhere in the world. And, of course, our relationship with our London sister company brings us their expertise in those other markets," he said, referring to Alexander Howden Group Ltd., the London-based broker A&A also owns.

"We want our retail agents to come to us first, not come to us as a matter of last resort because they can't get it done themselves with their traditional markets," Mr. Kestenbaum said. "That's the value-added thrust of becoming more and more of an intermediary."

"We have that relationship with many; we don't have it with some" producers, he conceded.

Most wholesalers represent one or two markets well and attract retail brokers that specifically need access to those markets, he said. But Howden North America offers access to a broad range of domestic and international markets, Mr. Kestenbaum noted.

Among Howden North America's specialties are marine and energy risks.

Howden's marine and energy program, introduced in 1987, is now integrated with the operations of Alexander Howden Ltd., A&A's Lloyd's of London brokerage subsidiary. The program is now officially called Alexander Howden

Continued on next page

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Continued from previous page

Marine & Energy.

"Senior management of both organizations felt that that would be the best utilization of our resources and the most effective way to serve our clients," Mr. Kestenbaum said.

"From a functional and business point of view, there is one management and one integrated budget," he said. "And that allows you to integrate the resources. You don't have an integrated team until you do that."

The program is "doing very well and beginning to gain real momentum from the synergism that's developed from the combination of the two divisions," Mr. Kestenbaum said.

The premium volume produced by the program is attributed to either Howden North America or Alexander Howden Ltd. depending upon individual circumstances, like where the risk is underwritten, tax implications, etc., Mr. Kestenbaum said.

Howden North America's energy and marine clients purchase coverage for offshore drilling rigs, offshore platforms, marine construction projects, ports, marinas and other facilities.

Howden places the coverage primarily in the London market, which can provide limits of $25 million to $300 million, depending on the type and complexity of an account.

Howden Ltd. in Toronto, a Howden North America brokerage unit specializing in placing business for utility companies, continues to place up to $50 million in primary and excess liability insurance limits for utilities. The unit also brokers property, boiler and machinery and builders risk insurance for utilities.

Howden North America last year also established a health care division, headquartered in 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 division can place claims-made or occurrence-based professional liability coverage for hospitals with limits of up to $25 million excess of primary insurance or a self-insured retention. The amount of underlying coverage or the size of the retention depends on the size of a hospital or its location.

Mr. Kestenbaum said the division "has been gaining stature," but added that "there certainly hasn't been any growth of any consequence."

In addition, Howden North America established a financial services division last year to specialize in bankers blanket bonds and related coverages.

The coverage, which is placed by Illinois R.B. Jones, is primarily written on a line slip by syndicates at Lloyd's of London.

Howden North America originally targeted the coverage to financially troubled banks and savings and loans with assets of less than $750 million. However, Howden North America has expanded the program to now include all financial institutions with assets of up to $10 billion.

Howden North America can place up to $2.5 million in primary and $10 million in excess coverage under the program.

Mr. Harrell said the financial services division "is maturing. We're extremely optimistic about its future."

Besides bankers blanket bonds, the facility provides directors and officers liability coverage for financial institutions. Howden can place $2.5 million in primary D&O limits and $10 million in excess limits.

Illinois R.B. Jones continues to underwrite errors and omissions coverage for architects and engineers and stop-loss programs for employers that self-fund group health care plans.

The stop-loss program has been "extremely successful," according to Mr. Harrell. "It's offered through Lloyd's, and the prices are very competitive."

The amount of health care stop-loss insurance written through the program is up 35% through June compared with last year.

Illinois R.B. Jones last year also began offering kidnap and ransom coverage written by Lloyd's syndicates with limits up to $20 million per loss with a $40 million aggregate.

"Those are very high limits," Mr. Harrell noted, "but it's not very expensive."

Howden North America's joint venture with Home Transportation Agency, a unit of The Home Insurance Co., continued to grow despite the soft market.

Howden North America acts as an underwriting manager to offer limits of up to $5 million for long-haul trucking liability risks. The limits are up from $2 million offered last year.

The facility wrote 1988 premiums of $35 million, up from about $29 million in 1987. This year, though, Mr. Kestenbaum predicts the unit will write only around $31 million in premium.

'Market share is not what we're about. Profitability is what we're about,' reports Mr. Kestenbaum.

The facility will probably lose business this year when rates are increased, Mr. Harrell explained. Rates are being increased because "we feel that the business is deteriorating from a loss point of view, and we want to be in this business for a long time. Market share is not what we're about. Profitability is what we're about," Mr. Kestenbaum said.

Howden North America recently began offering automobile physical damage coverage for truckers and commercial auto risks that is written on a line slip at Lloyd's.

The slip provides limits of up to $125,000 per vehicle and $500,000 per catastrophe.

While the facility is still young and has not written a lot of business, Mr. Kestenbaum called it "quite competitive."

The brokerage has high hopes for a new facility that provides umbrella coverages for the construction industry. Under the program, written by both domestic insurers and Lloyd's underwriters, Howden can place up to $100 million in limits for contractors and construction project owners.

Although the program just began in March, "We've written some nice accounts in it. The facility is competitive and offers good coverages," Mr. Harrell said.

One program Howden North America began last year has been shelved.

In 1988, the brokerage began offering agents the capability to electronically submit umbrella accounts from offices throughout the United States to Howden North America's Atlanta office, which would allow the agents and Howden to process umbrella policy applications more efficiently.

The program was designed to handle umbrella accounts for a variety of businesses that paid premiums of $2,000 to $25,000. Coverage limits of up to $5 million were offered through an unidentified insurer.

But, the program currently is "dead in the water," said Mr. Kestenbaum, because Howden sees so few submissions from retail agents for umbrella coverage during a soft market.

"We've shelved it, hoping to relaunch it," before the next market hardening, Mr. Harrell said. "It's not a factor in this market. We feel it can be a factor. . .when the market hardens up a little bit."

Howden North America's major brokerage markets include units of Crum & Forster Inc. of Morristown, N.J.; American International Group Inc. of New York; units of 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.

In management changes, John Hanna, Howden North America's president, is now based in Dallas where he supervises the North American portion of Alexander Howden Marine & Energy with the added title of senior deputy chairman of that unit.

Mr. Hanna's responsibilities includes management of the business handled by Howden Ltd. in Toronto.

In addition, Robert B. Clay, formerly executive vp based in the Atlanta office, now is Northeast regional director based in New York.

Howden North America's overall employee count fell to 207 at the end of last year from 230 employees at year-end 1987.

Staff size decreased when Howden North America sold Eyl & Gordon Insurance Brokers, a New York-based wholesaler specializing in jewelers block, fine arts and precious metals coverages, to the unit's management on Jan. 1.

"We didn't feel we could enhance their operations by virtue of their continuing as a subsidiary," Mr. Kestenbaum said.

Eyl & Gordon's business had not declined; rather, "it just hadn't grown," Mr. Kestenbaum remarked.

A Howden North America office in Boston was sold to Burns & Wilcox Ltd., an underwriting manager based in Southfield, Mich. The divestiture is part of Howden North America's goal to continually "define where we want our offices strategically located," Mr. Harrell explained.

Howden North America's offices are located in New York; Chicago; Cleveland; Toronto; Dallas; and San Francisco and Newport Beach, Calif.

In addition to Messrs. Kestenbaum, Harrell, Hanna and Clay, principal officers at Howden North America are: Dave Wolf Jr., vice chairman; Dennis C. Rupp, executive vp; Michael McDermott and Dick Ruhe, regional directors; and Charlie Hollingsworth, Jim Sce and Roger Ruppe, 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

	1988	1987
Premium volume	$282,000,000	$383,000,000
Gross revenues	$21,186,000	$23,938,000*
Employees	211	281
Commercial lines	100%	100%
Admitted business	36%	33%
Non-admitted	64%	67%

BI estimate

A leaner Willis Faber Holdings Inc. is now poised to enter new geographic markets and launch new programs.

The Grand Rapids, Mich.-based subsidiary of London-based Willis Faber P.L.C., the world's fifth-largest brokerage holding company, has cut staff, consolidated operations and eliminated some frills, according to President Thomas S. Bloom.

However, the wholesaler remains committed to maintaining its units' individual identities.

Willis Faber Holdings' premium volume fell 26.4% to $282 million last year from $383 million in 1987, dropping the company to seventh place in the *Business Insurance* rankings of the largest U.S. wholesalers, down from the No. 4 spot a year ago. And it dropped one spot among the wholesale brokers to third place from second a year ago.

Willis Faber Holdings reported $21.2 million in gross revenues in 1988, an 11.5% decline from an estimated $23.9 million in 1987.

"We were down in 1988, obviously, and not pleased about it, obviously," Mr. Bloom said.

But given the soft commercial property/casualty insurance market, the premium volume decline was "not unexpected," he observed.

And, although the wholesaler "has lost a small amount of volume" during the first six months of this year, the decline has not been nearly as precipitous as it was in 1988, he said.

For the first half of 1989, Willis Faber Holdings generated $128.3 million in premium volume and $10.2 million in gross revenues. Mr. Bloom said he would not release comparable figures for the first half of 1988 but commented that given the state of the market, the group's performance is satisfactory.

Mr. Bloom, formerly president of Willis Faber subsidiaries McAlear Associates Inc. in Grand Rapids and Chicago-based Stewart Smith Mid America Inc., took over as president of Willis Faber Holdings in the summer of 1988 (*BI*, Sept. 12, 1988).

He became fully responsible for Willis Faber Holdings operations upon the retirement of London-based Chairman Patrick J. Osborn at the end of last year and currently reports to London-based Donald H. Payne, who succeeded Mr. Osborn as chairman.

Mr. Bloom pointed to several significant changes in 1988 and the first half of 1989 that trimmed the size and number of some Willis Faber Holdings operations. But, those changes also allow Willis Faber Holdings to look toward expansion in other areas, Mr. Bloom pointed out.

In early 1989, two New York-based Willis Faber Holdings units—Stewart Smith East and Major Surplus Holdings—merged and retained the Major Surplus name. Mr. Bloom said that the move promoted efficiency because both offices had been under the same management.

In addition, Chicago-based Stewart Smith Mid America was restructured: About eight or nine jobs were eliminated, and the unit was renamed McAlear of Illinois Inc. (*BI*, Nov. 21, 1988).

The Chicago office is now being managed from Grand Rapids, Mr. Bloom said.

In addition, the unit's offices moved a few blocks, resulting in "considerable savings," Mr. Bloom said, explaining that the first Chicago office had too much space.

In addition, Willis Faber Holdings moved its headquarters from New York to McAlear Associates' headquarters in Grand Rapids.

And, the Willis Faber Holdings management staff has been cut roughly in half to six people, with three administrators in addition to Mr. Bloom based in Grand Rapids, a systems analyst based in Chicago and a corporate attorney based in New York.

The staff cuts were achieved through both attrition and terminations and were the chief cost-saving measures Willis Faber Holdings took, Mr. Bloom said.

The wholesaler also cut back on the number of group automobiles and other miscellaneous expenses during the last half of 1988.

Mr. Bloom stressed that the office consolidations and cost-cutting

Continued on next page

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Continued from previous page
measures do not reflect a homogenization of the various Willis Faber Holdings units: Major Surplus, McAlear Associates, McAlear of Illinois, Stewart Smith Southwest Inc. in Dallas and Stewart Smith West in Los Angeles.

"Each division operates with a considerable amount of autonomy," he said.

"We are not intent on either creating a homogenous entity in the U.S., or a uniform name. It doesn't bother us that we operate under different names in different territories, because each of these names has an established reputation and following in its own market," Mr. Bloom said.

With the group now streamlined and operating more efficiently, it is looking to expand into more profitable areas, according to Mr. Bloom.

Mr. Bloom declined to fully elaborate, but he said that Willis Faber Holdings is in the process of acquiring another office in the Midwest.

In addition, Mr. Bloom said he hopes to establish an office by yearend in the Southeast, which is the only major section of the country in which Willis Faber Holdings has no presence.

The Dallas office already has expanded, opening a branch in Houston.

Brokerage activities account for about 90% of the group's premium volume, with the remaining 10% generated from its activities as a managing general agent, according to Mr. Bloom.

Willis Faber Holdings does business with brokers of all sizes. "We as a group do business with all of the alphabet houses and thousands of independents," he said.

Because of the softening market, there was a slight shift in the percentage of business Willis Faber Holdings units placed with admitted and non-admitted insurers in 1988, with 64% of the group's business placed with non-admitted insurers, down from 67% in 1987.

Still, Willis Faber Holdings units place business with more than 100 surplus lines and specialty insurers, according to Mr. Bloom.

"There is almost no surplus lines market in the United States that at least one of our offices doesn't represent," he said.

For the first six months of 1989, the group's top markets included underwriters in the London market and, specifically in the United States, The London Agency Inc., Lexington Insurance Co. and General Star Indemnity Co.

Willis Faber Holdings units also operate as managing general agents for 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., a unit of Travelers Corp.; Columbia Casualty Co., a unit of CNA Financial Corp.; Essex Insurance Co.; First State Insurance Co., a unit of Hartford Insurance Group; Lloyd's of London syndicates; First Financial Insurance Co., a unit of Burlington Insurance Co.; Nautilus Insurance Co., a unit of W.R. Berkley Corp.; Northfield Insurance Co.; and Western World Insurance Co. Inc., a unit of Westco Insurance Group.

Willis Faber Holdings' major specialties include directors and officers liability, errors and omissions, energy risks, pollution-related risks and high-level umbrella coverages, Mr. Bloom said.

Willis Faber Holdings units also place some liquor liability coverage.

Mr. Bloom pointed out that the group also has an aviation book of business and an aviation division in Chicago. Its aviation business tends to be corporate fleets or small regional carriers rather than national airlines.

"The majority of aviation business in the U.S. is controlled by alphabet houses" through their London facilities, a trend that has been going on for several years, he said.

Willis Faber Holdings plans to "hire, recruit or promote" a person to research and develop new products, Mr. Bloom said. He hopes to have that position filled by the end of the year.

Willis Faber Holdings' Stewart Smith Southwest already has added an energy division at its Dallas office, Mr. Bloom noted (*BI*, March 20).

The unit offers a variety of programs for energy-related risks, including a comprehensive general liability insurance program with limits of $1 million, umbrella insurance policies with limits as high as $50 million and other coverages, including rig physical damage and onshore/offshore operators extra expense.

And, McAlear of Illinois' kidnap and ransom facility was expanded in 1988 to include product contamination coverage. The program covers the cost of recall, but "the most significant part of this coverage is that it also includes coverage to re-establish the reputation and market share of the product," explained Oliver Leigh-Wood, an underwriter with McAlear of Illinois.

The coverage will respond to the cost of recalling products allegedly contaminated providing there is no monetary demand. The program is available through any office of the group, Mr. Bloom said.

Limits of at least $30 million are available under the program, which is led by the Cassidy, Davis syndicate at Lloyd's of London, according to Mr. Leigh-Wood.

Mr. Bloom does not believe the market will change significantly before the second half of next year, barring a major catastrophe, such as a major earthquake or hurricane.

"Our operating assumption is that this market will continue through 1989," he said.

"Obviously, we hope we're wrong," he said.

Price cutting continues, although it seems to have slowed down considerably since the beginning of the year, he said.

A few markets have held the line on pricing, he said, explaining that more companies attempt to hold the line but eventually are forced to change strategies by competitive pressures.

However, Mr. Bloom noted that a few companies have refused to budge significantly on pricing despite pressures.

For example, he said one of Willis Faber Holdings' markets, which he declined to identify, decided about three years ago that it would not cut its prices during the soft market by more than about 20% from 1986 levels. It has adhered to a firm pricing strategy to the point that it has experienced a drop of about 75% in premium volume since 1986.

Competition has caused a "phenomenon in this situation that I call musical chairs," or churning, Mr. Bloom said.

In effect, the insurance companies end up swapping accounts as the brokers place business where it seems most economical. "We find it's a little silly at times," Mr. Bloom said. But, he added, "it's what we have to do sometimes to survive as brokers."

Willis Faber Holdings currently has 12 offices, in addition to its Grand Rapids headquarters, in New York; Cedar Knolls, N.J.; Philadelphia; Pittsburgh; Chicago; Overland Park, Kan.; Dallas; Houston; Prescott, Ariz.; Los Angeles; and San Francisco and Sacramento, Calif.

In addition to Messrs. Bloom and Payne, Willis Faber Holding's principal officers are: John H. Rogers, senior vp and chief financial officer; Eugene Eisenmann, director and president of Stewart Smith Southwest; Jeremy Cooke, director and president of Major Surplus; and Edward Casey, director and president of Stewart Smith West.

Willis Faber Holdings is a member of NAPSLO, of which Mr. Bloom is president.

—By Mark A. Hofmann

Crump E&S Group

7557 Rambler Road, Suite 350, Dallas, Texas 75231; 214-891-5970

	1988	1987
Premium volume	$236,000,000	$273,000,000
Gross revenues	$22,600,000	$24,600,000
Employees	265	274
Commercial lines	99%	99%
Admitted business	35%	35%
Non-admitted	65%	65%

The consolidation of Crump E&S Group with another Sedgwick Group P.L.C. unit significantly improves the wholesaler's market position, though it has not helped the company ward off the soft market's pressures on premium volume.

Crump E&S executives label the consolidation of Crump E&S with Toronto-based excess/surplus lines broker Euings Ltd., which became effective July 1, as beneficial for both units.

"Euings has some expertise that we will be able to use, and we have some expertise that Euings will be able to use," Crump E&S President and Chief Executive Officer Orville D. Jones said.

"It's just a good fit," agreed F. Marcus Payne, Crump E&S executive vp and chief operating officer.

But, even including Euings' 1988 premium volume, Crump E&S's premium volume last year fell 13.6% to $236 million from a restated 1987 premium volume of $273 million for the two units.

Euings generated an estimated $60 million in premium volume in 1988, according to Crump E&S Chairman Sidney A. Stewart.

Based on restated figures, Euings generated $75 million in premium volume in 1987.

The consolidation, though, boosts Crump E&S to eighth place among all U.S. wholesalers in the *Business Insurance* ranking of the top U.S. wholesalers and moves the wholesaler up one notch to fourth place among wholesale brokers.

Mr. Jones explained that the consolidation with Euings, which operates from one Toronto office, is logical because Euings provides wholesale brokerage services for "large specialty-type accounts, which is an area Crump E&S is expanding into."

Crump E&S currently specializes in directors and officers, errors and omissions, marine, commercial auto, umbrella, excess liability, and product liability risks, as well as in placing coverage for gas utilities, municipalities, energy risks and yachts.

Euings' specialties include marine, transportation, construction, energy, aviation and hospital medical malpractice risks.

In addition, "Euings does a lot of U.S. business, so it became logical (in Sedgwick's reorganization plans) for our operations to be combined," Mr. Stewart explained.

A Sedgwick corporate reorganization, expected to be completed by the beginning of 1990, will divide the broker's worldwide operations into four groups, including London-based Sedgwick Broking Services Ltd., which will include all of Sedgwick's specialist and worldwide wholesale operations (*BI*, June 26).

While details of the corporate reorganization have not been finalized and it is not certain what name Euings will use, it is clear that Crump E&S will retain its current name, according to Mr. Stewart.

"Euings will tie into that somehow," Mr. Jones added.

For the first half of 1989, the combined operations' premium volume fell 6.5% to $105.1 million from $112.4 million during the same period a year ago.

But, gross revenues for the combined operations in the first half of 1989 increased 2% to $10.5 million from $10.3 million in the first half of 1988.

For all of 1988, gross revenues fell 8.1% to a restated $22.6 million from a restated $24.6 million in 1987.

Crump E&S executives attributed the wholesaler's drop in premiums and revenues in 1988 to soft property/casualty market conditions.

"The area that gets hit the hardest in the soft market is the E&S marketplace," Mr. Stewart pointed out.

Most of the wholesaler's drop in 1988 premium volume is attributable to the loss of product liability, property, excess liability and umbrella coverages to admitted markets, according to Mr. Payne.

Mr. Jones explained that many of these risks found new homes among admitted insurers in 1988 as the standard market became more willing to write more difficult risks and its capacity increased.


Mr. Jones

"There are still some very long-tail-exposure product liability risks you'll see in the E&S market, but standard carriers are writing an awful lot of that business," Mr. Jones noted.

However, the flow of what is typically considered non-standard business into the admitted marketplace has abated in 1989, Mr. Jones added.

To develop more large specialty accounts that can be written by surplus lines insurers, Crump E&S formed a Major Accounts Resources Team last fall. James B. Aiken, chairman of Crump E&S of Atlanta, was named senior vp-product development and MART/team leader.

MART is composed of brokers from Crump E&S's various profit centers "who have particular expertise in specialty areas that could be used by the entire operation," Mr. Payne explained.

The team includes several Crump E&S brokers with expertise in pollution liability, general liability, umbrella, lawyers professional liability, energy, property and multifamily housing liability risks.

One or more team members can be "accessed by our profit center offices when they need some specialty help" in selling, retaining, marketing or servicing a particular account, Mr. Payne explained.

MART "has been a real success story that has brought us new business and new revenues," Mr. Jones added.

MART also enhances Crump E&S's ability to communicate among its offices to access a variety of talent, as well as different markets, when permitted by insurers. Such communication is unusual among E&S brokers, Mr. Stewart pointed out.

Mr. Jones said that Crump E&S plans to develop more lawyers professional liability and other professional liability business, as well as more directors and officers liability accounts.

"We're looking to write business that is not so cyclical to level off those peaks and valleys E&S brokers go through, and we're trying to become a more well-rounded organization with all types of products to offer," Mr. Jones explained.

"Our mission is to become the premier wholesaler in the U.S., and we need all types of products and expertise to do that," he said.

In addition, Crump E&S is developing new liability insurance products to cover medical waste disposal risks faced by medical facilities, according to Mr. Payne.

However, Crump E&S has launched no new products in the last 12 months.

"When our total reorganization is complete, we hope to have some new products to market," Mr. Jones said.


Mr. Payne

In 1988, 68% of Crump E&S's premium volume —including Euings business —was generated as a wholesale broker; 21% as a managing general agent; and 11% as an underwriting manager.

Excluding Euings business, 59% of Crump E&S's 1987 premium volume was generated from wholesale brokerage activities; 21% as a managing general agency; and 20% as an underwriting manager.

Euings "changed the ratios. Otherwise, our mix would have stayed about the same," Mr. Jones said.


Mr. Stewart

Crump E&S calls itself a wholesale broker, although it has "some offices that fit all three of those descriptions," Mr. Payne noted.

"We like to do more than one thing, because it gives us more balance in our book of business," Mr. Stewart added.

Between 10% and 15% of Crump E&S's business is produced by Sedgwick retail brokerage offices, including Fred S. James & Co. Inc., but Mr. Jones stressed that Sedgwick offices are not required to place surplus lines and specialty business through Crump E&S. "We feel we have earned any business we get from James as a result of our expertise," he said.

Mr. Jones described the other producers that deal with Crump E&S as "pretty much an across-the-board mix. We deal with all of them."

"That's one of the strengths of our operations. We appeal to all sizes, depending on the office," Mr. Payne agreed.

In 1988, as in 1987, 65% of Crump E&S's premium volume, including Euing's business, was placed with non-admitted insurers.

About 96% of Euings' business is placed with non-admitted markets, with the "vast majority" of its business written in the London market, Mr. Jones said.

For the first half of 1989, 69% of the wholesaler's premium volume —including Euings business—was placed with non-admitted insurers.

With the addition of Euings' book of business, about 30% of Crump E&S's business is placed with various Lloyd's syndicates and London company insurers, and more than 5% is placed with vari-

Continued on next page

'We're looking to write business that is not so cyclical to level off those peaks and valleys E&S brokers go through, and we're trying to become a more well-rounded organization with all types of products to offer,' Crump's Mr. Jones explains.

Continued from previous page

ous units of New York-based American International Group Inc. The type of coverages placed in those two markets represents "pretty much an across-the-board mix," Mr. Jones noted.

No other insurer writes as much as 5% of the surplus lines broker's business.

Crump E&S still had 20 offices in 1988.

However, this April Crump E&S sold its Harrisburg, Pa.-based Crump/Med Pro division to Neil Davis, the manager of the division.

Med Pro acts as a managing general agent for Los Angeles-based Transamerica Insurance Co. on a first-layer excess general liability program for hospitals and nursing homes.

"The market was not right for a specialty hospital program right now," Mr. Jones explained. However, Crump E&S still maintains a relationship with Med Pro, he added.

Crump E&S's results also include those of S.J. Petrakis Insurance Services Inc., which has offices in San Francisco and Los Angeles.

"Petrakis is not a formal part of the Crump E&S Group, but its figures historically have been included in our results, since it is a wholesale operation" owned by Sedgwick, Mr. Stewart said.

Petrakis specializes in placing coverage for municipalities, transit districts, school districts and solid waste facilities.

At the end of last year, Crump E&S—including Euings—reported having 265 employees, down slightly from the 274 employees it had at the end of 1987.

'The market was not right for a specialty hospital program right now,' says Crump's Mr. Jones.

By the end of June of this year, its staff fell to 253, about 100 of whom are brokers.

This staff reduction is attributable to soft property/casualty market conditions, Mr. Jones said.

Some employees took advantage of an early retirement program at the beginning of 1989 and the rest of the staff reduction has been accomplished through attrition, he explained.

However, Mr. Jones noted that Crump E&S has hired 14 additional brokers since the beginning of 1988.

Crump E&S also has made several management changes in the past 14 months. On July 15, Ronald D. Price, formerly president of Crump E&S of Houston Inc., was transferred to Bellevue, Wash., to head of Crump E&S Northwest Inc., a larger office.

At the same time, John D. Tuley, who came to Crump E&S when the wholesaler acquired Tuley/Bernard & Associates in July 1988 (*BI*, Aug. 8, 1988), was appointed president of the Houston office.

On Jan. 1, E&S broker Michael R. Johnston was promoted to president of Crump E&S of Atlanta Inc. In October 1988, Charles A. Landess, formerly executive vp of Bayly, Martin & Fay International Inc. subsidiary American National General Agencies Inc. in Los Angeles, was named president of Crump E&S of California in Burbank.

In addition to Messrs. Stewart, Jones, Payne and Aiken, Patrick R. O'Brien, vp of finance and administration, is a top officer of Crump E&S.

Crump E&S is a member of both AAMGA and NAPSLO.

—By Linda J. Collins

Tri-City Insurance Brokers Inc.

300 Cliff St., New York, N.Y. 10038; 212-766-1800

	1988	1987
Premium volume	$228,500,888	$196,808,088
Gross revenues	$13,500,000*	$11,630,000*
Employees	65	52
Commercial lines	100%	100%
Admitted business	65%	60%
Non-admitted	35%	40%

BI estimate

Tri-City Insurance Brokers Inc. has only been in business since 1985, but it is making a strong impact among wholesale brokers.

With $228.5 million in premium volume, up 16.1% from $196.8 million in 1987, the privately held company climbed into *Business Insurance's* ranking of the 10 largest U.S. insurance wholesalers for the first time, occupying ninth place. Tri-City is the fifth-largest broker in the ranking.

Furthermore, Tri-City anticipates placing between $260 million and $270 million in premium volume in 1989, or about a 14% to 18% increase over 1988's volume.

The wholesale broker does not report gross revenues. However, *Business Insurance* estimates Tri-City's gross revenues at $13.5 million, up about 16% from an estimated $11.6 million in 1987.

Part of the reason for Tri-City's rapid growth is that it is not affiliated with any insurance company, according to Kieran P. Burke, president.

"We are 100% independent and can respond to the needs of all of our clients" without being saddled with a parent company that sends "mixed signals" on where to place business, Mr. Burke explained.

The brokerage also has enjoyed "very strong support" from its wide array of clients, which include alphabet brokerages as well as smaller regional producers.

And, Tri-City, which places its business with more than 20 insurers, also has developed an "excellent array" of markets, according to Mr. Burke. This "has worked very well for ourselves and our markets," he said.

In addition, Tri-City has "some of the best, if not the best, professionals in the business," he asserted.

"We've been very successful recruiting our staff," and turnover is virtually non-existent, he said.

Mr. Burke—formerly president of New Amsterdam Excess Inc., the former surplus lines brokerage subsidiary of Fred S. James & Co. Inc. that was later merged into Crump E&S Group—founded Tri-City in June 1985 with three other partners.

The firm immediately opened offices in New York, San Francisco and Chicago.

The wholesaler opened a fourth office in Los Angeles in June 1987 and added four additional principals, for a total of eight.

Tri-City does not have any specific plans for expansion. It is considering opening an office in the Southeast but not before 1990 at the earliest, Mr. Burke said.

No acquisitions are planned either, he said. "We're not big believers of growing by acquisition. We like to build from scratch. Of course, we reserve the right to change our minds."

For now, however, the thrust is to shun acquisitions, and Tri-City will "probably stick with it."

And, although it now has offices in four cities, Tri-City has not changed its name and has no plans to do so when it eventually opens its fifth location, Mr. Burke said. The reason is superstition, he said. Besides, he quipped: "We're not smart enough to know what the next name is."

Mr. Burke and his partners formed Tri-City because "we felt the timing was right to become entrepreneurs. It was just a wonderful opportunity to try something on our own."

Tri-City focuses on three broad product areas: casualty, which accounted for $180 million, or 78.8%, of the wholesaler's 1988 premium volume; property, which accounted for $30 million, or 13.1% of its volume; and financial services, which accounted for about $18.5 million, or 8.1%.

"We cut our teeth" on the tougher casualty lines, including product liability; errors and omissions; medical malpractice, particularly for hospitals; and "heavy-duty" umbrella coverages, Mr. Burke said.

The broker has since expanded to other casualty lines as well as to property and financial services.

The financial services area, which is headed by partner Michael P. Tilton, encompasses "all the specialized products that normally didn't fit either property or casualty," including financial guarantee products, surety and director and officers liability coverages.

Property and financial guarantee coverages have "been very strong parts of our success" in late 1988 and the first six months of 1989, said Mr. Burke, noting that casualty volume is down by about 10% because of the soft market.

But while the broker's national property division has always generated significant premiums, they have not been "to the level" that brokerage officials thought they should.

Tri-City was formed because 'the timing was right to become entrepreneurs,' says Kieran Burke.

Thus, Tri-City is working to further develop its financial services and property business and increase "new business production efforts" in the casualty area, Mr. Burke said.

Tri-City expects its property insurance business to generate between 20% and 25% of premium volume, up from 13% in 1988; while financial services is expected to generate 10% to 15% of the premium volume, compared with about 8% in 1988.

"It is our intention to develop both property and financial services to the point where they will at least equal the casualty business at some time in the future," he explained.

"That's what we're gearing up to accomplish, and that's what we would like to see," he said.

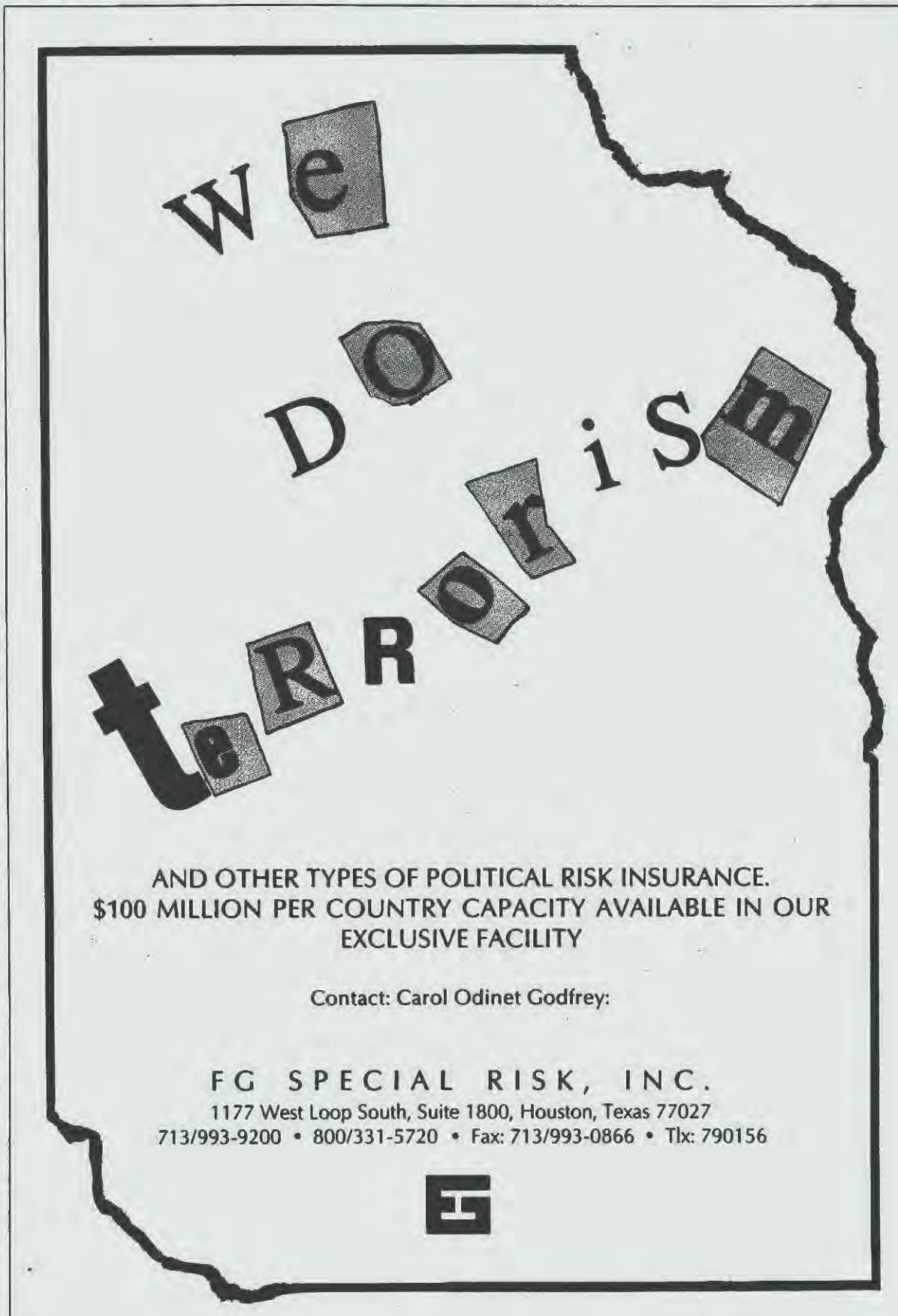
Explaining Tri-City's expectations for growth despite the soft market, Mr. Burke said: "It's a lot easier. We're the new guys on the block."

And, he said, "There are a couple of new products that are in the hopper" that may come to fruition between now and the end of the year. However, "I wouldn't characterize any of them as being likely to have a notable impact on the firm or our numbers for '89," he said, declining to elaborate on the new products.

Tri-City does not handle aviation business. And, while it has placed some ocean cargo business, it does not deal with "true" marine insurance like hull coverages, Mr. Burke said. "We're not marine brokers."

Tri-City also does not under-

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Continued from previous page
write and does not plan to do so in the future.

"We have no intention of entering the underwriting field," he emphasized. "Our numbers are pure brokerage numbers, which I think is quite significant," Mr. Burke continued.

Mr. Burke said the firm's privately held status helps it service its clients. "We feel that we have a tremendous advantage over our publicly-held competitors" because Tri-City is not geared to a quarter-to-quarter earnings basis, which leads to an emphasis on volume. "We can take a long-term view."


Mr. Burke

The brokerage is also structured so it can make quick decisions without going through "additional layers of administration," Mr. Burke pointed out.

He noted that no single retail broker accounts for more than 10% to 15% of Tri-City's business.

"We enjoy extremely good relations with almost all the alphabet house brokers, both at the regional level and the operations level," he said.

Large brokerages are selective about the intermediaries with which they will deal, Mr. Burke pointed out, and Tri-City is proud to have "made the cut, so to speak."

In its dealings with the alphabet brokers in particular, Tri-City tends to handle the more difficult-to-place risks that are "more of a problem."

These are often last-minute situations, he said, where the retail brokerage needs one or two Tri-City markets that a retail broker cannot access.

On the other hand, "if it's an easy placement," involving a line that can be placed with a standard market, Tri-City is not likely to see it, he said.

However, "we tend to see a broader spectrum of business" from smaller to medium-sized brokers, Mr. Burke said.

Tri-City has been active in soliciting business from these brokers in its various geographic areas over the past 18 months, according to Mr. Burke.

While Tri-City places its business with more than 20 markets, its biggest placement of business is with Crum & Forster Inc. units, including The London Agency Inc., Industrial Underwriters Insurance Co. and Crum & Forster Managers Group, according to Mr. Burke.

Tri-City placed 35% of its business with non-admitted markets in 1988, down from 40% the year before. This is "predominantly a reflection of the market," Mr. Burke explained.

"A lot of markets are able to use admitted or non-admitted paper" and will change depending upon competitive conditions, Mr. Burke said.

He added that placing business with admitted markets involves "one less step."

Besides Mr. Burke and Mr. Tilton, other brokerage partners are John G. Hahn, Alexander M. Kullman, George K. Pagoumian, Daniel S. Real, Thomas L. Spinner and Edward W. Ulshafer.

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

	1988	1987
Premium volume	$199,453,594	$268,381,238
Gross revenues	$16,947,463	$21,921,557
Employees	164	184
Commercial lines	100%	100%
Admitted business	70%	70%
Non-admitted	30%	30%

The soft commercial property/casualty insurance market is giving Montgomery & Collins Inc. a chance to fine-tune its sales and marketing skills.

"This market can be very hard from a morale standpoint. But, this market has taught us how to improve in the marketing and sales area and how to communicate to new customers how M&C can best serve their needs," observed Robert P. Keul, president of the Los Angeles-based wholesaler.

Mr. Keul said M&C's focus on marketing and sales during the soft market already is paying off, noting that premium volume and gross revenues have declined less than 10% during the first six months of 1989, a much slower rate than during 1987 and 1988, he said.

And, while renewals represent 75% to 80% of the CIGNA Corp. unit's business, "new business is coming in at an all-time high rate," he said.

As part of its marketing and sales strategy, M&C—which has specialized in excess liability, umbrella, directors and officers liability and errors and omissions coverages—also has broadened its capabilities in other areas, such as excess property, primary general liability and product liability insurance, he noted.

"We have intentionally shifted away from concentrating on that one product line to create a better capability and broader dimension of what we do," Mr. Keul said.

"This way, we have a broader profile and in the retailer's mind, when he thinks of M&C, he doesn't just think solely of us as an umbrella market," he explained.

Montgomery & Collins' premium volume declined in 1988, though not as sharply as it did in 1987. M&C reported $199.5 million in premium volume last year, a 25.7% drop from $268.4 million in 1987, when premium volume fell 38.9%.

M&C's 1988 performance, though, dropped the wholesaler to sixth place from fourth place among the largest U.S. wholesale brokers ranked by *Business Insurance*. M&C is the nation's 10th-largest wholesaler.

M&C's gross revenues dropped 22.7% in 1988 to $16.9 million from $21.9 million in 1987, when gross revenues fell 41%.

The 1988 results were "basically something we had forecasted," Mr. Keul pointed out. "When you know the market is softening and when you know the composition of your book of business, the 1988 results just sort of come with the territory," he said.

But, so far in 1989, "our renewal retention is holding and maybe even improving a bit," Mr. Keul noted. "We're still losing accounts but at a lesser rate. And, new sources of business are providing an increased flow of opportunities for us to work on," he explained.

Mr. Keul pointed out, though, that because of the competitive pricing conditions in the property/casualty insurance market, the wholesaler must place more new accounts than the number of accounts it loses. For example, M&C must place 10 new accounts to replace the loss of a single $250,000 account, he said.

And, just as in 1987, M&C often renews existing business at higher attachment levels, which generates less premium volume, he said. "Where we were attaching at $10 million excess of $15 million, we can renew at $5 million excess of $20 million."

So far in 1989, 'our renewal retention is holding and maybe even improving a bit,' Mr. Keul notes.

But, despite the reduction in premium volume on such renewals, "these renewals are still important because we can keep activity on that account," he noted.

And, price competition is beginning to level off, he said. For example, whereas premiums were falling 40% to 50% on a renewal a year ago, renewal premiums are now being trimmed only 5% to 10% for the same limits at the same attachment point, he said.

"While I think we're going to continue to see some erosion in our book of business, I think we'll see less of a dramatic swing in pricing," Mr. Keul predicted.

More moderate price cutting and the lower rate of decline in M&C's premium volume and gross revenues for the first half of 1989 "may be showing that we've reached the bottom here. It makes you wonder if the market really is beginning to turn," Mr. Keul observed.

The major portion of Montgomery & Collins' premium volume is generated by large national retail brokers, including Marsh & McLennan Cos. Inc.; Alexander & Alexander Services Inc.; Johnson & Higgins; Fred S. James & Co. Inc.; and Corroon & Black Corp.

Regional agents and brokers also generate some business for M&C.

"Every branch office of M&C works with at least 50 sources of business," Mr. Keul pointed out.

Seventy percent of M&C's 1988 premium volume was placed with admitted insurers, and 30% was placed with non-admitted insurers, unchanged from 1987.

In 1988, 45% of M&C's premium volume was generated by business for which the company acts as a managing general agent, the same as in 1987.

M&C has binding authority for Pacific Employers Insurance Co. of Los Angeles, a 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 syndicates at Lloyd's of London.

Pacific Employers writes excess liability and umbrella coverages exclusively for M&C.

The other 55% of M&C's 1988 premium volume was generated by brokerage business, also unchanged from 1987.

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.; Northland Insurance Co. units; St. Paul Surplus Lines Insurance Co., a unit of The St. Paul Cos. Inc.; Transamerica Corp.; and Lloyd's underwriters.

Of these markets, many specialize in writing particular lines:

- Chubb, Northland and Transamerica, new markets for M&C, primarily write primary general liability and product liability business.
- Cal Union writes excess property, casualty and umbrella coverages for M&C on an exclusive basis in California and on a non-exclusive basis in other states. Cal Union also is M&C's top market for heavy construction risks.
- Admiral, First State, Industrial Underwriters and Lloyd's syndicates primarily write excess casualty and umbrella insurance for M&C, though Admiral writes some property risks along with Allianz.
- Evanston Insurance is M&C's major market for directors and officers liability and errors and omissions risks.

While M&C is shifting its emphasis on various product lines it currently offers, excess liability and umbrella coverages continued to generate 55% of M&C's premium volume in 1988. However, that's expected to change. M&C has written more D&O, E&O, primary general liability and product liability over the past 12 months.

And, "our property business has literally doubled in the last 12 months," he noted.

M&C also "wrote a little more excess workers compensation in 1988 and a small piece of auto liability business.

While M&C handles insurance a broad range of businesses, its specialty continues to be heavy construction risks, he said.

The capacity that M&C can offer held steady in 1988, and the wholesaler has not found it difficult to place any type of risk, he said.

M&C did not make any acquisitions in 1988 and none is planned so far in 1989, Mr. Keul said.

The wholesaler closed its Sacramento, Calif., office in 1988 and merged all of the business handled there with its San Jose, Calif., office.

Besides its home office in Los Angeles, M&C 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 164 employees at year-end 1988, down 10.9% from 184 employees in 1987.

Besides Mr. Keul, principal officers are Robert B. Angle, brokerage vp; and John T. Baily, Robert W. Chadwick and Michio Nekota, regional vps.

Mr. Baily was promoted to regional vp for the central region in 1988, replacing Warren P. Miller, who retired. Mr. Baily previously was manager of M&C's Columbus office.

Montgomery & Collins is a member of both AAMGA and NAPSLO.

—By Donna DiBlase

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Directory of insurance wholesalers

A

ARC Excess & Surplus Inc.

300 Old Country Road, Mineola, N.Y. 11501; 516-747-4100

	1988	1987
Premium volume	$100,000,000	$100,000,000
Gross revenues	NA	NA
Employees	21	19
Commercial lines	100%	100%
Admitted business	85%	85%
Non-admitted	15%	15%

Year founded: 1986.
Type of business: 100% broker.
Broker for: Primarily National Union Fire Insurance Co. of Pittsburgh, Pa., Great American Insurance Co., CIGNA Insurance Co., Reliance Insurance Co., Federal Insurance Co., Gulf Insurance Co., The Home Group Inc., Harbor Insurance Co., Old Republic Insurance Co., Royal Indemnity Co., RLI Insurance Co., Tudor Insurance Co., Evanston Insurance Co., Associated International Insurance Co., Lexington Insurance Co., syndicates at Lloyd's of London.
Branch offices: Houston.
Subsidiaries: ARC Consulting Group Inc., ARC Special Risks Inc.
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.
Licensed in: New York and Texas.
Membership: NAPSLO, Professional Insurance Wholesalers of New York, Professional Liability Underwriting Society.

Acadiana Special Risks Inc.

P.O. Box 2607, Lafayette, Ga. 70502; 318-237-2000

	1988	1987
Premium volume	$2,500,000	$2,500,000
Gross revenues	NA	NA
Employees	4	4
Commercial lines	100%	100%
Admitted business	5%	10%
Non-admitted	95%	90%

Year founded: 1978.
Type of business: 100% broker.
Broker for: Primarily Interstate National Corp., Highlands Insurance Co., syndicates at Lloyd's of London.
Correspondent: Lloyd's of London.
Specialties: Oil and gas.
Principal officers: Glenn Hebert, president.
Licensed in: Louisiana.
Membership: Louisiana Surplus Lines Assn.

Agency Marketing Services Inc.

130 Pinellas Way N., St. Petersburg, Fla. 33710; 813-384-1036

	1988	1987
Premium volume	$6,000,000	$6,330,0000
Gross revenues	$375,000	$365,000
Employees	6	5
Commercial lines	90%	90%
Admitted business	40%	40%
Non-admitted	60%	60%

Year founded: 1982.
Type of business: 100% broker.
Broker for: Primarily Interstate Fire & Casualty Insurance Co., Federal Insurance Co., Fireman's Fund Insurance Cos., Lexington Insurance Co., Reliance Insurance Co., Mount Hawley Insurance Co
Specialties: Professional liability, directors & officers, umbrellas, product liability.
Principal officers: Kevin Schuck, president; Bryon Chenell and Donald Baker, 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 60.

Alexander Underwriters General Agency Inc.

P.O. Box 105051, Atlanta, Ga. 30348; 404-981-7100

	1988	1987
Premium volume	$33,895,359	$37,974,232
Gross revenues	$6,424,725	$9,493,558
Employees	90	98
Commercial lines	42%	48%
Admitted business	80%	72%
Non-admitted	20%	28%

Year founded: 1974.
Parent company: International Indemnity Group Inc.
Type of business: 98% underwriting manager, 1% managing general agent, 1% broker.
Underwriting manager for: International Indemnity Co., Florida International Indemnity Co.
Correspondent: Lloyd's of London.
Branch offices: Orlando, Fla.; Baton Rouge, La.; Columbia, Tenn.
Specialties: Commercial auto, general liability.
Principal officers: James A. Alexander, president; Farris A. Alexander, vp/secretary; C. Glenn Alexander, vp/treasurer; Benny Byrd Jr. and Joseph E. Murphy, vps.
Licensed in: 33 states.
Membership: AAMGA, NAPSLO, Georgia Surplus Lines Assn., Louisiana Surplus Lines Assn.

Anderson & Murison Inc.

800 W. Colorado Blvd., Los Angeles, Calif. 90041; 213-255-2333

	1988	1987
Premium volume	NA	NA
Gross revenues	$2,357,832	$2,737,713
Employees	27	30
Commercial lines	80%	80%
Admitted business	35%	50%
Non-admitted	65%	50%

Year founded: 1965.
Type of business: 85% managing general agent, 15% broker.
MGA for: American Empire Surplus Lines Insurance Co., United National Insurance Co., Western World Insurance Co., Jefferson Insurance Co. of New York, Monticello Insurance Co., Topa Insurance Co., First State Insurance Co., Sphere Drake Insurance Co. P.L.C., Aegon Insurance Co. (U.K.) Ltd.
Broker for: Primarily First State Insurance Co., Colonia Insurance Co., Topa Insurance Co., General Star Management 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 P. Verzola, administrative assistant.
Licensed in: California.
Membership: AAMGA, NAPSLO, Surplus Line Assn. of California.

Anglo-American Ltd.

201 Bloomfield Ave., Verona, N.J. 07044; 201-239-7000

	1988	1987
Premium volume	$3,400,000	$4,150,000
Gross revenues	NA	NA
Employees	6	5
Commercial lines	99%	98%
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.
Broker for: Primarily Lexington Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Trucking.
Principal officers: Sam Bergerman, president.
Licensed in: New Jersey.
Membership: NAPSLO, Professional Brokers Assn., Independent Insurance Agents of America Inc., New Jersey Surplus Lines Assn.

Arlington/Roe & Co. Inc.

5546 Shorewood Drive, Indianapolis, Ind. 46220; 317-257-9123

	1988	1987
Premium volume	$9,111,290	$7,566,851
Gross revenues	$1,006,000	$1,070,000
Employees	21	27
Commercial lines	60%	53%
Admitted business	65%	70%
Non-admitted	35%	30%

Year founded: 1964.
Type of business: 80% managing general agent, 20% broker.
MGA for: American Empire Surplus Lines Insurance Co., American Modern Home Insurance Co., Century Surety Co., Clarendon Insurance Co.,

Continued on next page

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 and telephone number.

Next, companies were asked to provide premium volume; gross revenues; number of employees; percentage of premium volume related to commercial lines; and the percentage of premium volume placed as an underwriting manager, managing general agent and wholesale broker.

Business Insurance defines an underwriting manager as a company that handles all the affairs of the insurance company, including underwriting, reinsurance and claims, with the possible exception of investments of the 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, meaning it has binding authority for a Lloyd's syndicate.

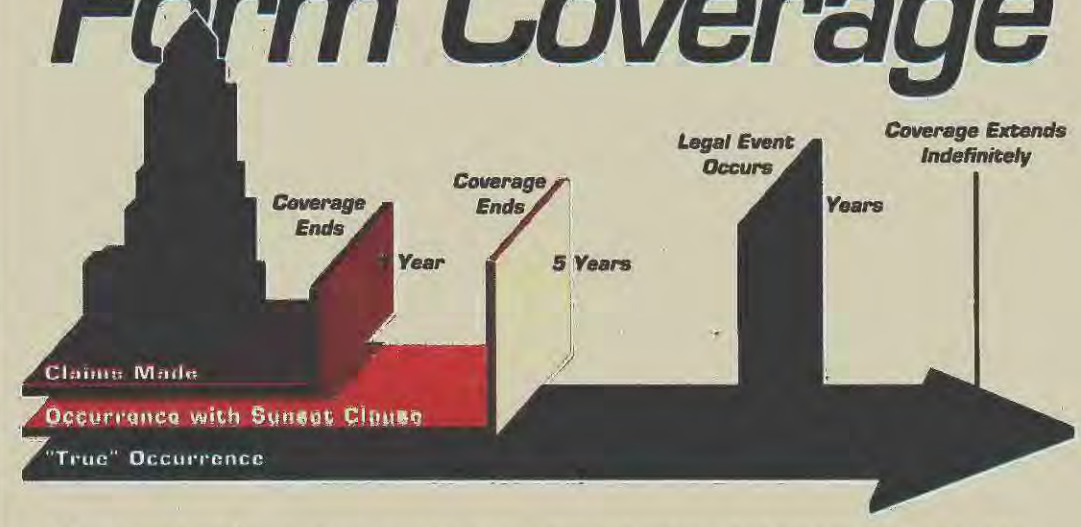
Following the financial information, the year the company was founded and its parent company (if any) are noted. Locations of branch offices and subsidiaries, specialties (any commercial risk that comprises 25% or more of the company's annual premium volume) and names and titles of principal officers are also noted.

Companies' memberships in either of the two national professional surplus lines organizations—the National Assn. of Professional Surplus Lines Offices (NAPSLO) and the American Assn. of Managing General Agents (AAMGA)—as well as state surplus lines organizations complete the listings.

In addition to this directory of wholesale marketers, a listing of excess and surplus lines insurers that responded to a *Business Insurance* questionnaire begins on page 38.

Although we make every effort to publish complete and accurate information, *Business Insurance* is unable to verify all figures supplied by participating companies.

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Continued from previous page

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.

Broker for: Primarily International Surplus Lines Insurance Co., Interstate Fire & Casualty 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, Pa., Aetna Insurance Co., Reliance Insurance Co., Gulf Insurance Co., Transamerica Insurance Co., syndicates at 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.

Avreco Inc.

10 S. LaSalle St., 12th Floor, Chicago, Ill. 60603-1099; 312-346-6161

	1988	1987
Premium volume	$79,900,000	$89,000,000
Gross revenues	$4,794,000	$5,251,000
Employees	42*	42*
Commercial lines	100%	100%
Admitted business	35%	35%
Non-admitted	65%	65%

* Additional services provided by staff of related companies.

Year founded: 1962.

Parent company: Cameron General Corp.

Type of business: 100% broker.

Branch offices: New York; Scottsdale, Ariz.

Specialties: Hospital professional liability, umbrella liability.

Principal officers: Fred H. Pearson, president; William D. Yurek, executive vp; Kenneth C. Heyman, chief financial officer; Robert Kampa, senior vp; Daniel Monnin, vp.

Membership: NAPSLO, Illinois Surplus Lines Assn.

B

Beech Street Insurance Services

2550 Fifth Ave., Suite 730, San Diego, Calif. 92103; 619-235-0386

	1988	1987
Premium volume	NA	NA
Gross revenues	$440,000	$461,000
Employees	4	4
Commercial lines	100%	100%
Admitted business	50%	55%
Non-admitted	50%	45%

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 and product liability, ship repairers legal liability.

Principal officers: Donald K. Lewis, president.

Licensed in: California.

Membership: NAPSLO.

Bjornson/Sentinel

122 Broadway, P.O. Box 2827; Fargo, N.D. 58108; 701-232-2444

	1988	1987
Premium volume	$8,000,000	$8,000,000
Gross revenues	$900,000	$900,000
Employees	22	26
Commercial lines	65%	60%
Admitted business	65%	65%
Non-admitted	35%	35%

Year founded: 1981.

Type of business: 95% managing general agent, 5% broker.

MGA for: Acceptance Insurance Co., Capitol Indemnity Corp., Essex Insurance Co., Guaranty National Insurance Co., Midwest Mutual Insurance Co., Penn-America Insurance Co., National Indemnity Co., Scottsdale Insurance Co., Transamerica Premier Insurance Co.

Broker for: Primarily Admiral Insurance Co.

Branch offices: Bloomington, Minn.

Specialties: Bars and restaurants, mobile homes.

Principal officers: Darrell L. Bjornson, president.

Licensed in: North Dakota, South Dakota, Minnesota and Montana.

Membership: AAMGA, NAPSLO.

J.H. Blades & Co. Inc.

P.O. Box 22003, Houston, Texas 77227-2003; 713-780-8770

	1988	1987
Premium volume*	$100 million*	NA
Gross revenues	NA	NA
Employees	38	NA
Commercial lines	100%	NA%
Admitted business	20%	NA%
Non-admitted	80%	NA%

* *BI* estimate.

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 and energy-related 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.

Licensed in: Texas.

Membership: NAPSLO, Texas Surplus Lines Assn.

Bohrer, Croxdale & McAdoo Inc.

P.O. Box 2760, 430 South Ave., Suite 400, Springfield, Mo. 65801-2760; 417-869-2550

	1988	1987
Premium volume	$7,199,523	$7,339,284
Gross revenues	$586,822	$593,986
Employees	19	18
Commercial lines	99%	99%
Admitted business	60%	63%
Non-admitted	40%	37%

Year founded: 1978.

Type of business: 74% managing general agent, 26% broker.

MGA for: Penn America Insurance Co., Capitol Indemnity Corp., Nautilus Insurance Co., Scottsdale Insurance Co., General Agents Insurance Co. of America Inc., Northland Insurance Cos.

Broker for: Primarily First State Insurance Co., Crum & Forster Managers Corp.

Correspondent: Lloyd's of London.

Specialties: Long-haul truck liability.

Continued on next page

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Twenty-Fifth Anniversary 25 1964 - 1989

Continued from previous page

Principal officers: Yvonne S. Bohrer, Sidney M. McAdoo, Sydney T. Croxdale.

Licensed in: Missouri, Kansas, Arkansas, Oklahoma, Illinois.

Membership: AAMGA, NAPSLO, Surplus Lines Assn. of Missouri.

Russell Bond & Co. Inc.

866 Ellicott Square, Buffalo, N.Y. 14203-2595; 716-856-8220; 800-333-7226

	1988	1987
Premium volume.	$7,600,000	$7,100,000
Gross revenues...	$685,000	$565,000
Employees.....	15	13
Commercial lines.	100%	100%
Admitted business	70%	65%
Non-admitted....	30%	35%

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 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.

Principal officers: Kurt C. Bingeman, president; Alan A. Hall, executive vp; Gary L. Hoffman, vp; Russell Bond, chairman emeritus.

Licensed in: New York.

Membership: NAPSLO, Excess Lines Assn. of New York, Professional Insurance Wholesalers Assn. of New York State Inc.

W. Brown & Associates Insurance Services

4675 MacArthur Court, Suite 770, Newport Beach, Calif. 92660; 714-851-2060

	1988	1987
Premium volume.	$11,000,000	$2,500,000
Gross revenues...	NA	NA
Employees.....	9	4
Commercial lines.	100%	100%
Admitted business	20%	50%
Non-admitted....	80%	50%

Year founded: 1987.

Type of business: 80% managing general agent, 20% broker.

MGA for: Scottsdale Insurance Co.

Broker for: Primarily Aviation Office of America Inc., Phoenix Aviation Inc.

Correspondent: Lloyd's of London.

Subsidiaries: W. Brown & Associates Property & Casualty.

Principal officers: William W. Brown, chairman; W. Scott Brown, president; John Krebs and Vince Zimmerer Jr., executive vps; Brian English, vp.

Licensed in: California.

Brown & Riding Insurance Services Inc.

107 S. B St., San Mateo, Calif. 94401; 415-579-0172

	1988	1987
Premium volume.	$8,040,000	$9,460,000
Gross revenues...	NA	NA
Employees.....	11	10
Commercial lines.	100%	100%
Admitted business	60%	60%
Non-admitted....	40%	40%

Year founded: 1980.

Type of business: 100% broker.

Broker for: Primarily Harbor Insurance Co., Admiral Insurance Co., Transcontinental Insurance Co., First State Insurance Co., Lexington Insurance Co., RLI Insurance Co., Associated International Insurance Co., Interstate Fire & Casualty Insurance Co., syndicates at Lloyd's of London.

Branch offices: Los Angeles.

Specialties: Products liability, general liability, commercial umbrella, excess liability, directors & officers, errors & omissions, difference in conditions.

Principal officers: B. Peter Brown, president; Ramon C. Howing, Kaycie L. Palmer and Chris A. Brown, vps.

Membership: AAMGA, NAPSLO, California State Surplus Lines Assn.

Burke-Daniels Co. Inc.

P.O. Box 36069, Houston, Texas 77236; 713-242-2070

	1988	1987
Premium volume.	$24,200,000	$23,500,000
Gross revenues...	$4,100,000	$3,600,000
Employees.....	13	15
Commercial lines.	100%	100%
Admitted business	15%	17%
Non-admitted....	85%	83%

Year founded: 1981.

Type of business: 60% managing general agent, 40% broker.

Broker for: Primarily Cameron & Colby Co. Inc., CIGNA Excess & Surplus Lines Insurance Co., Hartford Specialty Co., Industrial Risk Insurers, Royal Group Inc.

Correspondent: Lloyd's of London.

Specialties: Energy, petrochemical and contractors' risks.

Principal officers: Robert M. Daniels, president; Erwin J. Ruch, John C. Meloy and William S. Stinson, senior vps; Steven T. Akers and Robert L. Crump, assistant vps.

Licensed in: Texas and Michigan.

Membership: NAPSLO, Texas Surplus Lines Assn.

C

Cambridge General Agency

1625 Sacramento St., San Francisco, Calif. 94109; 415-441-8500

	1988	1987
Premium volume.	$50,000,000	$48,000,000
Gross revenues...	NA	NA
Employees.....	67	60
Commercial lines.	90%	90%
Admitted business	20%	20%
Non-admitted....	80%	80%

Year founded: 1966.

Type of business: 80% managing general agent, 20% broker.

MGA for: Scottsdale Insurance Co., Penn American Insurance Co., General Agents Insurance Co. of America Inc.

Broker for: Primarily Golden Eagle Insurance Co., American Universal Insurance Co., First State Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Covina, Calif.

Principal officers: A. Mason Blodgett, president; Paul Janofsky and James Blodgett, vps; Dian Gonzales, chief financial officer.

Membership: AAMGA, NAPSLO.

Cameron & Colby Co.

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

See profile on page 54.

Centrex Underwriters Inc.

P.O. Box 171176, Memphis, Tenn. 38187; 901-362-7246

	1988	1987
Premium volume.	$2,064,000	$3,000,000
Gross revenues...	NA	NA
Employees.....	5	6
Commercial lines.	100%	100%
Non-admitted....	100%	100%

Year founded: 1985.

Type of business: 100% managing general agent.

MGA for: Transamerica Specialty Insurance Co., Transamerica Insurance Co. of Michigan.

Specialties: Liquor liability.

Principal officers: Joseph Carlson, president; Eric Sturm and Robert L. Smith, vps.

Century Underwriters Inc.

239 Fourth Ave., Investment Building, Suite 1414, Pittsburgh, Pa. 15222; 412-281-7252

	1988	1987
Premium volume.	$5,942,000	$7,053,000
Gross revenues...	$496,751	$594,318
Employees.....	8	10
Commercial lines.	89%	90%
Admitted business	70%	71%
Non-admitted....	30%	29%

Year founded: 1965.

Type of business: 19% managing general agent, 81% broker.

Specialties: Automobile physical damage, substandard fire, workers compensation.

Principal officers: H. Pat Cawley, president/secretary; Irene Barbera, vp; Alice Cawley, treasurer.

Licensed in: Pennsylvania.

Membership: NAPSLO, Pennsylvania Surplus Lines Assn.

CIGNA Excess & Surplus Insurance Services Inc.

3700 Wilshire Blvd., Suite 900, Los Angeles, Calif. 90010; 213-480-4589

	1988	1987
Premium volume.	$141,510,000	$191,088,000
Gross revenues...	$14,000,000	$19,000,000
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.

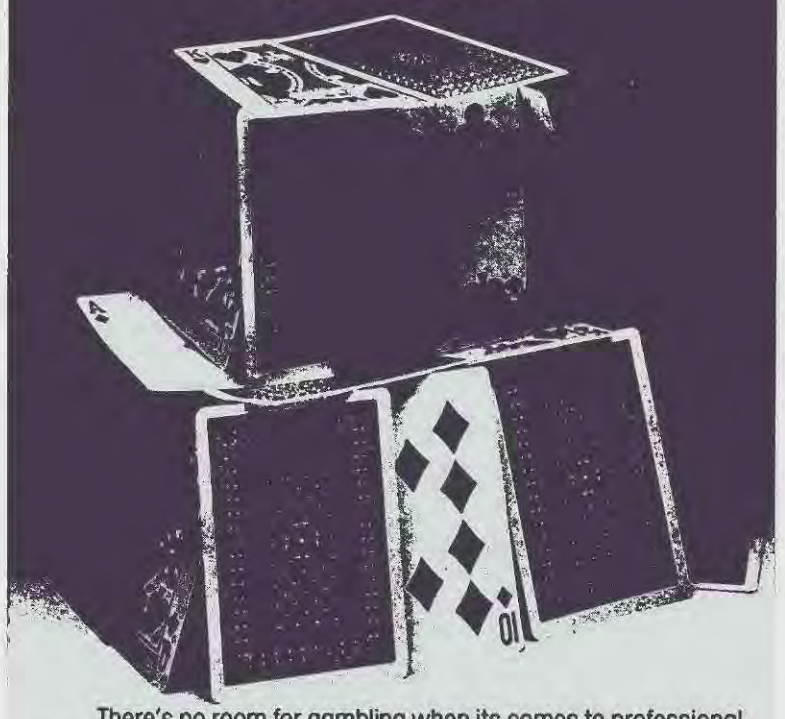
Underwriting manager for: California Union Insurance Co., Illinois Union Insurance Co., Century Indemnity Co.

Branch offices: Chicago; Lawrenceville, N.J.

Specialties: Property and casualty.

Continued on next page

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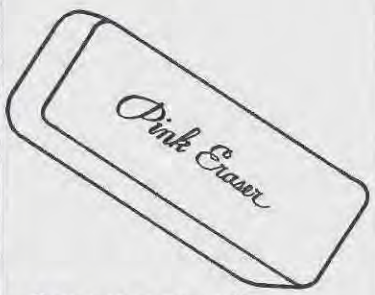
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Continued from previous page

Principal officers: Michael P. Fujii, president; John P. Rugee, vp-Eastern region; Robert S. Cernok, vp-Western region; Harold N. Steinberg, vp-marketing; W. Hall Wilson, vp-underwriting.

Licensed in: California, Illinois and New Jersey.

Membership: NAPSLO.

Cochrane, Griffin & Co. Inc.

P.O. Box 6938, Bellevue, Wash. 98007; 206-881-6616

	1988	1987
Premium volume	$9,250,000	$9,500,000
Gross revenues	NA	NA
Employees	21	21
Commercial lines	75%	75%
Admitted business	40%	40%
Non-admitted	60%	60%

Year founded: 1956.

Type of business: 100% managing general agent.

MGA for: Guaranty National Insurance Cos., Scottsdale Insurance Co., Jefferson Insurance Group, Sutter Insurance Co., Empire Fire & Marine Insurance Cos., Canal Insurance Co., Financial Indemnity Co., Western Heritage Insurance Co., First Financial Insurance Co.

Correspondent: Lloyd's of London.

Principal officers: John C. Griffin president; L.D. Wertz, vp; Marci Sherk, secretary; Kevin Grimm; Gerry Newman, production manager-Washington; Herm Deiss, production manager-Oregon.

Licensed in: Washington and Oregon.

Membership: AAMGA, NAPSLO.

Commercial Insurance Underwriters Inc.

1200 E. Woodhurst, M-400, P.O. Box 9005, Springfield, Mo. 65808-9005; 417-883-3277

	1988	1987
Premium volume	$7,027,889	$7,328,331
Gross revenues	$866,417	$975,738
Employees	14	13
Commercial lines	97%	99%
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., Commonwealth General Insurance Co., Essex Insurance Co., Guaranty National Insurance Co., Scottsdale Insurance Co.

Broker for: Primarily Admiral Insurance Co., General Star Indemnity Co., Lexington Insurance Co., RLI Insurance Co., United Capitol Insurance Co.

Correspondent: Lloyd's of London.

Principal officers: David W. Heinrichs, president; Robert L. McGrew, vp.

Licensed in: Missouri, Kansas, Arkansas.

Membership: AAMGA, NAPSLO, Independent Insurance Agents of American Inc., National Assn. of Professional Insurance Agents.

Connecticut Underwriters Inc.

329 Main St., Portland, Conn. 06480; 203-342-0713

	1988	1987
Premium volume	$31,500,000	$34,000,000
Gross revenues	$2,765,124	$3,100,000
Employees	30	30
Commercial lines	75%	75%
Admitted business	70%	70%
Non-admitted	30%	30%

Year founded: 1964.

Type of business: 70% managing general agent, 30% broker.

MGA for: Western World Insurance Co., American Empire Surplus Lines Insurance Co., Mount Vernon Insurance Co., United States Liability Insurance Co., Foremost Insurance Co., CNA Financial Corp., Hermitage Insurance Co.

Broker for: Primarily Lexington Insurance Co., The Home Group Inc., CNA Financial Corp., National Union Fire Insurance Co. of Pittsburgh, Pa., United Capitol Insurance Co.

Correspondent: Lloyd's of London.

Subsidiaries: Conexco, Southborough, Mass.

Principal officers: Henry J. Stone Jr., president/treasurer; M. Merriam March, vp/secretary.

Licensed in: Connecticut and Massachusetts.

Membership: AAMGA, NAPSLO, National Assn. of Professional Insurance Agents, Independent Insurance Agents of America Inc.

Corporate Advisors Inc.

910 Skokie Blvd., Northbrook, Ill. 60062; 312-564-5820

	1988	1987
Premium volume	$750,000	$700,000
Gross revenues	$140,000	$135,000
Employees	4	4
Commercial lines	100%	100%
Admitted business	60%	65%
Non-admitted	40%	35%

Year founded: 1970.

Type of business: 100% broker.

Broker for: Primarily Admiral Insurance Co., Hartford Insurance Group, Illinois Insurance Exchange, Virginia Surety Co. Inc., Dearborn Insurance Co.

Specialties: High-hazard excess.

Principal officers: L.W. Biegler, president; W.L. Biegler and C.M. Murphy, vps.

Licensed in: Illinois.

Cox Insurance Group Inc.

5170 Commerce Circle, Indianapolis, Ind. 46237; 317-887-0030

	1988	1987
Premium volume	$12,000,000	$10,000,000
Gross revenues	$2,100,000	$1,700,000
Employees	26	21
Commercial lines	100%	100%
Non-admitted	100%	100%

Year founded: 1981.

Type of business: 100% managing general agent.

Correspondent: Lloyd's of London.

Branch offices: Birmingham, Ala.; St. Petersburg, Fla.

Specialties: Medical stop-loss.

Principal officers: Raybon E. Cox, Terri Moriarty, Bill Krantz.

Licensed in: Indiana.

Membership: NAPSLO.

Cravens, Dargan & Co.-Pacific Coast

3700 Wilshire Blvd., Suite 530, Los Angeles, Calif. 90010; 213-480-4400

	1988	1987
Premium volume	$26,774,255	$45,917,030
Gross revenues	$4,648,108	$6,291,532
Employees	57	66
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, Los Angeles, San Francisco, Seattle.

Specialties: Monoline commercial property.

Principal officers: Donald M. Shorey, president; Arthur C. Werden, vp-property underwriting; William E. Rucker, vp; Marion S. Chappel, assistant vp-finance.

Licensed in: California, Washington.

Crum & Forster Managers Group

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

See profile on page 52.

Crump E&S Group

7557 Rambler Road, Suite 350, Dallas, Texas 75231; 214-891-5970

See profile on page 62.

D

D.R.I. Ltd.

71 Murray St., New York, N.Y. 10007; 212-227-6160

	1988	1987
Premium volume	$6,800,000	$5,200,000
Gross revenues	NA	NA
Employees	6	6
Commercial lines	100%	100%
Admitted business	60%	40%
Non-admitted	40%	60%

Year founded: 1984.

Type of business: 25% underwriting manager, 25% managing general agent, 50% broker.

Underwriting manager for: Oxford Indemnity Insurance Co.

MGA for: Oxford Indemnity Insurance Co.

Broker for: Primarily Calvert Insurance Co., Royal Group Inc., Frontier Insurance Co., American International Group Inc., Galaxy Insurance Co.

Correspondent: Lloyd's of London.

Subsidiaries: Barry L. Kochman Co. E&S.

Specialties: Surety bonds, motor truck cargo, physical damage, high limit excess, construction wrap-ups.

Principal officers: Barry L. Kochman, president; Dudley Holaday and Michael E. La Rubbio, vps.

Licensed in: New York.

Membership: Professional Wholesale Insurance Assn., Excess Lines Assn. of New York.

Doran Excess Underwriters Inc.

6240 Carlisle Pike, Mechanicsburg, Pa. 17055; 717-697-4626

	1988	1987
Premium volume	$23,721,000	$37,310,000
Gross revenues	NA	NA
Employees	8	8
Commercial lines	100%	100%
Non-admitted	100%	100%

Year founded: 1975.

Parent company: Doranco Inc.

Type of business: 100% underwriting manager.

Underwriting manager for: United National Group.

Specialties: Excess hospital, professional liability.

Principal officers: Ronald G. Hihn, president; William Lindemuth, vp.

Licensed in: Pennsylvania.

Membership: NAPSLO.

E

E&S Facilities Inc.

31 Inverness Center, Suite 280, Birmingham, Ala. 35242; 205-969-1700

	1988	1987
Premium volume	$31,000,000	$22,000,000
Gross revenues	$3,100,000	$2,100,000
Employees	33	37
Commercial lines	100%	100%
Admitted business	50%	40%
Non-admitted	50%	60%

Year founded: 1975.

Type of business: 30% managing general agent, 70% broker.

MGA for: Employers National Insurance Co., Lexington Insurance Co., Carolina Casualty Insurance Co., First Financial Insurance Co., Burlington Insurance Co., Laramie Insurance Co., Regis Insurance Co.

Broker for: Primarily First State Insurance Co., Admiral Insurance Co., Transamerica Insurance Co., Fireman's Fund Insurance Cos., National Union Fire Insurance Co. of Pittsburgh, Pa., Lexington Insurance Co., Tudor Insurance Co., Westco Insurance Group, American Empire Surplus Lines Insurance Co., Home Insurance Co., Royal Group Inc., Employers Reinsurance Co., RLI Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Atlanta; Longwood, Fla.

Principal officers: Don J. Pate, chairman/chief executive officer; Charles H. Garrison, president; D.L. Lackey, executive vp; Sondra H. Pate, secretary/treasurer.

Membership: NAPSLO, Alabama Independent Insurance Agents.

ESL Inc.

P.O. Box 1458, Harrisburg, Pa. 17105; 717-225-6820

	1988	1987
Premium volume	$3,304,953	$2,668,645
Gross revenues	$261,593	$207,998
Employees	5	4
Commercial lines	100%	100%
Admitted business	58%	23%
Non-admitted	42%	77%

Year founded: 1980.

Parent company: Pennsylvania National Mutual Casualty Insurance Co.

Type of business: 30% managing general agent, 70% broker.

MGA for: Harco National Insurance Co., Utica Mutual Insurance Co., Lincoln General Insurance Co.

Broker for: Primarily International Surplus Lines Insurance Co., Evanston Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa., Lexington Insurance Co.

Specialties: Trucking, public officials errors and omissions.

Principal officers: D.D. Walters, president; Robert S. Schade, executive vp; Kenneth R. Shutts, secretary/general counsel; Kenneth Shaffer, treasurer.

Licensed in: Alabama, Maryland, Missouri, New Jersey, North Carolina, Pennsylvania, Tennessee and Virginia.

Membership: NAPSLO, Pennsylvania Surplus Lines Assn.

Esprit General Agency Inc.

701 N. Post Oak, Suite 204, Houston, Texas 77024; 713-681-6500; 800-243-7748

	1988	1987
Premium volume	$9,949,000	$20,000,000
Gross revenues	$358,000	$780,000
Employees	8	16
Commercial lines	100%	100%
Admitted business	75%	65%
Non-admitted	25%	35%

Year founded: 1983.

Type of business: 80% managing general agent, 20% broker.

MGA for: Adriatic Insurance Co., Presidential Fire Insurance Co.

Broker for: Primarily Liberty National Fire Insurance Co., Sheffield Insurance Co., Lexington Insurance Co., Audubon Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Workers compensation.

Principal officers: John E. Boyd III, president; Vicki Spaulding, secretary/treasurer; Henry W. Eversole Jr., vp.

Licensed in: Texas.

Membership: National Assn. of Professional Insurance Agents.

Excess & Surplus Lines Insurance Co.

13848 Ventura Blvd., Sherman Oaks, Calif. 91423; 818-990-8860

	1988	1987
Premium volume	$16,000,000	$19,000,000
Gross revenues	$1,750,000	$2,122,000
Employees	16	22
Commercial lines	90%	97%
Admitted business	75%	65%
Non-admitted	25%	35%

Year founded: 1975.

Continued on next page

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Continued from previous page

Type of business: 20% managing general agent, 80% broker.
MGA for: American Empire Surplus Lines Insurance Co., Sutter Insurance Co.
Broker for: Primarily Illinois Insurance Exchange, Associated International Insurance Co., Topa Insurance Co., RLI Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Seal Beach, Calif.
Specialties: Contractors liability, general liability, umbrella liability, earthquake risks.
Principal officers: J.C. Boyer, president; R. McFarren, vp.
Licensed in: California, Arizona, Hawaii, Illinois.
Membership: NAPSLO.

Executive Coverage Managers Inc.

18 John St., New York, N.Y. 10038; 212-233-2564

	1988	1987
Premium volume.	$6,000,000	$7,000,000
Gross revenues...	NA	NA
Employees.....	10	12
Commercial lines.	98%	98%
Admitted business	85%	75%
Non-admitted....	15%	25%

Year founded: 1980.
Type of business: 80% managing general agent, 20% broker.
MGA for: United States Liability Insurance Group, First Central Insurance Co.
Broker for: Primarily Commercial Union Insurance Co.; Calvert Insurance Co.; Galaxy Insurance Co.; Lloyd's, New York; American International Group Inc.; Chubb Corp.
Principal officers: John Pidoto, president; William Amendolare, executive vp.
Licensed in: New York.
Membership: NAPSLO, Professional Insurance Wholesalers Assn. of New York.

Ex-Plus Agency Inc.

15 Spinning Wheeling Road, Suite 326, Hinsdale, Ill. 60558; 312-325-7557

	1988	1987
Premium volume.	$3,772,490	$3,532,266
Gross revenues...	$361,138	$254,613
Employees.....	9	8
Commercial lines.	100%	100%
Admitted business	93%	92%
Non-admitted....	7%	8%

Year founded: 1983.
Type of business: 93% managing general agent, 7% broker.
MGA for: Harco National Insurance Co., Adriatic Insurance Co.
Broker for: Primarily Essex Insurance Co., RLI Insurance Co., Marine Office of America Corp.
Specialties: Long-haul trucking.
Principal officers: William J. Wilson, president; Marilyn J. Wilson, vp/treasurer.
Licensed in: Illinois.
Membership: NAPSLO, Illinois Surplus Lines Assn.

F

FG Special Risk

1177 W. Loop S., Suite 1800, Houston, Texas 77027; 713-993-9200

	1988	1987
Premium volume.	$30,000,000	$22,000,000
Gross revenues...	NA	NA
Employees.....	18	16
Commercial lines.	100%	100%
Admitted business	10%	10%
Non-admitted....	90%	90%

Year founded: 1975.
Parent company: Financial Guardian Group Inc.
Type of business: 10% managing general agent, 90% broker.
MGA for: General Agents Insurance Co. of America.
Broker for: Primarily Albany Insurance Co., Interstate Fire & Casualty Insurance Co., Fireman's Fund Insurance Cos., Marine Office of American Corp., Illinois Insurance Exchange, California Union Insurance Co., Sheffield Insurance Co., Mount Hawley Insurance Co., United Capitol Insurance Co., Royal Insurance Co., Royal Surplus Lines Insurance Co., Reliance Insurance Co., The Home Group Inc., Scottsdale Insurance Co., American International Group Inc.
Correspondent: Lloyd's of London.
Specialties: Energy, marine and inland marine, financial institutions, cranes, political risk, product liability.
Principal officers: Robert J. Kopal, president; Lawrence P. Mennes, vp.
Licensed in: Texas.
Membership: AAMGA, NAPSLO.

Farmington Management Inc.

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

	1988	1987
Premium volume.	$75,000,000	$100,000,000
Gross revenues...	NA	NA
Employees.....	18*	20*
Commercial lines.	100%	100%
Admitted business	100%	100%

* Additional services provided by staff of related companies.
Year founded: 1986.
Parent company: Aetna Life & Casualty Co.
Type of business: 100% managing general agent.
MGA for: Aetna Casualty & Surety Co., American Home Assurance Co., Continental Casualty Co., Federal Insurance Co., The Continental Insurance Co., United States Fire Insurance Co., General Star National Insurance Co., The Home Insurance Co., Insurance Co. of North America, Maryland Casualty Co., North American Co. for Property & Casualty Insurance, Royal Group Inc., The Travelers Indemnity Co., Zurich Insurance Co.
Branch offices: New York.
Principal officers: Clint Greene, president; Hank Poirier, vp-underwriting; Charlie Stevens, assistant vp-underwriting; Mike St. Pierre, manager-underwriting; Don Francis, manager-administration; Debra Winter, manager-accounting.
Licensed in: All states except North Dakota, Texas, Wyoming and Hawaii.

Francis Special Risk Inc.

800 N. Kings Highway, Cherry Hill, N.J. 08034; 609-482-2522

	1988*	1987
Premium volume.	$10,875,000	NA
Gross revenues...	$792,000	NA
Employees.....	5	NA
Commercial lines.	100%	NA
Admitted business	15%	NA
Non-admitted....	85%	NA%

* 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, Shand, Morahan & Co.
Branch offices: Independence, Ohio.
Specialties: Medical products and home health care services.
Principal officers: John J. Francis, president; Arthur J. Pagnini, executive vp/secretary; Anita Wuhr, vp.
Licensed in: Pennsylvania, New Jersey and Ohio.

G

Gateway Underwriters Agency Inc.

319 N. Fourth St., St. Louis, Mo. 63102; 314-621-7000

	1988	1987
Premium volume.	$4,588,401	$6,603,673
Gross revenues...	$649,014	$805,153
Employees.....	8	11
Commercial lines.	100%	100%
Admitted business	32%	24%
Non-admitted....	68%	76%

Year founded: 1954.
Parent company: Berkshire Hathaway Inc.
Type of business: 87% managing general agent, 13% broker.
MGA for: National Indemnity Co., Western World Insurance Co. Inc., Nautilus Insurance Co.
Specialties: Long-haul trucking, professional liability.
Principal officers: Alan Marlette, president; Patsy Woolem, secretary/treasurer.
Licensed in: Missouri and Illinois.
Membership: NAPSLO, Missouri Surplus Lines Assn.

Gemblock Associates Inc.

24 W. 45th St., New York, N.Y. 10036; 212-302-5599

	1988	1987
Premium volume.	$2,000,000	$1,750,000
Gross revenues...	NA	NA
Employees.....	5	3
Commercial lines.	99%	100%
Admitted business	100%	100%

Year founded: 1985.
Parent company: Eyl Group.
Type of business: 100% broker.
Broker for: Primarily Chubb Corp., Albany Insurance Co., syndicates at Lloyd's of London.
Subsidiaries: Security Transit Insurance Brokerage.
Specialties: Jewelers block, furriers block, armored cars and blanket bonds, 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; 203-328-5000

	1988	1987
Premium volume.	$153,992,409	$228,005,765
Gross revenues...	NA	NA
Employees.....	161*	155*
Commercial lines.	100%	100%
Admitted business	32%	27.4%
Non-admitted....	68%	72.6%

* Additional services provided by staff of related company.
Year founded: 1978.
Parent company: General Re Corp.
Type of business: 100% underwriting manager.

Continued on next page

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Continued from previous page
Underwriting manager for: General Star Indemnity Co., General Star National Insurance Co.
Branch offices: New York; Chicago; Los Angeles; Hartford, Conn.
Principal officers: Kevin P. Brooks, president; Samuel C. Anderson and Russell D. Hendrickson, vps; Ronald S. Austin and Scott H. Lockett, second vps.
Membership: NAPSLO.

Glanvill Special Risk Insurance Brokers

90 John St., New York, N.Y. 10038; 212-619-4220

	1988	1987
Premium volume.	$44,560,000	$38,700,000
Gross revenues...	$3,741,000	$2,556,000
Employees.....	31	27
Commercial lines.	100%	100%
Admitted business	65%	52%
Non-admitted....	35%	48%

Year founded: 1980.
Parent company: JIB Holdings Inc.
Type of business: 18% managing general agent, 82% broker.
MGA for: National Casualty Insurance Co.; Scottsdale Insurance Co.
Broker for: Primarily Agricultural Excess & Surplus Lines Insurance Co., Alliance Insurance Co., First State Insurance Co., Harbor Insurance Co., Reliance Insurance Co., The Travelers Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: San Francisco.
Specialties: Directors and officers, professional liability.
Principal officers: Roger S. Walsh, chairman; Arthur J. Forenza Jr., president; Samuel T. Chapin and Venita M. Cappel, senior vps; Jane H. Vander Velde, vp.
Licensed in: New York, California and New Jersey.
Membership: NAPSLO, Insurance Brokers Assn. of New York, Professional Insurance Wholesalers Assn. of New York, Western States Surplus Lines Assn.

Global Facilities Inc.

P.O. Box 743, 146 Merrick Road, Lynbrook, N.Y. 11563-0743; 516-599-3800

	1988	1987
Premium volume.	$4,895,000	$4,700,000
Gross revenues...	NA	NA
Employees.....	4	4
Commercial lines.	96%	96%
Admitted business	98%	96%
Non-admitted....	2%	4%

Year founded: 1971.
Type of business: 80% managing general agent, 20% broker.
MGA for: Mount Vernon Fire Insurance Co., First Central Insurance Co., Colonia Insurance Co., New York Merchant Bankers Mutual Insurance Co., Otsego Mutual Fire Insurance Co.
Broker for: Primarily U.S. Underwriters Insurance Co.; Royal Excess Insurance Co.; Galaxy Insurance Co.; Lloyd's, New York; Calvert Insurance Co., RLI Insurance Co., Security Insurance Co., Michigan Mutual Insurance Co.
Specialties: Small motor pool, garage and commercial trucking.
Principal officers: Robert Shapiro, president; Sheldon Bagatell, vp.
Licensed in: New York and New Jersey.
Membership: NAPSLO, Professional Insurance Wholesalers Assn. of New York, National Assn. of Professional Insurance Agents.

Greenwich American Underwriters Inc.

P.O. Box 290757, Nashville, Tenn. 37229-0757; 615-391-4428

	1988	1987
Premium volume.	$5,301,978	$4,156,800
Gross revenues...	$541,291	$449,000
Employees.....	9	8
Commercial lines.	100%	100%
Admitted business	40%	30%
Non-admitted....	60%	70%

Year founded: 1981.
Type of business: 40% managing general agent, 60% broker.
MGA for: Carolina Casualty Insurance Co., Essex Insurance Co., General Agents Insurance Co. of America, Lexington Insurance Co., Illinois Insurance Exchange.
Broker for: Primarily First State Insurance Co., Chubb Corp., United National Insurance Co., Harbor Insurance Co., Audubon Indemnity Co.
Correspondent: Lloyd's of London.
Specialties: Long-haul trucking, liquor liability.
Principal officers: Hunter Armistead, senior chairman; Benjamin C. Armistead, president.
Licensed in: Tennessee, Arkansas, Mississippi, Louisiana, Alabama, Georgia, West Virginia, Florida, New York.
Membership: NAPSLO, National Assn. of Professional Insurance Agents.

Gresham & Associates Inc.

P.O. Box 547, 7193 Jonesboro Road, Morrow, Ga. 30260; 404-961-8810

	1988	1987
Premium volume.	$33,474,987	$35,275,840
Gross revenues...	$3,162,990	$3,742,883
Employees.....	38	37
Commercial lines.	100%	100%
Admitted business	50%	50%
Non-admitted....	50%	50%

Year founded: 1979.
Type of business: 45% managing general agent, 65% broker.
MGA for: Scottsdale Insurance Co., Essex Insurance Co., National Casualty Insurance Co., Colonia Insurance Co.
Broker for: Primarily International Insurance Co., Gotham Insurance Co., Home Insurance Co., First State Insurance Co., Royal Group Inc., Admiral Insurance Co.
Branch offices: Nashville, Tenn.; Palm Beach Gardens, Fla.
Specialties: Product liability, umbrellas.
Principal officers: James V. Gresham, chairman; William A. Burger, president; James A. Gresham, senior vp; Debbie Cornwell, vp; Gail Gresham, secretary/treasurer.
Licensed in: Georgia, Florida, Alabama, Tennessee.
Membership: AAMGA, NAPSLO, Georgia Surplus Lines Assn.

H

H&W Underwriters (agency) Inc.

P.O. Box 10303, Kansas City, Mo. 64111; 913-676-9301

	1988	1987
Premium volume.	$9,074,226	$10,304,969
Gross revenues...	$1,988,683	$1,720,000
Employees.....	11	11
Commercial lines.	99%	99%
Admitted business	20%	20%
Non-admitted....	80%	80%

Year founded: 1958.
Type of business: 40% underwriting manager, 55% 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 Financial Corp.
Correspondent: Lloyd's of London.
Specialties: Public transportation risks, association professional liability.
Principal officers: Neil R. Pouppirt and Michael Kosednar.
Membership: NAPSLO.

L.E. Harris Agency Inc.

1353 Holton Lane, Langley Park, Md. 20783; 301-439-4700

	1988*	1987*
Premium volume.	$11,797,000	$12,682,000
Gross revenues...	$1,522,280	$1,448,084
Employees.....	15	16
Commercial lines.	98%	98%
Admitted business	35%	38%
Non-admitted....	65%	62%

* Fiscal year ends Sept. 30.
Year founded: 1922.
Type of business: 65% managing general agent, 35% broker.
MGA for: Jefferson Insurance Co. of New York, National Indemnity Insurance Co., United States Liability Insurance Co., First Financial Insurance Co., Monticello Insurance Co., National Fire & Marine Insurance Co., Mount Vernon Fire Insurance Co., Burlington Insurance Co., National Liability & Fire Insurance Co.
Broker for: Primarily SAFECO Insurance Cos., Select Insurance Co., Mt. Hawley Insurance Co., International Surplus Lines Insurance Co., Admiral Insurance Co., Lexington Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa.
Correspondent: Lloyd's of London.
Specialties: Commercial auto.
Principal officers: David A. Riffert, president; Nicholas Taube, executive vp; Mark J. Baldwin, vp; Cindy Milburn, assistant secretary.
Licensed in: Maryland, District of Columbia and Virginia.
Membership: AAMGA, NAPSLO.

Huycke General Agency

2900 Boniface Parkway, Suite 200, Anchorage, Alaska 99504; 907-338-0491

	1988	1987
Premium volume.	$3,045,000	$3,075,000
Gross revenues...	$424,284	$797,000
Employees.....	4	6
Commercial lines.	97%	95%
Admitted business	3%	5%
Non-admitted....	97%	95%

Year founded: 1976.
Type of business: 100% managing general agent.
MGA for: American Family Home Insurance Co., National Casualty Insurance Co., Scottsdale Insurance Co.
Specialties: Commercial auto liability, contractors general liability.
Principal officers: Peter Huycke, owner.
Licensed in: Alaska.
Membership: AAMGA.

I

Independent Insurance Wholesalers Inc.

722 S.W. Second Ave., Suite 340, Portland, Ore. 97204-3130; 503-224-1956

	1988	1987
Premium volume.	$9,500,000	$10,750,000
Gross revenues...	$950,000	$1,053,000
Employees.....	9	13
Commercial lines.	100%	100%
Admitted business	40%	40%
Non-admitted....	60%	60%

Year founded: 1983.
Type of business: 25% managing general agent, 75% broker.
Broker for: Primarily Admiral Insurance Co., Agricultural Excess & Surplus Lines Insurance Co., Western World Insurance Co., Tudor Insurance Co., Navigators Insurance Co., Harbor Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Umbrella liability, product liability.
Principal officers: Robert K. Stahl, president; Thomas E. Sawyer, vp; Shellie L. Stahl, secretary.
Licensed in: Oregon.
Membership: NAPSLO.

Insurance Facilities Inc.

140 N. Main Ave., Sioux Falls, S.D. 57102; 605-336-0798

	1988	1987
Premium volume.	$6,951,191	$9,091,817
Gross revenues...	$795,969	$999,008
Employees.....	19	28
Commercial lines.	42%	25%
Admitted business	91%	80%
Non-admitted....	9%	20%

Year founded: 1965.
Type of business: 72% managing general agent, 28% broker.
MGA for: Ruinone de Adratica de Sicurta, Jefferson Insurance Co. of New York, Monticello Insurance Co., American Modern Home Insurance Co., American Reliable Insurance Co., Acceptance Insurance Co., Canal Insurance Co., Occidental Fire & Casualty Co. of North Carolina, Colonia Insurance Co., General Star Indemnity Co., National Casualty Insurance Co., Western National Mutual Insurance Co., Hartford Steam Boiler Inspection & 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, secretary/treasurer.
Licensed in: Minnesota, North Dakota and South Dakota.
Membership: AAMGA, Minnesota Surplus Lines Assn.

Insurisk Excess & Surplus Lines

1500 Riverfront Drive, P.O. Box 3198, Little Rock, Ark. 72203; 501-661-1417

	1988	1987
Premium volume.	$26,151,710	$27,997,912
Gross revenues...	NA	NA
Employees.....	8	8
Commercial lines.	100%	100%
Admitted business	35%	35%
Non-admitted....	65%	65%

Year founded: 1980.
Parent company: Rebsamen Insurance Inc.
Type of business: 35% managing general agent, 65% broker.
MGA for: Scottsdale Insurance Co., Employers National Insurance Co.
Broker for: Primarily Fireman's Fund Insurance Cos., The London Agency, The Home Insurance Co., Tudor Insurance Co., United Capitol Insurance Co., Hartford Insurance Group, Reliance National Insurance Co., St. Paul Insurance Cos. Inc., Western World Insurance Co.
Principal officers: Charles Harper, president; Stephen F. Hoffmann, vp; Jack Garrison, senior vp; Max Campbell, secretary/treasurer.
Licensed in: Arkansas.
Membership: NAPSLO.

International Managers & Brokers Ltd.

200 S. Wacker Drive, Chicago, Ill. 60606; 312-993-7510

	1988	1987
Premium volume.	$3,118,763	$7,219,827
Gross revenues...	$215,950	$397,444
Employees.....	5	4
Commercial lines.	100%	100%
Admitted business	65%	60%
Non-admitted....	35%	40%

Year founded: 1971.
Division of: Crum & Forster Managers Corp. (Ill.)
Type of business: 100% broker.
Broker for: Primarily International Insurance Co., Illinois Insurance Exchange, Old Republic Insurance Co., RLI Insurance Co., International Surplus Lines Insurance Co.
Specialties: Directors & officers liability, errors & omissions.
Principal officers: David N. Thompson, chairman; Norman R. Reid, president; Robert E. Stalker, Dennis Gibbs and Gary Ferguson, vps.
Licensed in: Illinois.
Membership: Chicago Board of Underwriters, Surplus Lines Assn. of Illinois.

International Placement Services Inc.

7710 Carondelet, Suite 433, St. Louis, Mo. 63105; 314-725-8394

	1988	1987
Premium volume.	$15,959,000	$13,390,000
Gross revenues...	NA	NA
Employees.....	16	17
Commercial lines.	100%	100%
Admitted business	30%	20%
Non-admitted....	70%	80%

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., 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, St. Paul Surplus Lines Insurance Co., United Capitol Insurance Co., CIGNA Corp., Hartford Insurance Group.
Correspondent: Lloyd's of London.
Specialties: Self-insurance and 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.
Licensed in: Missouri.
Membership: NAPSLO.

Continued on next page

UNITED NATIONAL GROUP

United National Insurance Company
Diamond State Insurance Company
Hallmark Insurance Company

Current Best's Rating: A+VIII

Capital and Surplus (3/31/89): $103,503,864

Brokerage inquiries invited and special programs considered.

James E. Maier, Jr.,
Assistant Vice President – Brokerage Division Manager
Patricia M. Rodman, *Vice President, Underwriting*
Benn Prybutok, *Vice President, Marketing*
Seth D. Freudberg, CPCU, *President and CEO*
Raymond L. Freudberg, *Chairman*

UNITED NATIONAL GROUP

1737 Chestnut Street
Philadelphia, PA 19103
(215) 568-6200
Fax: (215) 751-1163
Telex: 628-13640

Continued from previous page

J

Jaeger & Haines Inc.

P.O. Box 1623, Fayetteville, Ark. 72702; 501-521-2551

	1988	1987
Premium volume	$9,100,000	$11,800,000
Gross revenues	$1,446,000	$1,706,000
Employees	25	27
Commercial lines	67%	67%
Admitted business	20%	20%
Non-admitted	80%	80%

Year founded: 1976.
Type of business: 90% managing general agent, 10% broker.
Correspondent: Lloyd's of London.
Specialties: Commercial auto, general liability.
Principal officers: Larry Haines, president; Mike Johnson, E.A. Elliott and Mary Huff, vps.
Licensed in: Arkansas, Missouri, Oklahoma, Tennessee.
Membership: AAMGA, NAPSLO.

JJ Jeffers Insurance Brokerage

6324 Variel Ave., Suite 321, Woodland Hills, Calif. 91367; 818-710-8844

	1988*	1987
Premium volume	NA	NA
Gross revenues	$250,000	NA
Employees	2	NA
Commercial lines	100%	NA
Admitted business	25%	NA
Non-admitted	75%	NA

* 1989 estimates.
Year founded: 1989.
Parent company: Superior Insurance Group.
Type of business: 100% broker.
Principal officers: J.F. Weckerle, president; J.J. Jeffers, vp.
Licensed in: California.
Membership: NAPSLO, Western Assn. of Insurance Brokers.

Don R. Jensen & Co.

100 S. Wacker Drive, Suite 2030, Chicago, Ill. 60606; 312-939-5240

	1988	1987
Premium volume	$8,000,000	$10,000,000
Gross revenues	NA	NA
Employees	9	11
Commercial lines	100%	100%
Admitted business	70%	60%
Non-admitted	30%	40%

Year founded: 1931.
Type of business: 35% managing general agent, 65% broker.
MGA for: Essex Insurance Co., Jefferson Insurance Co., First State Insurance Co., Monticello Insurance Co.
Broker for: Primarily American Empire Surplus Lines Insurance Co., California Union Insurance Co., Lexington Insurance Co., Chubb Custom Insurance Co., Mount Hawley Insurance Co., Royal Surplus Lines Insurance Co.
Principal officers: Theodore R. Malecki and Michael Kristof.
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

	1988	1987
Premium volume	$6,419,819	$6,226,342
Gross revenues	$696,635	$579,668
Employees	10	8
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. Ltd., Homestead Insurance Co.
Broker for: Primarily Evanston Insurance Co., United Capitol Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Oil and gas risks.
Principal officers: Marcus D. Jensvold, president; M. Doris Le Fevre, executive vp; William D. Wurdeman, vp-property; Susan Wicker and Gwen Wiley, assistant vps.
Membership: NAPSLO, Texas Surplus Lines Assn., Independent Insurance Agents of America, National Assn. of Professional Insurance Agents.

JIMCOR Agency Inc.

P.O. Box 890, Westwood, N.J. 07675; 201-666-8600

	1988	1987
Premium volume	$7,600,000	$3,800,000
Gross revenues	$722,000	$325,000
Employees	15	8
Commercial lines	90%	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., Mount Vernon Insurance Co., Western World Insurance Co., Tudor Insurance Co., Terra Nova Insurance Co., Penn-America Insurance Co.
Broker for: Primarily United National Insurance Co., Illinois Insurance Exchange, Admiral Insurance Co., Calvert Insurance Co., Associated International Insurance Co., Tudor Insurance Co.
Branch offices: New York; Milford, Pa.; South Amboy, N.J.
Subsidiaries: JIMCOR Associates Inc., Milford, Pa.; JIMCOR Associates Corp., New York.
Principal officers: Francis J. Mastowski, president; Ellen Mastowski, vp/treasurer; Anne Grippo, vp; Jean Humbert and Rich Schecher, resident vps.
Licensed in: New Jersey, New York and Pennsylvania.
Membership: NAPSLO, New Jersey Surplus Lines Assn., Professional Insurance Wholesalers of New York.

K

Kiger Insurance Inc.

154 Patchen Drive, Suite 96, Lexington, Ky. 40517; 606-268-0937

	1988	1987
Premium volume	$5,000,000	$6,575,000
Gross revenues	$1,240,000	$1,315,000
Employees	8	10
Commercial lines	99%	99%
Admitted business	85%	85%
Non-admitted	15%	15%

Year founded: 1984.
Type of business: 85% managing general agent, 15% broker.
MGA for: Threadneedle Insurance Co. Ltd.
Broker for: Primarily Hartford Insurance Group, Western Surety Co., Pearl Assurance P.L.C.
Correspondent: Lloyd's of London.
Specialties: Equine insurance.
Principal officers: Sylvester Kiger, president; Cathy Lowe, secretary/treasurer; Virginia Rustary, underwriting manager.
Licensed in: Kentucky.
Membership: Kentucky Surplus Lines Assn.

L

LUI Management Inc.

200 W. Madison, Chicago, Ill. 60606; 312-855-0590

	1988	1987
Premium volume	$31,200,000	$36,950,000
Gross revenues	$2,612,500	$3,458,100
Employees	33	38
Commercial lines	94%	100%
Admitted business	5%	5%
Non-admitted	95%	95%

Year founded: 1985.
Parent company: London United Investments P.L.C.
Type of business: 100% underwriting manager.
Underwriting manager for: LUI Insurance Syndicate Inc., LUI Insurance Syndicate Number Two Inc.
Principal officers: Richard E. Foss, president; Barbara K. Marrs, executive vp; Francis P. McGovern, vp; Gwen K. Frederick, treasurer.
Licensed in: All states except Massachusetts, plus Guam, U.S. Virgin Islands.
Membership: NAPSLO, Illinois Lloyd's Brokers Assn., Illinois Surplus Lines Assn.

Langan & Associates Inc.

5940 Tahoe Drive S.E., P.O. Box 6468, Grand Rapids, Mich. 49516-6468; 616-942-8930

	1988	1987
Premium volume	$35,727,653	$40,929,142
Gross revenues	$2,393,904	$2,263,691
Employees	18	20
Commercial lines	100%	100%
Admitted business	52%	52%
Non-admitted	48%	48%

Year founded: 1981.
Type of business: 5% managing general agent, 95% broker.
MGA for: First State Insurance Co.
Broker for: Primarily Admiral Insurance Co., Affiliated FM Insurance Co., American International Group Inc., Allianz Underwriters Inc., CIGNA Corp., Columbia Casualty Co., Employers Reinsurance Co., Fireman's Fund Insurance Cos., First State Insurance Co., Illinois Insurance Exchange, International Insurance Co., Illinois Surplus Lines Insurance Co., Lexington Insurance Co., Transamerica Insurance Co., United States Fire Insurance Co., United Capitol Insurance Co. Zurich-American Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Chicago.
Specialties: General and product liability, umbrella, property, inland marine.
Principal officers: James Langan, president; David Young, George Stone and Lisa Nather, vps; Terri Grinwis, secretary; Kathleen Davis and William Wilczynski, assistant vps.
Licensed in: Michigan, Illinois.
Membership: NAPSLO, Independent Insurance Agents of Michigan, Michigan Surplus Lines Assn., Independent Insurance Agents of America Inc., National Assn. of Professional Insurance Agents.

The London Agency

1230 W. Peachtree St., Atlanta, Ga. 30302; 404-875-9641

See profile on page 49.

London American Risk Specialists Inc.

9301 Southwest Freeway, Suite 630, Houston, Texas 77074; 713-777-6404

	1988	1987
Premium volume	$14,509,000	$19,993,000
Gross revenues	$993,751	$1,339,286
Employees	16	18
Commercial lines	100%	100%
Admitted business	44%	41%
Non-admitted	56%	59%

Year founded: 1984.
Type of business: 5% managing general agent, 95% broker.
MGA for: Western World Insurance Co., Sphere Drake Insurance Co., Burlington Insurance Co.
Broker for: Primarily Aetna Casualty & Surety Co., Sun Insurance Co., Admiral Insurance Co., First State Insurance Co., The Home Insurance Co., Lexington Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa.
Correspondent: Lloyd's of London.
Branch offices: Dallas.
Specialties: Umbrella, excess umbrella, inland marine, general liability, products liability.
Principal officers: Brian L. Brecker, Ken S. Keathley and Roy S. Shoultz.
Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn.

M

MacDuff Underwriters Inc.

P.O. Box 427, Daytona Beach, Fla. 32015; 904-252-6454

	1988	1987
Premium volume	$11,000,000	$9,500,000
Gross revenues	$1,900,000	$1,700,000
Employees	15	13
Commercial lines	100%	100%
Admitted business	40%	35%
Non-admitted	60%	65%

Year founded: 1980.
Parent company: Brown & Brown Inc.
Type of business: 40% managing general agent, 60% broker.
MGA for: Essex Insurance Co., General Agents Insurance Co. of America, Scottish & York Insurance Co. Ltd., Continental Insurance Cos.
Broker for: Primarily Admiral Insurance Co., Chesapeake Casualty Co., Chubb Corp., Royal Excess & Surplus Lines Insurance Co., Hartford Specialty Co., Lexington Insurance Co., The Home Group Inc., syndicates at Lloyd's of London.
Branch offices: Boynton Beach, Fla.
Specialties: Errors and omissions, directors and officers liability, property, umbrella.
Principal officers: W.L. Rambo, chief operating officer; J. Hyatt Brown, chairman.
Licensed in: Florida.
Membership: AAMGA, NAPSLO, Florida Surplus Lines Assn.

Maclean, Oddy & Associates Inc.

1445 Ross Ave., Suite 3900, Dallas, Texas 75202; 214-855-7700

	1988	1987
Premium volume	NA	NA
Gross revenues	$5,380,000	$6,013,000
Employees	40	41
Commercial lines	100%	100%
Admitted business	25%	25%
Non-admitted	75%	75%

Year founded: 1983.
Type of business: 3% managing general agent, 97% broker.
Broker for: Primarily Fireman's Fund Insurance Cos., California Union Insurance Co., Zurich American Insurance Co., First State Insurance Co., The Home Group Inc., Commonwealth Insurance Co., Mutual Marine Office Inc., New York Marine Managers.
Correspondent: Lloyd's of London.
Specialties: Energy, utilities, transportation.
Principal officers: R.B. Oddy, chairman; Anita Chanpong, president; John Miller and E.J. Souza, executive vps.
Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn.

Markel Service Inc.

4551 Cox Road, Glen Allen, Va. 23060; 804-747-0136

	1988	1987
Premium volume	$75,888,000	$68,503,000
Gross revenues	$12,030,000	$11,163,000
Employees	162	132
Commercial lines	90%	90%
Admitted business	50%	50%
Non-admitted	50%	50%

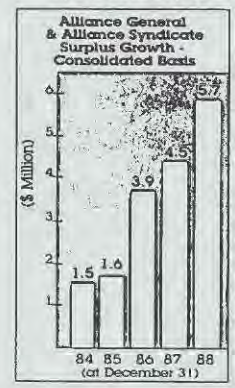
Year founded: 1930.
Parent company: Markel Corp.
Type of business: 85% managing general agent, 15% broker.
MGA for: Scottsdale Insurance Co., National Casualty Insurance Co., Essex Insurance Co., Northland Insurance Co.

Continued on next page

You maintain the very highest standards of quality and look where it gets you.

With 25% higher surplus than this time last year. You know, we started this company a couple of years ago with the notion that providing Surplus Lines Coverages reflecting the industry's highest standards of excellence would give us this tremendous feeling of accomplishment and keep our clients extremely happy all at the same time.

We were right.





ALLIANCE INSURANCE GROUP
Where High Performance Is Company Policy.

Alliance Insurance Group of Illinois, Inc.
200 West Adams, Chicago, IL 60606
(312) 269-0099
Alliance Insurance Services, Inc.
3435 Wilshire Blvd., Los Angeles, CA 90010
(213) 386-8747

Continued from previous page

Broker for: Primarily Evanston Insurance Co., Scottsdale Insurance Co., Frontier Insurance Co., General Star National Insurance Co.

Correspondent: Lloyd's of London.

Subsidiaries: Michael Maglaras & Co., Stamford, Conn.

Specialties: Government entities.

Principal officers: Alan I. Kirshner, president/chief executive officer; John K. Latham Jr., executive vp/chief operating officer; James Chapman, senior vp; John Dunbar, vp.

Membership: NAPSLO.

McClelland & Hine Inc.

P.O. Box 100960, San Antonio, Texas 78201; 512-735-6157

	1988	1987
Premium volume	$4,200,000	$5,400,000
Gross revenues	$608,000	$581,000
Employees	10	15
Commercial lines	90%	95%
Admitted business	65%	63%
Non-admitted	35%	37%

Year founded: 1982.

Type of business: 75% managing general agent, 25% broker.

MGA for: Edison Insurance Co., Burlington Insurance Co., Laramie Insurance Co., St. Katherine Insurance Co. P.L.C., Gulf States Insurance Co.

Broker for: Primarily Admiral Insurance Co., Northfield Insurance Co., Delta Lloyds Insurance Co., Royal Surplus Lines Insurance Co., Fidelity & Casualty Co. of New York.

Correspondent: Lloyd's of London.

Specialties: Commercial trucking, cotton bales.

Principal officers: Jack R. McClelland and Gilbert C. Hine Jr.

Licensed in: Texas.

Membership: AAMGA, NAPSLO, Texas Surplus Lines Assn.

Mining Insurance Markets Inc.

P.O. Box 55825, 2130 Highland Ave. S., Birmingham, Ala. 35255; 205-933-9162

	1988	1987
Premium volume	$3,000,000	$2,500,000
Gross revenues	NA	NA
Employees	3*	3*
Commercial lines	100%	100%
Admitted business	100%	100%

*Additional services provided by staff of related companies.

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: Coal, sand, gravel, mining risks.

Principal officers: Chandler F. Cox Jr., president; Edward M. Glenn, secretary/treasurer.

Licensed in: Alabama and Tennessee.

Montgomery & Collins Inc.

3700 Wilshire Blvd., Suite 400, Los Angeles, Calif. 90010; 213-480-4501

See profile on page 64.

Moore Excess Inc.

1 Center St., P.O. Box 565, Croton Falls, N.Y. 10519; 914-277-3955

	1988	1987
Premium volume	$10,000,000	$13,000,000
Gross revenues	NA	$1,300,000
Employees	9	9
Commercial lines	100%	100%
Admitted business	65%	65%
Non-admitted	35%	35%

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 Indemnity Co.

Principal officers: R.J. Moore, president; J.A. Buckley, executive vp; Claire Navin, secretary.

Licensed in: New York.

Membership: NAPSLO, Professional Insurance Wholesalers Assn. of New York.

N

NAS Ltd.

100 S. Wacker Drive, Chicago, Ill. 60606; 312-726-2186

	1988	1987
Premium volume	$19,445,000	$20,100,000
Gross revenues	$1,750,000	$1,800,000
Employees	12	11
Commercial lines	100%	100%
Admitted business	70%	65%
Non-admitted	30%	35%

Year founded: 1974.

Type of business: 100% broker.

Broker for: Primarily First State Insurance Co., International Insurance Co., Admiral Insurance Co., General Star Indemnity Co.

Correspondent: Lloyd's of London.

Branch offices: Indianapolis.

Principal officers: T. Cath, chairman; S. Johnson, president; J. Bogart, executive vp; T. Sieks, vp; J. Gesicki, assistant vp.

Licensed in: Illinois and Indiana.

Membership: NAPSLO, Assn. of Lloyds Brokers, Chicago Board of Underwriters, Independent Insurance Agents of America Inc.

Nason Associates Inc.

6901 W. 63, Suite 207, Overland Park, Kan. 66202; 913-677-1550

	1988	1987
Premium volume	$5,100,000	$6,500,000
Gross revenues	$672,000	$845,000
Employees	6	7
Commercial lines	50%	50%
Admitted business	95%	95%
Non-admitted	5%	5%

Year founded: 1983.

Type of business: 100% broker.

Broker for: Primarily Aviation Office of America Inc., United States Fire Insurance Co., syndicates at Lloyd's of London.

Specialties: Aviation.

Principal officers: C.H. Nason, president; Linda Joy, vp.

Licensed in: All states.

The Norco Agency Inc.

6308 Woodman, Suite 204, Van Nuys, Calif. 91401; 818-782-1912

	1988	1987
Premium volume	$8,000,000	$8,918,126
Gross revenues	NA	NA
Employees	10	10
Commercial lines	35%	20%

Year founded: 1960.

Type of business: 95% managing general agent, 5% broker.

Principal officers: Norman J. Levine, president; Adelyne F. Levine, vp/secretary/treasurer.

Licensed in: California.

Membership: AAMGA, NAPSLO, Surplus Lines Assn. of California.

North Island Group Inc.

30 Park Ave., Manhasset, N.Y. 11030; 516-365-7440

	1988	1987
Premium volume	$42,000,000	$41,000,000
Gross revenues	NA	NA
Employees	42	40
Commercial lines	95%	95%
Admitted business	92%	95%
Non-admitted	8%	5%

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., Lexington Insurance Co., Marine Office of America Corp., Admiral Insurance Co., Royal Surplus Lines Insurance Co., Fireman's Fund Insurance Co.

Branch offices: NIF Services of New York, New York; NIF Services of New England, Warwick, R.I.; NIF Services of New Jersey, Orange, N.J.; NIF Services of Mid-Atlantic, Morton, Pa.

Subsidiaries: Warwick Re Insurance Corp., Warwick, R.I.

Specialties: Social service 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. of New Jersey.

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Telex 25-6231
Fax (312) 621-0262

O

Overstreet & Newell Inc.

5505 Peachtree Dunwoody Road, Suite 100, Atlanta, Ga. 30342; 404-843-3394

	1988	1987
Premium volume	$6,500,000	$6,100,000
Gross revenues	$705,666	$716,078
Employees	13	9
Commercial lines	100%	100%
Admitted business	40%	50%
Non-admitted	60%	50%

Year founded: 1986.

Parent company: Seaboard Financial Group.

Type of business: 40% managing general agent, 60% broker.

MGA for: Jefferson Insurance Co., Lincoln Insurance Co., Essex Insurance Co., First Financial Insurance Co.

Broker for: Primarily Royal Excess & Special Risks of Georgia Inc., First State Insurance Co., Allendale Mutual Insurance Co.

Branch offices: Norfolk, Portsmouth, Richmond, Newport News, Williamsburg and Alexandria, Va.

Principal officers: George G. Phillips Jr., chairman-Seaboard Financial Group; F. Dudley Fulton, president-Seaboard Financial Group; Roy Overstreet, president; Terry Newell, executive vp; Marietta Gurley, secretary/treasurer.

Licensed in: Alabama, Georgia and Virginia.

Membership: AAMGA, NAPSLO.

P

PMI Insurance Services Inc.

2 N. Riverside Plaza, Suite 1460, Chicago, Ill. 60606; 312-559-0101

	1988	1987
Premium volume	NA	NA
Gross revenues	NA	NA
Employees	NA	NA
Commercial lines	NA	NA

Year founded: 1988.

Type of business: 100% broker.

Broker for: Primarily Lexington Insurance Co., Admiral Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Professional liability other than medical.

Principal officers: John Van Cleave, president; Guy Calhoun, executive vp; Brian Van Cleave, assistant vp.

Licensed in: Illinois.

Membership: NAPSLO, Chicago Board of Underwriters.

Paige-Ruane Inc.

983 Old Eagle School Road, Suite 616, Wayne, Pa. 19087; 215-254-9890

	1988	1987
Premium volume	$14,358,901	$15,351,942
Gross revenues	$1,475,044	$1,513,000
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: Progressive Casualty Insurance Co., 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.

Licensed in: Pennsylvania and Virginia.

Membership: NAPSLO.

Pavenstedt & Pauli (U.S.A.) Inc.

301 S. Mill St., P.O. Box 22608, Lexington, Ky. 40522; 606-268-0178

	1988	1987
Premium volume	$20,200,000	$18,000,000
Gross revenues	$2,120,000	$2,000,000
Employees	32	31
Commercial lines	97%	98%
Admitted business	90%	90%
Non-admitted	10%	10%

Year founded: 1986.

Type of business: 10% managing general agent, 90% broker.

MGA for: Continental Insurance Co.

Broker for: Primarily Continental Insurance Co., Swiss and German companies.

Branch offices: Pavenstedt & Pauli-Germany, Bremen, West Germany; Pavenstedt & Pauli-Zurich, Zurich, Switzerland; Pavenstedt & Pauli-London, London; Pavenstedt & Pauli-Paris, Paris.

Subsidiaries: Yearsley & Pavenstedt, Lexington Ltd., Lexington, Ky.

Specialties: United States subsidiaries of companies located in Germany and Switzerland, equine mortality, fine arts.

Principal officers: Johann Pavenstedt, chief executive officer; James C. Falkenstine, vp; Rebecca B. Lewis, secretary/treasurer; Nancy W. Yearsley, president-Yearsley & Pavenstedt, Lexington Ltd.; Mary C. Payne, vp-Yearsley & Pavenstedt, Lexington Ltd.

Licensed in: Kentucky, Illinois, Michigan, Ohio, Pennsylvania, New Jersey and Connecticut.

Pennock Insurance Inc.

7055 Terminal Square, Upper Darby, Pa. 19082; 215-352-3120

	1988	1987
Premium volume	$14,700,000	$13,500,000
Gross revenues	NA	NA
Employees	28	28
Commercial lines	90%	89%
Admitted business	7%	9%
Non-admitted	93%	91%

Year founded: 1973.

Type of business: 75% managing general agent, 25% broker.

MGA for: Scottsdale Insurance Co., Nautilus Insurance Co., United States Underwriters Insurance Co., Essex Insurance Co., St. Katherine Insurance Co. Ltd., Terra Nova Insurance Co. Ltd., Mid-Continent Insurance Co., General Agents Insurance Co., Mount Vernon Fire Insurance Co., Diamond State Insurance Co.

Broker for: Primarily Admiral Insurance Co., Illinois Insurance Exchange, First Central Insurance Co., General Star Management Co., United Capitol Insurance Co., Evanston Insurance Co., Chesapeake Casualty Co.

Correspondent: Lloyd's of London.

Principal officers: Milton L. Goldberg, president; Victor D. Giordano and Mary Marines, vps; Bernard Rosenfeld, secretary; Linda Purcell, assistant vp.

Licensed in: Pennsylvania, New Jersey, Delaware and Maryland.

Membership: AAMGA, NAPSLO, Pennsylvania Surplus Lines Assn.

Perico Ltd.

12801 Flushing Meadow Lane, St. Louis, Mo. 63131; 314-965-5675

	1988	1987
Premium volume	$14,000,000	$3,000,000
Gross revenues	$1,400,000	NA
Employees	20	20
Commercial lines	100%	100%
Admitted business	100%	100%

Year founded: 1987.

Type of business: 100% underwriting manager.

Underwriting manager for: The Lafayette Life Insurance Co., Connecticut National Life Insurance Co.

Specialties: Specific and aggregate stop-loss coverage.

Principal officers: Carl Petty Jr., president; Erwin Rittinger, executive vp; Larry Cook, treasurer/vp; Beverley English, director; Gentry Eddings, marketing director.

Phoenix Insurance Group Inc.

640 W. Street Road, Feasterville, Pa. 19047; 215-355-6200

	1988	1987
Premium volume	$13,000,000	$11,500,000
Gross revenues	$1,250,000	$1,100,000
Employees	33	28
Commercial lines	85%	90%
Admitted business	60%	70%
Non-admitted	40%	30%

Year founded: 1974.

Type of business: 50% managing general agent, 50% broker.

MGA for: Scottsdale Insurance Co., United National Insurance Co., National Casualty Insurance Co., Diamond State Insurance Co.

Broker for: Primarily California Union Insurance Co., American International Group Inc., Illinois Insurance Exchange, United Capitol Insurance Co., United Coastal Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Lawrenceville, Newark and Matamoras, N.J.

Subsidiaries: Phoenix Excess & Surplus Lines Inc., Johnson Underwriters Ltd.

Specialties: Primary general liability and property.

Principal officers: Marko Popin, president; Edward Johnson, executive vp; Dennis Pellegrion, vp; Carolyn Johnson, secretary; Tom Lisowski, treasurer.

Licensed in: Pennsylvania and New Jersey.

Continued on next page

Continued from previous page

Membership: NAPSLO, National Assn. of Independent Insurers, Professional Insurance Agents, New Jersey Surplus Lines Assn.; Pennsylvania Surplus Lines Assn.

Political & Credit Risk Management Inc.

540 S. Glenhurst, Birmingham, Mich. 48009; 313-540-2615

	1988	1987
Premium volume	$1,226,056	$1,100,000
Gross revenues	$130,961	NA
Employees	2	2
Commercial lines	100%	100%
Admitted business	57.1%	83%
Non-admitted	42.9%	17%

Year founded: 1983.
Type of business: 100% broker.
Broker for: Primarily National Union Fire Insurance Co. of Pittsburgh, Pa.; Pan Financial Ltd.; Fidelity & Deposit of Maryland; Foreign Credit Insurance Assn.
Correspondent: Lloyd's of London.
Specialties: Political risk, export credit, domestic credit.
Principal officers: D.G. Keesee, president; R.R. Riesgo, vp; N.T. Keesee, secretary/treasurer.

Professional Excess Affiliates Corp.

60 E. 42nd St., Suite 401, New York, N.Y. 10165; 212-490-8060

	1988	1987
Premium volume	$8,000,000	$4,200,000
Gross revenues	NA	NA
Employees	7	3
Commercial lines	100%	100%
Admitted business	75%	75%
Non-admitted	25%	25%

Year founded: 1986.
Type of business: 100% broker.
Broker for: Primarily Reliance Insurance Co., CIGNA Corp., Lexington Insurance Co., Illinois Insurance Exchange, International Surplus Lines Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Edison, N.J.
Specialties: Architects and engineers professional liability, environmental consultants errors and omissions.
Principal officers: Roy J. Bavaro, president; Lisa M. Cohen, vp.
Licensed in: New York and New Jersey.
Membership: Professional Insurance Wholesalers Assn., National Assn. of Professional Insurance Agents, Excess Line Assn. of New York.

Professional Liability Brokers & Consultants

1011 E. Touhy, Suite 321, Des Plaines, Ill. 60018; 312-298-0660

	1988	1987
Premium volume	$7,700,000	$3,700,000
Gross revenues	NA	NA
Employees	5*	5*
Commercial lines	100%	100%
Admitted business	10%	5%
Non-admitted	90%	95%

*Additional services provided by staff of independently contracted company.
Year founded: 1984.
Type of business: 100% broker.
Broker for: Primarily Admiral Insurance Co., Reliance Insurance Co., Associated International Insurance Co., North Atlantic Casualty & Surety Insurance Co. Inc.
Specialties: Professional liability, directors and officers liability, product liability.
Principal officers: Ervin A. Kranberg, president; Laurie Schwarz, vp/secretary.
Licensed in: Illinois.
Membership: NAPSLO, Professional Liability Underwriting Society.

Professional Managers Inc.

2 N. Riverside Plaza, Suite 1460, Chicago, Ill. 60606; 312-559-0101

	1988	1987
Premium volume	$16,000,000	$13,000,000
Gross revenues	NA	NA
Employees	15	13
Commercial lines	100%	100%
Non-admitted	100%	100%

Year founded: 1981.
Type of business: 100% managing general agent.
MGA for: Lexington Insurance Co., Landmark Insurance Co.
Correspondent: Lloyd's of London.
Subsidiaries: PMI Insurance Services Inc.
Specialties: Architects and engineers professional liability; advertisers, broadcasters and publishers liability; association errors and omissions.
Principal officers: John Van Cleave, president; Guy R. Calhoun, executive vp; Richard J. Gundlach, vp-underwriting.
Licensed in: All states.
Membership: NAPSLO.

Program Underwriters Group

3363 W. Commercial Blvd., Fort Lauderdale, Fla. 33309; 305-485-9442

	1988	1987
Premium volume	$36,500,000	$35,000,000
Gross revenues	$5,475,000	$5,250,000
Employees	70	70
Commercial lines	100%	100%
Admitted business	10%	10%
Non-admitted	90%	90%

Year founded: 1979.
Type of business: 80% managing general agent, 20% broker.
MGA for: Casualty Indemnity Exchange, English & American Insurance Co., Mount Vernon Fire Insurance Co., Sphere Drake Insurance Co. P.L.C., Homestead Insurance Co., Eagle Insurance Co.
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 Lumbermens Mutual Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Program Underwriters III, Brandon, Fla.; Program Underwriters IV Inc., Boca Raton, Fla.; Program Underwriters V Inc., Longwood, Fla.; Program Underwriters VII Inc., Birmingham, Ala.
Subsidiaries: Equity Adjustment Corp., Program Underwriters Financing Inc., Capacity Reinsurance Inc.
Principal officers: Lawrence J. Buto, president; Frances T. Buto, secretary/treasurer.
Licensed in: Florida and Alabama.
Membership: AAMGA, NAPSLO, Florida Surplus Lines Assn.

R

RISC Inc.

750 N. St. Paul St., Suite 990, Dallas, Texas 75201; 214-922-9898

	1988	1987
Premium volume	$24,000,000	$23,000,000
Gross revenues	$1,800,000	$1,700,250
Employees	20	18
Commercial lines	100%	100%
Admitted business	50%	50%
Non-admitted	50%	50%

Year founded: 1966.
Parent company: The Rigg Group Inc.
Type of business: 10% underwriting manager, 30% managing general agent, 60% broker.
Underwriting manager for: International Lloyds Insurance Co.
Broker for: Primarily Interstate Fire & Casualty Insurance Co., Fireman's Fund Insurance Cos., First State Insurance Co., Lexington Insurance Co., St. Paul Surplus Lines Insurance Co., The Royal Insurance Group.
Correspondent: Lloyd's of London.
Specialties: Commercial auto, property, energy risks.
Principal officers: David L. Geary, president; Frances Griffin, Paul Warmingham, Allan Hildebrand and Jim Eredini, vps; Dan Whitt, Jack Lucy and Sherry Macauley, assistant vps.
Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn.

Rathbone, King & Seeley Insurance Services Inc.

350 California St., Suite 2210, San Francisco, Calif. 94104; 415-421-4244

	1988	1987
Premium volume	$12,000,000	$12,000,000
Gross revenues	NA	NA
Employees	27	26
Commercial lines	100%	100%
Admitted business	50%	60%
Non-admitted	50%	40%

Year founded: 1849.
Parent company: Rathbone, King & Seeley Inc.
Type of business: 20% managing general agent, 80% broker.
MGA for: American Star Insurance Co., La Reunion Francaise.
Broker for: Primarily Admiral Insurance Co., C&F Surplus Insurance Brokers Inc., Navigators Insurance Co., Topa Insurance Co., Transco Insurance Services.
Correspondent: Lloyd's of London.
Branch offices: RKSIS, San Francisco, Fresno and Glendale, Calif.; Seattle.
Principal officers: Anthony V. Raia, president/chief executive officer; Ralph A. Jackson, executive vp; Thomas A. Cockrell, executive vp/secretary/treasurer; James J. Scardino, vp/chief financial officer; 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

	1988	1987
Premium volume	$18,500,000	$19,000,000
Gross revenues	$1,100,000	$1,200,000
Employees	10	9
Commercial lines	100%	100%
Admitted business	32%	30%
Non-admitted	68%	70%

Year founded: 1984.
Type of business: 3% managing general agent, 97% broker.
MGA for: American Empire Surplus Lines Insurance Co., Indemnity Underwriters Insurance Co.
Broker for: Primarily American Empire Surplus Lines Insurance Co., Affiliated FM Insurance Co., American International Group Inc., California Union Insurance Co., Chubb Custom Insurance Co., Columbia Casualty Co., Fireman's Fund Insurance Cos., First State Insurance Co., The Home Group Inc., Illinois Insurance Exchange, Interstate Fire & Casualty Insurance Co., Investors Insurance Co. of America, The Royal Insurance Group, Tudor Insurance Co., Transamerica Insurance Co., RLI Insurance Co., United National Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Columbus, Ohio.
Subsidiaries: Repath of Texas, Houston.
Specialties: Product liability, self-insured retention accounts.
Principal officers: Derek Repath and Wayne Sanders.
Licensed in: Tennessee, Ohio and Texas.
Membership: NAPSLO.

S

SMIS Inc.

600 Beacon Parkway W., Suite 950, Birmingham, Ala. 35209; 205-945-8855

	1988	1987
Premium volume	$4,500,000	$2,500,000
Gross revenues	$450,000	$250,000
Employees	18	12
Commercial lines	100%	100%
Admitted business	10%	10%
Non-admitted	90%	90%

Year founded: 1981.
Type of business: 10% underwriting manager, 25% managing general agent, 65% broker.
Underwriting manager for: Lincoln General Insurance Co.
MGA for: Illinois Insurance Exchange, Liberty National Insurance Co., Protective Casualty Insurance Co.
Broker for: Primarily Illinois Insurance Exchange, Commonwealth Insurance Co., Colony Insurance Co., syndicates at Lloyd's of London.
Branch offices: Las Vegas, Nev.; Lexington, Ky.
Specialties: Product liability, coal industry.
Principal officers: James H. Godfrey Jr., president.
Licensed in: Alabama, Kansas and Kentucky.

W.A. Schickedanz Agency Inc.

300 W. Main St., Belleville, Ill. 62222; 618-233-0644

	1988	1987
Premium volume	$60,000,000	$6,500,000
Gross revenues	$705,000	$820,000
Employees	17	19
Commercial lines	80%	80%
Admitted business	90%	90%
Non-admitted	10%	10%

Year founded: 1931.
Type of business: 95% managing general agent, 5% broker.
MGA for: National Fire & Marine Insurance Co., National Liability & Fire Insurance Co., Nautilus Insurance Co., Sphere Drake Insurance Co., Aegon Insurance Group N.V., Clarendon Insurance Co., First Financial Insurance Co., Empire Fire & Marine Insurance Co., Bituminous Casualty Corp., Transamerica Premier Insurance Co.
Broker for: Primarily RLI Insurance Co., Mount Hawley Insurance Co., Mount Vernon Insurance Co., Lexington Insurance Co.
Correspondent: Lloyd's of London.
Subsidiaries: Gateway Premium Budget Inc.
Specialties: Liquor liability.
Principal officers: Carl J. Miller Sr. chairman; C. Jack Miller, president/chief executive officer; Steven C. Miller, executive vp/secretary/treasurer.
Licensed in: Illinois.
Membership: AAMGA, NAPSLO, Illinois Surplus Lines Assn., Independent Insurance Agents of Illinois, Independent Insurance Agents of America Inc.

The Schinnerer Group Inc.

2 Wisconsin Circle, Chevy Chase, Md. 20815-7003; 301-961-9800

See profile on page 43.

Seaboard Underwriters Inc.

2732 Anne Elizabeth Drive, P.O. Box 659, Burlington, N.C. 27215; 919-584-1465

	1988	1987
Premium volume	$50,000,000	$49,000,000
Gross revenues	NA	NA
Employees	63	63
Commercial lines	100%	100%
Admitted business	65%	65%
Non-admitted	35%	35%

Year founded: 1957.
Parent company: Crum & Forster Inc./Xerox Corp.
Type of business: 80% managing general agent, 20% broker.
MGA for: United States Fire Insurance Co., New England Insurance Co., First State Insurance Co.
Broker for: Primarily American International Group Inc., Fireman's Fund Insurance Cos., Reliance Insurance Co.

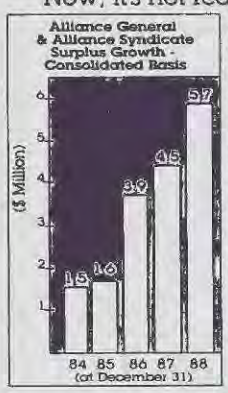
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AG

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Alliance Insurance Services, Inc.
3435 Wilshire Blvd., Los Angeles, CA 90010
(213) 386-8747

Spotlight report

Continued from previous page

Correspondent: Lloyd's of London.

Specialties: Long-haul trucking.

Principal officers: Donald Sandgren, president; Joseph Hutelmyer, Andrew Wolff and Thomas Fletcher, senior vps; J. Phillip Hogan, vp.

Licensed in: All states.

Membership: AAMGA, NAPSLO.

Shand, Morahan & Co. Inc.

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

	1988	1987
Premium volume	$110,780,000	$191,595,000
Gross revenues	NA	NA
Employees	331	346
Commercial lines	100%	100%
Admitted business	20%	46%
Non-admitted	80%	54%

Year founded: 1970.

Parent company: Shand, Morahan Services Inc.

Type of business: 100% underwriting manager.

Underwriting manager for: Evanston Insurance Co., Insurance Co. of Evanston.

Correspondent: Lloyd's of London.

Specialties: Professional liability, product liability, medical malpractice.

Principal officers: Joseph J. Prochaska, chief executive officer/chairman; Robert H. Libby, chief operating officer/president; Richard A. Adler, executive vp; Paul W. Springman, senior vp; Steven K. Lauer, senior vp/treasurer.

Membership: AAMGA, NAPSLO, National Asnn. of Independent Insurers.

Thomas F. Sheehan Inc.

801 N. Plaza Drive, Schaumburg, Ill. 60173-4919; 312-605-1400

	1988	1987
Premium volume	$25,655,166	$39,888,294
Gross revenues	$3,304,315	$5,754,530
Employees	25	25
Commercial lines	100%	100%
Admitted business	100%	100%

Year founded: 1978.

Type of business: 50% managing general agent, 50% broker.

MGA for: H.S. Weavers (Underwriting) Agencies Ltd.

Broker for: Primarily Reliance National Special Risks, Lexington Insurance Co., Chicago Underwriting Group Inc.

Correspondent: Lloyd's of London.

Specialties: Architects, engineers, construction managers and lawyers professional liability.

Principal officers: Thomas F. Sheehan, chairman; Ram H. Chandarana, president; Terrence P. Sheehan, executive vp; James F. Whitaker, vp/treasurer; Thomas F. Sheehan Jr., secretary.

Licensed in: Illinois.

Membership: AAMGA.

Sherwood Insurance Services

201 California St., San Francisco, Calif. 94901; 415-956-3236

	1988	1987
Premium volume	$97,000,000	$103,000,000
Gross revenues	$7,900,000	$7,900,000
Employees	65	70
Commercial lines	100%	100%
Admitted business	85%	85%
Non-admitted	15%	15%

Year founded: 1978.

Parent company: Frank B. Hall & Co. Inc.

Type of business: 10% managing general agent, 90% broker.

Broker for: Primarily International Insurance Co., The Home Group Inc., Allianz Underwriters Insurance Co., Associated International Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Los Angeles.

Specialties: Earthquake risks.

Principal officers: Donald K. Sherwood, chairman/chief executive officer; James W. Barnes, president-northern division; David R. Hartoch, president-southern division; Richard J. Nahas, executive vp.

Membership: NAPSLO.

Leon F. Skinner Agency Inc.

1258 Sibley Tower Building, Rochester, N.Y. 14604; 716-232-3585

	1988	1987
Premium volume	$6,100,000	$2,400,000
Gross revenues	NA	NA
Employees	6	4
Commercial lines	100%	100%
Admitted business	90%	80%
Non-admitted	10%	20%

Year founded: 1952.

Type of business: 100% managing general agent.

Specialties: Transportation, trucking, primary liability, physical damage, cargo, warehousemens legal liability.

Principal officers: Leon F. Skinner, president.

Sobieski & Bradley

P.O. Box 575750, Salt Lake City, Utah 84157; 801-268-9800

	1988	1987
Premium volume	$2,129,000	$1,132,000
Gross revenues	NA	NA
Employees	4	4
Commercial lines	100%	100%
Admitted business	30%	30%
Non-admitted	70%	70%

Year founded: 1987.

Type of business: 25% managing general agent, 75% broker.

MGA for: Nautilus Insurance Co., General Agents Insurance Co., American Empire Surplus Lines Insurance Co., Empire Fire & Marine Insurance Co.

Broker for: Primarily Illinois Insurance Exchange, Insurance Co. of Pennsylvania, Chubb Custom Insurance Co., International Surplus Lines Insurance Co., Fireman's Fund Insurance Cos., National Union Fire Insurance Co. of Pittsburgh, Pa., Association International Insurance Co., The Home Group Inc., syndicates at Lloyd's of London.

Specialties: Product liability, directors and officers liability, liquor liability, umbrella, large property risks.

Principal officers: Michael Sobieski, president; James A. Bradley, chairman/chief executive officer.

Licensed in: Utah, Nevada, Idaho, Montana, Wyoming, Colorado, California.

Membership: National Assn. of Professional Insurance Agents, Independent Insurance Agents of America Inc.

Southern Insurance Managers Inc.

95 Whitebridge Road, 101-9 Cavalier Building, Nashville, Tenn. 37205; 615-356-2900

	1988	1987
Premium volume	$7,600,000	$8,400,000
Gross revenues	$896,444	$876,544
Employees	15	19
Commercial lines	90%	84.6%
Admitted business	64.8%	71.8%
Non-admitted	35.2%	28.2%

Year founded: 1953.

Type of business: 97% managing general agent, 3% broker.

MGA for: National Indemnity Insurance Co., Scottsdale Insurance Co., National Casualty Co., Canal Insurance Co., Nautilus Insurance Co., Thomas Jefferson Insurance Co., First Financial Insurance Co., Aegon Insurance Group N.V., Sphere Drake Insurance Co. P.L.C.; Orion Insurance Co., Transamerica Premiere Insurance Co.

Broker for: Primarily RLI Insurance Co., Mount Hawley Insurance Co., Illinois Insurance Exchange.

Correspondent: Lloyd's of London.

Specialties: Commercial automobile, buses, local and long-haul trucking.

Principal officers: Edward J. Knish, president; Roy F. Bearden, executive vp; Jan Bessire, vp; Faye Bain, treasurer; Linda Uselton, assistant vp.

Licensed in: Tennessee.

Membership: AAMGA, NAPSLO, Insurers of Tennessee, Insurers of Nashville.

Special Program Management Inc.

123 William St., New York, N.Y. 10038; 212-233-5577

	1988	1987
Premium volume	$15,700,000	$18,900,000
Gross revenues	NA	NA
Employees	10*	10*
Commercial lines	100%	100%
Admitted business	16%	13%
Non-admitted	84%	87%

* Additional accounting and financial services provided by 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 and fiduciary liability.

Principal officers: James R. Martocci, president; Marjorie B. Feit, assistant vp.

Specialty Insurance Services Inc.

6624 Merrill Road, P.O. Drawer 11869, Jacksonville, Fla. 32239-1869; 904-743-4314

	1988	1987
Premium volume	$4,449,431	$3,147,046
Gross revenues	$574,619	$496,898
Employees	16	13
Commercial lines	89.6%	100%
Admitted business	38%	36%
Non-admitted	62%	64%

Year founded: 1979.

Type of business: 98% managing general agent, 2% broker.

MGA for: Empire Insurance Cos., English & American Insurance Co., Scottish & York Group, St. Katherine Insurance Co. P.L.C., Penn America Insurance Co.

Branch offices: Brunswick, Ga.

Specialties: Vacant property, pulpwood, commercial automobile.

Principal officers: Harley K. Dulaney, president; Joanne S. Dulaney and Harley K. Dulaney III, vps.

Licensed in: Florida and Georgia.

Membership: NAPSLO, Florida Surplus Lines Assn., Georgia Surplus Lines Assn.

Swett & Crawford

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

See profile on page 55.

Texas General Agency Inc.

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

	1988	1987
Premium volume	$10,500,000	$9,500,000
Gross revenues	NA	NA
Employees	33	29
Commercial lines	45%	40%
Admitted business	70%	75%
Non-admitted	30%	25%

Year founded: 1979.

Type of business: 90% underwriting manager, 10% broker.

Underwriting manager for: Gulf States Insurance Co., Old American County Mutual Fire Insurance Co., Southern County Mutual Insurance Co.

Broker for: Primarily Appalachian Insurance Co., Royal Group Inc., International Surplus Lines Insurance Co., Gulf Insurance Co., Voyager Indemnity Co.

Branch offices: Lubbock and Dallas, Texas.

Specialties: Commercial automobile, property, restaurants, taverns, welders, oil field support services.

Principal officers: Ann Cangelosi, president; Sam Cangelosi and Don Cangelosi, vps; Don E. Meyer, secretary/treasurer.

Licensed in: Texas.

Membership: AAMGA.

Tri-City Insurance Brokers Inc.

30 Cliff St., New York, N.Y. 10038; 212-766-1800

See profile on page 63.

Tri-State General Insurance Agencies

P.O. Box 1882, Salisbury, Md. 21801; 301-546-1255

	1988*	1987*
Premium volume	$9,235,999	$9,500,000
Gross revenues	$1,290,859	$1,235,000
Employees	32	32
Commercial lines	99%	99%
Admitted business	85%	10%
Non-admitted	15%	90%

* Fiscal year ends June 30.

Year founded: 1979.

Type of business: 45% underwriting manager, 45% managing general agent, 10% broker.

Underwriting manager for: Sphere Drake Insurance Co. P.L.C., Terra Nova Insurance Co. Ltd., River Thames Insurance Ltd., Bishopsgate Insurance Co. Ltd.

MGA for: Guaranty National Insurance Co., First Financial Insurance Co., Lincoln Insurance Co., Burlington Insurance Co.

Branch offices: West Chester and Harrisburg, Pa.; Richmond, Va.; Cherry Hill, N.J.

Principal officers: Edward A. Dickerson Sr., chief executive officer; Edward A. Dickerson III, president; James Dickerson, vp.

Licensed in: New Jersey, Pennsylvania, Delaware, Maryland, District of Columbia, Virginia.

Membership: NAPSLO, National Assn. of Professional Insurance Agents.

T

TCO Insurance Services

2029 Village Lane, Solvang, Calif. 93463; 805-688-4995

	1988	1987
Premium volume	$56,962,202	$73,008,930
Gross revenues	$17,609,854	$45,340,936
Employees	156	143
Commercial lines	100%	100%
Non-admitted	100%	100%

Year founded: 1975.

Parent company: Transco Holdings, a Delaware Corp.

Type of business: 100% underwriting manager.

Underwriting manager for: Alpine Insurance Co., Transco Syndicate No. 1, United National Insurance Co.

Branch offices: Chicago.

Principal officers: Peter J. O'Shaughnessy, president/chairman; Steve Shinn, senior vp-capital markets; Jerry Hart, senior vp-claims; Craig Rice, senior vp/chief financial officer; Richard Kersten, senior vp/secretary/general counsel.

Licensed in: California and Illinois.

U

U.S. & Overseas Agencies Inc.

1693 Stuyvesant Ave., Union, N.J. 07083; 201-964-5950

	1988	1987
Premium volume	$5,380,000	$6,745,000
Gross revenues	$653,000	$823,000
Employees	14	17
Commercial lines	80%	85%
Admitted business	15%	10%
Non-admitted	85%	90%

Year founded: 1933.

Type of business: 75% managing general agent, 25% broker.

MGA for: Mount Vernon Fire Insurance Co., Foremost Insurance Co.

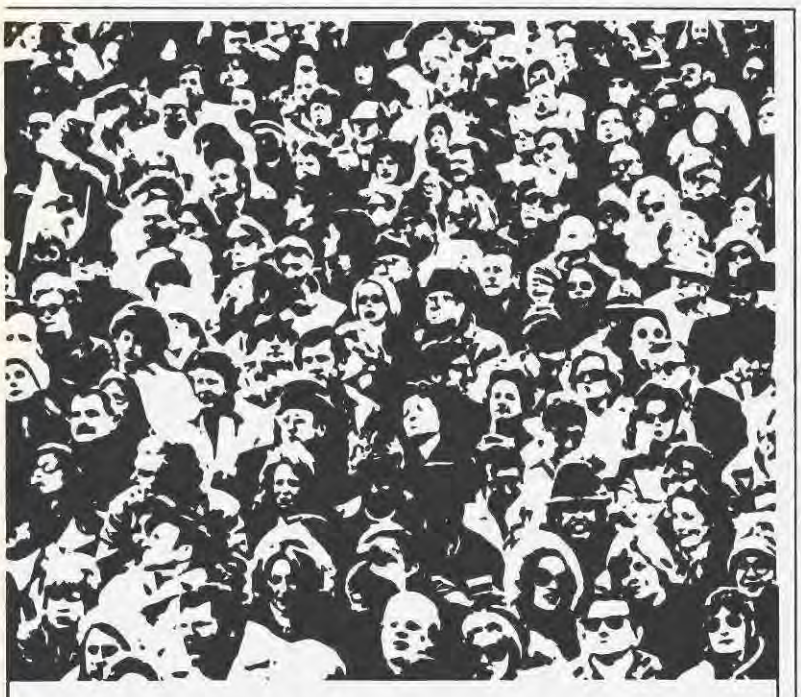
Broker for: Primarily United National Insurance Co., Tudor Insurance Co.

Correspondent: Lloyd's of London.

Specialties: General liability, automobile physical damage, inland marine.

Principal officers: Jack Neubauer, president; Jeffrey S. Neubauer, vp; Ingrid Neubauer, secretary; Bernice Bender, treasurer.

Continued on next page



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Louisville, Kentucky 40223

Continued from previous page

Licensed in: New Jersey.
Membership: NAPSLO.

U.S. Risk Insurance Agency Inc.

5910 N. Central Expressway, Suite 1580, Dallas, Texas 75206; 214-891-6440

	1988	1987
Premium volume	$11,668,000	$6,800,000
Gross revenues	$1,087,000	$608,000
Employees	12	10
Commercial lines	100%	100%
Admitted business	26%	20%
Non-admitted	74%	80%

Year founded: 1977.
Type of business: 100% broker.
Broker for: Primarily H.S. Weavers (Underwriting) Agencies Ltd., Illinois Insurance Exchange, Evanston Insurance Co., Allendale Group.
Correspondent: Lloyd's of London.
Branch offices: Austin, Texas.
Subsidiaries: Omni Claims Services Inc. and Omni Risk, Dallas.
Specialties: Law enforcement, public officials, directors and officers and professional liability.
Principal officers: Randall G. Goss, president; Ken Moody, Richard Powell, James Welch, Caren Roberts and L.M. Wesson Jr., vps.
Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn., National Assn. of Independent Insurers.

Underwriters Management Associates Inc.

Suite 216, 95 White Bridge Road, Nashville, Tenn. 37205; 615-356-7272

	1988	1987
Premium volume	$11,832,663	$10,414,654
Gross revenues	$1,147,085	$927,372
Employees	14	13
Commercial lines	100%	100%
Admitted business	100%	100%

Year founded: 1983.
Type of business: 100% managing general agent.
MGA for: Reliance Insurance Group.
Specialties: Wholesale and retail distribution of motor and heating fuels.
Principal officers: Don R. Jordan, chairman; William M. Sutcliffe, president; Frederic W. Bard, executive vp; John W. Scoggin, treasurer; W. Lee Corbett, secretary.
Licensed in: Tennessee.

V

Variable Protection Administrators Inc.

16035 Industrial Parkway, Cleveland, Ohio 44135; 216-676-8585

	1988	1987
Premium volume	$40,000,000	$50,000,000
Gross revenues	$3,425,000	$4,800,000
Employees	50	53
Commercial lines	100%	100%
Admitted business	99%	99%
Non-admitted	1%	1%

Year founded: 1968.
Type of business: 100% underwriting manager.
Underwriting manager for: Sentry Life Insurance Co., Dependable Insurance Co.
Principal officers: David Manley, president; David Campbell, vp-marketing; Susan Maddock, vp-underwriting; Kurt Rakovac, vp-claims; Timothy Eisenmann, vp-operations.

W

Weicholz Management Corp. of Florida

210 University Drive, Suite 900, Coral Springs, Fla., 33071

	1988	1987
Premium volume	$36,400,000	$35,400,000
Gross revenues	NA	NA
Employees	55	50
Commercial lines	100%	100%
Non-admitted	100%	100%

Year founded: 1978.
Type of business: 100% underwriting manager.
Underwriting manager for: Britamco Underwriters Inc.
Specialties: Dental professional liability, restaurants, taverns, liquor liability.
Principal officers: Stephen Weicholz, president; Myron A. Burdge, executive vp; Ian G. Walker, vp; Albert S. Solomon, treasurer; Helene Weicholz, secretary.
Licensed in: Florida.
Membership: AAMGA, Florida Surplus Lines Assn.

David C. White Agency Inc.

298 Sunrise Highway, Rockville Centre, N.Y. 11570-8888; 516-763-1000; 718-347-2999

	1988	1987
Premium volume	$28,712,536	$36,356,334
Gross revenues	$6,050,315	$4,795,404
Employees	50	47
Commercial lines	93%	93%
Admitted business	98%	98%
Non-admitted	2%	2%

Year founded: 1956.
Type of business: 98% managing general agent, 2% broker.
MGA for: Eagle Insurance Co., Jefferson Insurance Co., First Central Insurance Co., Pawtucket Mutual Group, Preferred Mutual Insurance Co., Allianz Insurance Co., Frontier Insurance Co., Continental Corp., Marine Office of America Corp.
Broker for: Primarily Royal Surplus Lines Insurance Co.; Calvert Fire Insurance Co.; Lloyd's, New York; Galaxy Insurance Co.
Subsidiaries: DCW Auto Agency Inc., Lawrence Excess Ltd.
Specialties: Commercial automobile and garages.
Principal officers: Walter S. Groden, president; David Isenberg, senior vp; Judith Wolf, vp; Marjorie Groden, secretary; Anne Schulman, treasurer.
Licensed in: New York.
Membership: NAPSLO, Excess Lines Assn. of New York, Professional Insurance Agents of New York.

Willis Faber Holdings Inc.

3075 Orchard Vista Drive S.E., Grand Rapids, Mich. 49546; 616-942-8000

See profile on page 61.

Wood & Co. Inc.

5335 Triangle Parkway, Suite 300, Norcross, Ga. 30092; 404-448-7148

	1988	1987
Premium volume	$30,442,760	$29 406,817
Gross revenues	$2,003,780	$1 713,386
Employees	16	14
Commercial lines	100%	100%
Admitted business	43%	34%
Non-admitted	57%	66%

Year founded: 1984.
Parent company: McGriff, Seibels & Williams Inc.
Type of business: 100% broker.
Broker for: Primarily St. Paul Surplus Lines Insurance Co., First State Insurance Co., Fireman's Fund Insurance Cos., The Home Group Inc., Interstate Fire & Casualty Insurance Co., Lexington Insurance Co., Transamerica Insurance Co., Hartford Accident & Indemnity Co., National Union Fire Insurance Co. of Pittsburgh, Pa., Chubb Custom Insurance Co.
Principal officers: Bruce Wood, president/treasurer; Evelyn Wood, vp/secretary; Mike Rimbey, George Showalter and Don Swift Jr., vps; Karen Daughtrey and Hol Landrum, assistant vps.
Licensed in: Georgia.
Membership: NAPSLO.

World Trade Services Inc.

1 World Trade Center, Suite 3369, New York, N.Y. 10048; 212-466-0600

	1988	1987
Premium volume	$6,500,000	$8,400,000
Gross revenues	NA	NA
Employees	5*	7*
Commercial lines	100%	100%
Admitted business	100%	100%

* Additional services provided by staff of related companies.
Year founded: 1984.
Type of business: 95% managing general agent, 5% broker.
MGA for: Lloyd's, New York.
Broker for: Primarily First Central Insurance Co., Galaxy Insurance Co.
Principal officers: Patrick S. Whalen, president; Winifred Mohr, senior vp; Terry Haughie, vp.
Membership: Conference of Special Risk Underwriters. ■

Datebook

AUG. 21-23. Institute for the Construction Industry in Seattle, sponsored by the International Foundation of Employee Benefit Plans; $525 for IFEBP members; $600 for non-members. Registrations Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

AUG. 24-25. Thinking Strategically-Aiming for Strength and Stability in the '90s conference in San Francisco, co-sponsored by The Joseph Ivy Co. and Advanced Risk Management Techniques Inc.; $395; $345 for each additional registrant from the same organization. Bill Jeffers, The Joseph Ivy Co., 7800 N. Mopac, Suite 210, Austin, Texas 78759; 512-346-6921.

AUG. 24-25. Introduction to Qualified Pension and Profit-Sharing Plans seminar in San Francisco, sponsored by the Practising Law Institute; $425. Practising Law Institute, Dept. 8A-105, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700, ext. 271.

AUG. 28-29. First Annual Corporate Benefits Management Conference: Take Control of Your Benefits—A Strategic Plan conference in Lake Tahoe, Nev., sponsored by the Corporate Benefits Institute of the International Foundation of Employee Benefit Plans; before July 14: $410 for IFEBP members, $460 for non-members; after July 14: $455 for IFEBP members; $505 for non-members. Registrations, International Foundation of Employee Benefit Plans, 18700 Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

AUG. 28-29. How to Audit and Check Insurance Policy Costs and Coverages conference in San Francisco, sponsored by the American Management Assn.; $750 for AMA members; $850 for non-members. AMA, 135 W. 50th Street, New York, N.Y. 10020; 212-586-8100.

SEPT. 5-8. Reinsurance Contract Wording seminar in Tarrytown, N.Y., sponsored by Robert W. Strain Seminars Inc.; $1,445. Robert W. Strain Seminars Inc., P.O. Box 1000, Wingdale, N.Y. 12594; 914-832-9384.

SEPT. 6-8. Making Sense of Environmental Regulations course in Kansas City, Mo., sponsored by The University of Kansas Division of Continuing Education; $595; 20% discount for three or more attendees from the same organization. **Also Nov. 13-15** in Tampa, Fla. University of Kansas, 6600 College Blvd., Suite 315, Overland Park, Kan. 66211-1522; 913-491-0221.

SEPT. 6-8. Fundamentals of Insurance course in Boston, sponsored by the Risk & Insurance Management Society Inc.; $540 for RIMS members; $640 for non-members. **Also Dec. 6-8** in Atlanta. RIMS, 205 E. 42nd St., Suite 1504, New York, N.Y. 10017; 212-286-9292.

SEPT. 7-8. Workers Compensation Congress in Philadelphia, sponsored by the National Council on Compensation Insurance; $250. Edith Lichota, Congress Coordinator, NCCI, Public Affairs Department, 1 Penn Plaza, New York, N.Y. 10119; 212-560-1000.

SEPT. 7-8. Brief Reinsurance Course in New York City, sponsored by The College of Insurance; $195 for College sponsors; $245 for non-sponsors. The College of Insurance, Professional Programs, 101 Murray St., New York, N.Y. 10007-2132; 212-962-4111, ext. 201.

SEPT. 7-9. Utilization Management: Responding to New Challenges conference in San Diego, sponsored by the Group Health Assn. of America Inc.; $450 for GHAA members; $510 for non-members. GHAA Inc., 1129 20th St. N.W., Suite 600, Washington, D.C. 20036; 202-778-3228.

SEPT. 10-12. Annual American Assn. of Preferred Provider Organizations' Fall Forum: Managed Healthcare—Who's Setting The Standards conference in San Francisco; $495 for AAPPO members; $595 for non-members. AAPPO, P.O. Box 809109, Chicago, Ill. 60680-9109.

SEPT. 11-12. Improving Insurance and Reinsurance Claims Handling conference in New York City, sponsored by Executive Enterprises Inc.; $990. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

SEPT. 11-12. Understanding Property/Casualty Loss Reserving course in New York City, sponsored by Executive Enterprises Inc.; $990. **Also Oct. 4-5** in Boston, **Nov. 9-10** in Chicago. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

SEPT. 11-12. Asset/Liability Management for Insurance Companies in New York City, sponsored by the Institute for International Research Inc.; $995. Conference Administrator, IIR, 331 Madison Ave., Sixth Floor, New York, N.Y. 10017; 212-370-0257.

SEPT. 11-13. Techniques of Risk Management course in St. Louis, sponsored by the Risk & Insurance Management Society Inc.; $540 for RIMS members; $640 for non-members. **Also Nov. 8-10** in Atlanta, **Dec. 6-8** in Scottsdale. RIMS, 205 E. 42nd St., Suite 1504, New York, N.Y. 10017; 212-286-9292.

SEPT. 13-14. Managing Risk Communications seminar in Williamsburg, Va., sponsored by E.I. du Pont de Nemours & Co.; $925; $795 for two or more attendees from the same organization attending the same session. **Also Oct. 11-12** in San Francisco, and **Nov. 8-9** in Dallas. Du Pont, Suite A, Attn. CAK, 1300 First State Blvd., Wilmington, Del. 19804; 800-248-7020.

SEPT. 13-15. Loss Control Business Issues conference in Tempe, Ariz., sponsored by the American Insurance Services Group Inc.; $195. AISG, 85 John Street, New York, N.Y. 10038; 212-669-0419.

SEPT. 13-15. Techniques of Loss Control course in San Diego, sponsored by the Risk & Insurance Management Society Inc.; $540 for RIMS members; $640 for non-members. RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

SEPT. 14-16. Retirement and Deferred Compensation Plans for Employees of Tax-Exempt and Governmental Employers course in Washington, D.C., sponsored by the American Law Institute-American Bar Assn. Committee on Continuing Professional Education; $525. Registrar, American Law Institute-American Bar Assn., 4025 Chestnut St., Philadelphia, Pa. 19104; 800-253-6397; 215-243-1661.

SEPT. 15. Pollution Liability-The Law and Available Insurance seminar in Bryn Mawr, Pa., sponsored by The Society of Chartered Property & Casualty Underwriters and the Greater Valley Forge Chapter of the Society of CPCU; $125 for Society of CPCU members; $155 for non-members. $15 late registration fee after Aug. 25. Mari Jennings, The Society of CPCU, Kahler Hall, 720 Providence Road, cb#9, Malvern, Pa. 19355; 215-251-2741.

SEPT. 17-22. Advanced Reinsurance Course in White Plains, N.Y., sponsored by The College of Insurance; $1,230 for College sponsors; $1,330 for non-sponsors. The College of Insurance, Professional Programs, 101 Murray St., New York, N.Y. 10007-2132; 212-962-4111, ext. 201.

SEPT. 18-19. The Fundamentals of Statutory Insurance Accounting course in Cambridge, Mass., sponsored by Executive Enterprises Inc.; $990. **Also Oct. 16-17** in Chicago. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

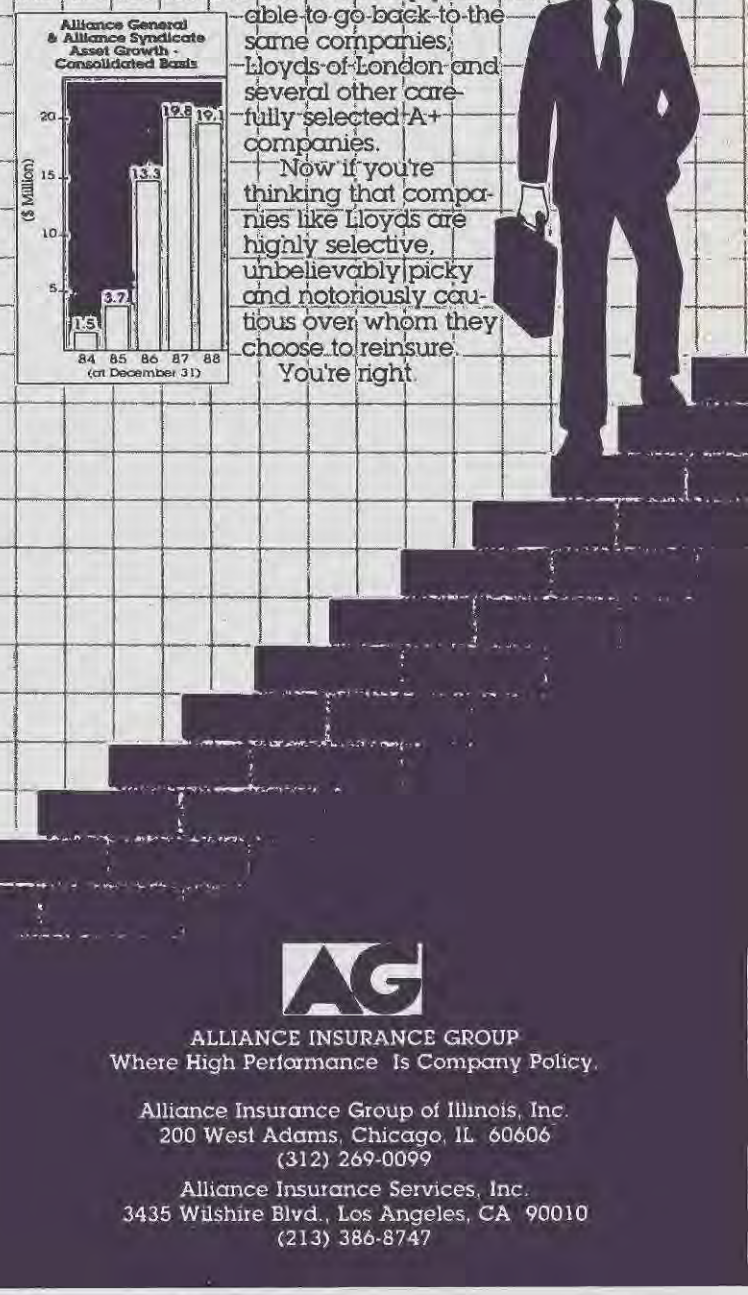
SEPT. 18-22. Fundamentals of Employee Benefits Management course in Brookfield, Wis., sponsored by the International Foundation of Employee Benefit Plans; $1,000 for the five-day Fundamentals Course, $600 for the three-day Intermediate Course. **Also Oct. 2-6.** Registration Department, IFEBP, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

SEPT. 19-20. Reinsurance Claims management Course in Chicago, sponsored by The College of Insurance; $595 for College sponsors; $695 for non-sponsors. Professional Programs, The College of Insurance, 101 Murray St., New York, N.Y. 10007-2132; 212-962-4111, ext. 201.

SEPT. 19-20. Crisis Communication Manage-

Continued on next page

You place your reinsurance with the most prestigious companies in the world and look where it gets you.



Datebook

Continued from previous page

ment seminar in San Francisco, sponsored by E.I du Pont de Nemours & Co. Management Services; $1,045 including seminar materials, luncheon and refreshments. **Also Oct. 24-25** in Washington, D.C. and **Nov. 14-15** in Atlanta. Du Pont, Attn. CAK, 1300 First State Blvd., Suite A, Wilmington, Del. 19804; 800-248-7020.

SEPT. 20-21. Eighth Annual Hazardous Substances Insurance Conference in New York City, sponsored by Executive Enterprises Inc.; $990. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

SEPT. 20-22. Property/Casualty Statutory Financial Statements course in Cambridge, Mass., sponsored by Executive Enterprises Inc.; $895 plus $95 non-refundable registration fee per organization. **Also Oct. 18-20** in Chicago, **Nov. 13-15** in New York City and **Nov. 29-Dec. 1** in Los Angeles. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 212-645-8689; 800-831-8333.

SEPT. 20-22. Claims Management course in Washington, D.C., sponsored by the Risk & Insurance Management Society Inc.; $595 for RIMS members; $645 for non-members. **Also Nov. 15-17** in Orlando, Fla. RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

SEPT. 20-24. 1989 National Assn. of Professional Surplus Lines Offices Ltd.'s Annual Convention in New York City; $350. Mark Graham, NAPSLO, P.O. Box 28660, Kansas City, Mo. 64119; 816-455-3210.

SEPT. 21. Europe 1992: Impact on Insurance seminar in New York City, sponsored by The College of Insurance; $95. The College of Insurance, 101 Murray St., New York, N.Y. 10007-2132 212-962-4111, ext. 201.

SEPT. 21-22. Health Care Risk and Insurance Management: Constructing the Comprehensive Program seminar in Boston, sponsored by the American Society for Healthcare Risk Management; $345 for ASHRM members; $465 for non-members. Trudy Goldman, ASHRM, 840 N. Lake Shore Drive, Chicago, Ill. 60611; 312-280-6430.

SEPT. 21-22. First Party Policy Environmental Claims and Litigation conference in New York City, sponsored by Executive Enterprises Inc.; $990. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

SEPT. 21-23. 38th Annual Professional Insurance Agents Convention in Springfield, Ill., sponsored by the Illinois Assn. of PIA; $195 for agents; $140 for PIA members and spouses. Illinois Assn. of Professional Insurance Agents, 955 Durkin Drive, Springfield, Ill. 62704; 217-546-7700.

SEPT. 25-26. The Insurance Arbitration Institute: Resolving Insurance and Reinsurance Disputes conference in New York City, sponsored by Executive Enterprises Inc.; $990. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

SEPT. 25-27. Reinsurance Accounting & Auditing Course in Chicago, sponsored by The College of Insurance; $795 for College sponsors; $895 for non-sponsors. **Also Nov. 1-3** in San Francisco. Professional Programs, The College of Insurance, 101 Murray St., New York, N.Y. 10007-2132; 212-962-4111, ext. 201.

SEPT. 27-28. Fourth Annual Commitment to Wellness conference in Cleveland, sponsored by the Northeastern Ohio Wellness Committee; $275 for full conference; $175 for one day; $25 per day for students. SCHCC-Wellness, 220 Market Ave. S., Suite 1190, Canton, Ohio 44702; 216-430-3508.

SEPT. 27-28. Designing and Marketing Long-Term Care Insurance conference in New York City, sponsored by Executive Enterprises Inc.; $990. **Also Oct. 23-24** in San Francisco. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

SEPT. 27-29. Fundamentals of Risk Financing course in Denver, sponsored by the Risk & Insurance Management Society Inc.; $540 for RIMS members; $640 for non-members. RIMS, 205 E. 42nd St., Suite 1504, New York, N.Y. 10017; 212-286-9292.

SEPT. 28. Anatomy of Art Insurance seminar in New York City, sponsored by The College of Insurance; $95. The College of Insurance, Professional Programs, 101 Murray St., New York, N.Y. 10007-2132; 212-962-4111, ext. 201.

OCT. 2-3. Management of Claims in Clinical High-Risk Areas seminar in Philadelphia, sponsored by the American Society for Healthcare Risk Management, $345 for ASHRM members; $465 for non-members. Trudy Goldman, ASHRM, 840 N. Lake Shore Drive, Chicago, Ill. 60611; 312-280-6430.

OCT. 2-5. 18th Annual Managed Care Conference and Exhibition in San Antonio, Texas, sponsored by the American Medical Care & Review Assn.; $475 for AMCRA members; $600 for non-members. AMCRA, 5410 Grosvenor Lane, Suite 210, Bethesda, Md. 20814.

OCT. 3-5. National Risk Retention Assn.'s Second Annual Conference in Washington, D.C.; $350 for NRRA members; $450 for non-members. NRRA, P.O. Box 32257, Washington, D.C. 20007; 800-999-4505.

OCT. 11-13. Managing Health Care Costs seminar in New York City, sponsored by the American Management Assn.; $795 for AMA members; $915 for non-members; $675 each for groups of three or more members from the same organization; $780 each for groups of non-members. **Also Dec. 11-13** in San Francisco. AMA, P.O. Box 319, Saranac Lake, N.Y. 12983; 518-891-0065.

OCT. 14-22. American Assn. of Managing General Agents Foreign Seminar in Vancouver, British Columbia, and Banff, Alberta; seminar fee: $175 for AAMGA members, $125 for spouses and guests; tour fee (includes accommodations, air fare from Vancouver to Calgary, guided tours): $969 double occupancy, $1,319 single occupancy. American Assn. of Managing General Agents, 9140 Ward Parkway, Kansas City, Mo. 64114.

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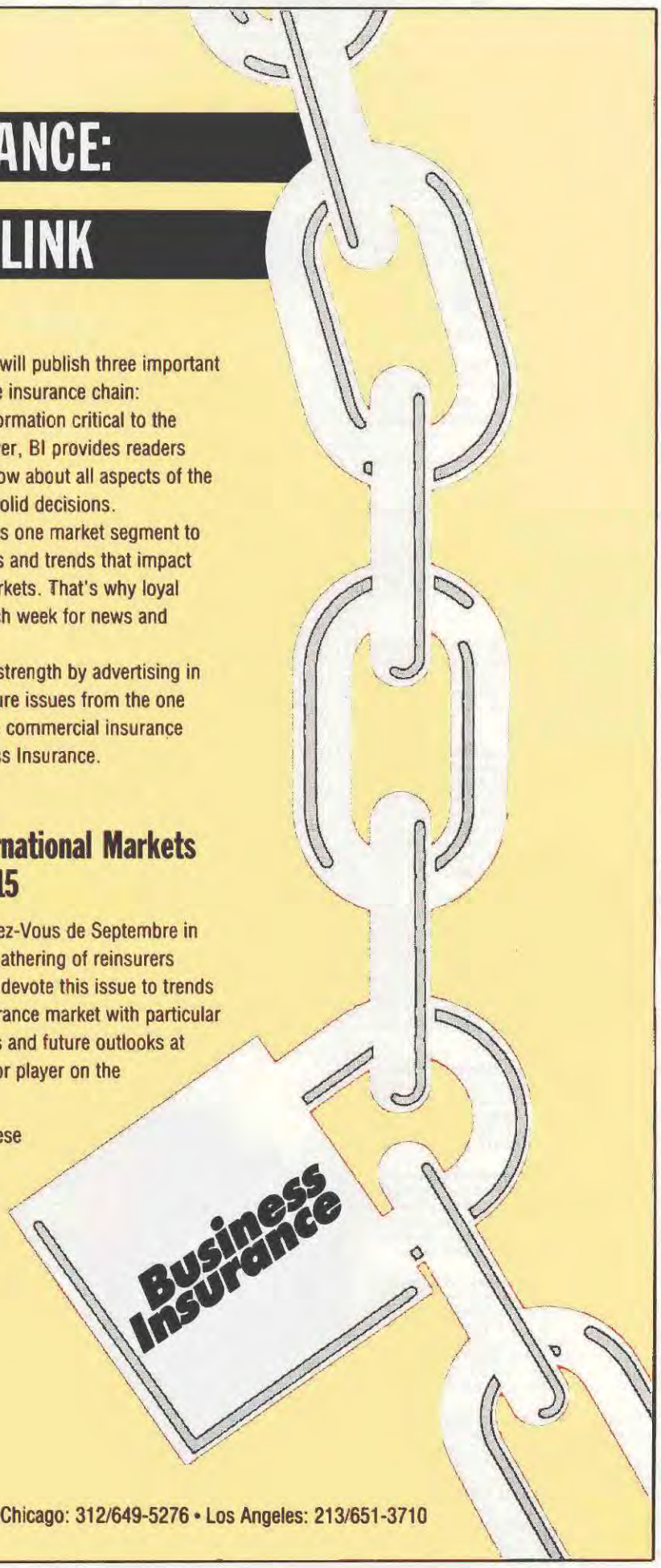
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Business Insurance

Illinois Insurance Exchange

New products, stricter regulation designed to widen appeal

By MEG FLETCHER

CHICAGO—Syndicates on the Illinois Insurance Exchange are taking advantage of the quiet of the soft property/casualty insurance market to enhance the IIE's appeal among surplus lines insurance buyers and state regulators.

Many of the 12 active syndicates —including a syndicate that began writing this year—are offering new types of coverage and increased capacity to broaden buyer interest in the exchange (see story, page 80).

At the same time, IIE officials are trying to convince more state regulators to accept the exchange as an approved surplus lines insurance market. Currently, the exchange writes business in 42 states and the District of Columbia.

For example, to improve regulators' view of the exchange, the IIE increased capitalization requirements for new syndicates effective July 15 (see story, page 78).

In addition, the IIE is continuing to evaluate and streamline its operations, including reviewing the structure of its guaranty fund and even the layout of its underwriting floor.

Overall, exchange officials are aiming for a slight increase in gross premium volume in 1989, following a 20% decline in 1988.

The continuing soft commercial property/casualty insurance market ranks as the major concern for IIE executives. But, while the IIE's premium volume was cut in 1988, as was the volume at most surplus lines underwriters, exchange officials point out that most syndicates refuse to engage in drastic price cutting to attract additional business.

"We as an exchange have been able to demonstrate discipline in a miserable market," said Frederick Easty, executive vp of Talon Re Inc., which manages the Resure Inc. syndicate, the exchange's ninth-largest syndicate.

Most syndicates now are writing business at or near the renewal price or refusing to write it at all, said James Skelton, president and chief executive officer of the exchange.

For example, Transco Syndicate #1 Ltd., the IIE's second-largest syndicate, last year rewarded "clean" risks only a 10% discount from the existing rates, and it stopped that practice in June, said Peter O'Shaughnessy, syndicate president.

Britamco Underwriters Inc., the IIE's largest syndicate, reports that it was "able to hold the line on rates in 1988, compared with 1987," said Executive Vp Myron Burdge, though, unlike Mr. O'Shaughnessy, Mr. Burdge added that "it is more difficult in 1989 to hold rate levels."

"Our continued decline in premium mirrors the deterioration of market prices and indicates the underwriters are holding firm in their conviction to underwrite at a profit," Mr. Skelton said.

"Transco's most important function is to produce an underwriting profit," emphasized Mr. O'Shaughnessy.

That refusal to cut rates to retain business is reflected in the IIE's 1988 results.

All IIE syndicates, including two now running off their business, wrote $191.5 million in gross premium in 1988, down nearly 19.9% from almost $239 million in 1988.

Of 1988's gross premium volume, $160.6 million, or 83.9%, was composed of surplus lines business, while $30.9 million, or 16.1% of the total, was assumed reinsurance business.

When only the syndicates currently writing business are included, the IIE's gross premium volume declined by only 10.5% to $187.5 million in 1988 from $209.6 million the previous year (see chart, page 78.)

Net premiums written by all IIE syndicates, including those in runoff, totaled $135.9 million in 1988, down 4.2% from $141.8 million in 1987. IIE syndicates retained 70.9% of gross premiums in 1988, up from 53.9% the previous year.

When only active syndicates are included, net premium volume rose slightly to $135.3 million in 1988 from $135.1 million in 1987.

The aggregate combined ratio reported by all exchange syndicates deteriorated slightly last year to 99% from 96.7% in 1987.

Rising expenses were the culprit, as the expense ratio rose to 32% last year from 26.8% in 1987, while the loss ratio improved to 67% in 1988 from just less than 70% the previous year.

The active IIE syndicates reported a 98.6% combined ratio, up from 97.3% the previous year.

The exchange as a whole posted record-breaking net underwriting profit of $2.7 million last year, up from $2.5 million in 1987. Investment income rose 38.5% to $18.9 million from $13.6 million.



Mr. Skelton

Overall, active and inactive exchange syndicates reported after-tax net income of $10.1 million in 1988, an 83.5% increase from $3.6 million in 1987.

The exchange's policyholder surplus rose about 6% to $98.3 million from $92.7 million.

This year, the 12 active IIE syndicates probably will write $200 million in gross premium volume, which would be about a 4.4% increase over 1988 gross premiums, predicts the IIE's Mr. Skelton.

Currently, "we are in a holding pattern more than anything else," he remarked.

In the first half of 1989, gross premiums written by all IIE syndicates increased 1.9% to $92.1 million from $90.4 million written during the first half of 1988.

Like other surplus lines insurers, the IIE is losing business to other markets, exchange officials point out.

For instance, some large risks have been lost by IIE syndicates to the London market, said Richard Foss, president and chief executive officer of LUI Insurance Syndicate Inc. and LUI Insurance Syndicate Number Two Inc., formerly CalFed Insurance Syndicate Inc.

In addition, there is less London-based business coming to the exchange, said Kevin Ottley, who acts as underwriting manager for Agora Syndicate Inc.—which started underwriting in February of this year—and AAI Syndicate #1 Ltd.

However, the exchange's ability to allow experienced underwriters to creatively write business on manuscript policy forms has helped retain business and attract some new business, despite admitted insurers' growing appetite for business that had been written in the surplus lines market, said Alison J. Renner, president of both the Illinois Insurance Exchange's Brokers' Assn. and wholesale broker A.J. Renner & Associates Inc. of Chicago.

Some of the niche products underwritten by IIE syndicates are sheltered from the full force of competition, pointed out Lawrence T.P. Molloy, underwriting manager and secretary of the 10th-ranked Comprehensive Ensurers Market Syndicate Inc.

For example, other insurers do not have the expertise to compete with its highly specialized insurance program for white-water rafting companies and other recreational outfitters that often operate on federal lands, he said.

Several other factors also have helped the exchange keep its premium volume steady in the face of the soft market.

Britamco's Mr. Burdge said he thinks his book of business is "somewhat less vulnerable" to competition because Britamco writes a large number of small-premium risks. Britamco, which reported gross premiums of $36.5 million last year, issued 13,000 policies in 1988, collecting an average of about $2,800 in premiums per policy.

In addition, many IIE observers say that the syndicates are more willing to work together through a "lead/follow" system to offer insurance buyers higher coverage limits and to share underwriting expertise.

Under a lead/follow system, like that used at Lloyd's of London, one underwriter sets the terms and conditions of a policy and other underwriters follow that lead.

"I think there is a much greater spirit of cooperation," said Ms. Renner of the brokers' association.

For example, "underwriters are looking more to each other and feeding off each others' ideas" about ways to use or modify common policy forms, she said. "Brainstorming sessions present positive results."

"I think the underwriters have gotten to know one another better as time goes on and that breeds respect," said James Ryan, president of third-ranked Classic Syndicate Inc.

Cooperation among four syndicates gave birth in May 1988 to the IIE's first formal line slip, which offered up to $1 million in primary or excess casualty coverage primarily on a claims-made basis (*BI*, Aug. 29, 1988; May 23, 1988).

However, First Oak Brook Corp. Syndicate Inc. has ceased participating on the slip because it had been primarily used to underwrite professional liability risks, which is not the syndicate's focus, said Barbara Plotzke, the syndicate's marketing manager. Despite First Oak Brook's withdrawal, $1 million in limits still are available.

In addition, the IIE has been able to build $6 million in property limits and $6 million in claims-made casualty limits, said Mark Kollar, Transco's vp of underwriting.

However, some syndicate executives still contend that the lead/follow system is developing more slowly than they would like.

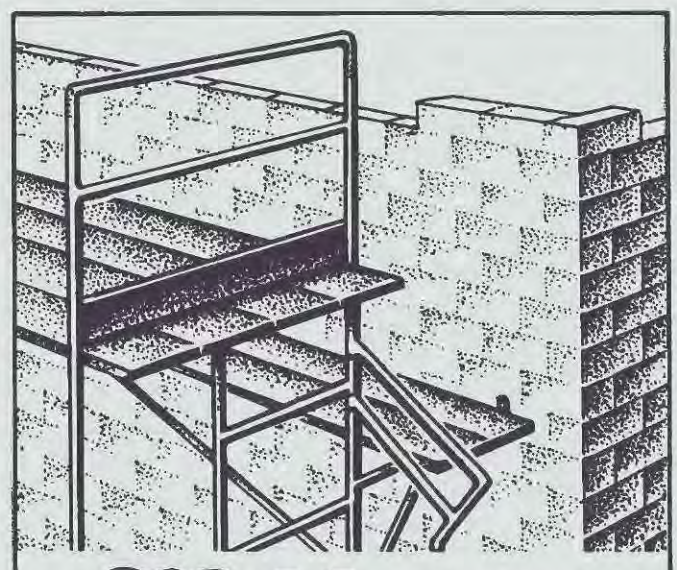
Placing business under the lead/follow system "doesn't get done that often, and it isn't attempted that often," said Jerome Shaw, president of fourth-ranked First Mercury Syndicate Inc.

However, "there is less of a need for it because there is reinsurance support out there and syndicates have larger net lines as well as the possibility of larger gross lines with reinsurance support," he added.

While syndicates work to broaden their appeal to policyholders, the exchange itself is working to enhance its attractiveness to both insurance buyers and regulators.

It addition to beefing up internal regulation such as increasing capitalization requirements, the exchange is pursuing a rating from A.M. Best Co.

Continued on next page



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Illinois Insurance Exchange syndicates

(By gross premium volume in thousands of dollars)

Syndicate	Gross premiums written 1988	Gross premiums written 1987	Net premiums written 1988	Net premiums written 1987	Policyholder surplus 1988	Policyholder surplus 1987	Net premium to surplus ratio 1988	Net premium to surplus ratio 1987	Combined ratio 1988	Combined ratio 1987	Net investment income 1988	Net investment income 1987	Net income (loss) 1988	Net income (loss) 1987
Britamco Underwriters Inc.	$36,468	$35,425	$35,929	$34,646	$14,199	$12,113	2.53:1	2.86:1	98.7%	94.4%	$3,859	$3,058	$1,835	$520
Transco Syndicate #1 Ltd.	35,037	37,419	21,178	23,374	10,264	7,923	2.06:1	2.95:1	94.7	96.5	2,721	2,320	1,250	360
Classic Syndicate Inc.	26,034	39,865	15,285	12,561	6,483	6,023	2.36:1	2.09:1	101.1	112.7	1,908	2,729	898	507
First Mercury Syndicate Inc.	19,833	13,436	17,338	20,614	16,951	15,295	1.02:1	1.29:1	100.1	87.9	2,772	1,954	1,727	1,724
LUI Insurance Syndicate Number Two Inc.[1]	15,643	18,271	11,310	11,696	10,033	9,803	1.13:1	1.19:1	107.9	102.6	2,099	1,000	117	(496)
LUI Insurance Syndicate Inc.	15,536	18,680	11,301	11,846	11,428	10,472	0.99:1	1.13:1	103.3	99.9	2,314	1,284	661	(121)
Alliance Syndicate Inc.	13,732	21,649	4,752	5,498	3,555	2,845	1.34:1	1.93:1	99.2	93.0	674	417	644	108
First Oak Brook Corp. Syndicate	11,408	11,181	5,942	4,857	3,721	3,135	1.60:1	1.55:1	95.5	75.8	180	122	501	234
Resure Inc.	5,238	6,249	4,427	3,200	4,612	4,203	0.96:1	0.76:1	97.8	92.5	535	411	409	437
Comprehensive Ensurers Market Syndicate	4,961	4,311	4,443	3,712	4,264	3,146	1.04:1	1.18:1	83.6	108.8	372	155	1,141	(229)
AAI Syndicate #1 Ltd.	3,659	3,072	3,345	3,072	4,968	3,926	0.67:1	0.78:1	91.5	89.1	189	60	105	(318)
Total active syndicates	187,549	209,558	135,250	135,076	90,478	78,884	1.45:1	1.65:1	98.6	97.3	17,623	13,510	9,288	2,726

[1]Formerly Ca.Fed Insurance Syndicate Inc.

IIE

Continued from previous page

"With five years' experience, the IIE first became eligible for a substantive rating by Best in 1987. Best has so far declined to provide such a rating, and the IIE continues to have an NA-4, or 'non-assigned' rating," explained Transco's Mr. O'Shaughnessy.

"Recent discussions the IIE has had with Best suggest that Best will rate both the IIE and the individual syndicates sometime in the future," Mr. O'Shaughnessy said. "Best feels that, because of the significant change in the IIE's membership in 1985 and the dramatic shift from reinsurance to direct insurance, additional time is required to evaluate the IIE."

The IIE believes that when it is rated, it will receive an A plus or A rating, he said.

"Transco will be individually seeking a Best rating in 1990 on year-end 1989 results," Mr. O'Shaughnessy said. In addition, he said he expects at least one other syndicate to do likewise.

"It's every syndicate's desire to be rated," added Resure's Mr. Easty.

Achieving a good Best rating would be a real boon to business, syndicate executives say.

Achieving an acceptable rating would be "very significant" for the exchange or the individual syndicate that receives it, Mr. O'Shaughnessy said.

"One of the major stumbling blocks—particularly in a soft market—is the fact that exchange paper isn't rated by Best," said First Oak Brook's Ms. Plotzke.

Although the exchange has not achieved that goal, it has made strides during the past year to further enhance its regulatory operations. It has developed new procedures and regulations to strengthen the self-regulatory role.

For example, actuarial certification of syndicate loss reserving adequacy were required for 1987 annual statements filed in 1988.

In addition, active syndicates were also required to complete the entire statement blank devised by the National Assn. of Insurance Commissioners to allow the exchange to calculate more detailed information.

Two additional auditors joined the exchange staff last year, as well as a new general counsel.

However, the IIE now employs only 46 people, down from a high of 54 during the hard market, Mr. Skelton said.

In an effort to increase back-office efficiency, the exchange streamlined the claims handling process to eliminate unnecessary steps. As a result, claims against a single syndicate are now paid by the syndicate and reported to the exchange on a monthly basis. Formerly, the syndicate notified the exchange of each claim and sent the exchange a check for the amount of the claim, whereupon the exchange would issue its own check to the policyholder.

The exchange is continuing its efforts to improve operations with two special projects.

First, it is reviewing its space requirements before its current lease expires next year.

One issue that will be discussed is the layout of its underwriting floor, which now is made up of rows of underwriting "boxes" composed of tall, fabric-covered panels open at the top. While many syndicate officials say it is important to have an active underwriting floor, some prefer to work from their nearby offices.

The exchange also is analyzing how to improve its as-yet-untapped guaranty fund to ensure that it would pay claims promptly in the event of a syndicate insolvency.

The fund, which currently stands at about $25 million, is designed as a not-for-profit corporation. Its plan of operation calls for it to pay out up to $15 million for any one syndicate insolvency.

The inquiry was prompted by delays in the payment of claims owed by syndicates on the now-shuttered New York Insurance Exchange and the Insurance Exchange of the Americas in Miami.

The specter of those failures keeps the exchange continually striving to improve itself. "I believe the exchange has a very strong future," said Britamco's Mr. Burdge.

"It's not known in Chicago, but it has a worldwide reputation," quipped Gordon Teach, chairman of the IIE's board of directors.

"The exchange is one hard market away from being a very acceptable market," suggets LUI's Mr. Foss. ■

IIE enforces new capital rules

By MEG FLETCHER

CHICAGO—New Illinois Insurance Exchange rules that boost capital requirements for new syndicates and require all syndicates to maintain more of their capital in cash or marketable securities will help the IIE win favor with regulators, supporters of the rules say.

The changes reflect the spirit of one of 20 recommendations made in March by the Illinois Insurance Department following a review of the exchange.

The new IIE requirements call for new syndicates to have $5 million in total capital and surplus, up from $4 million.

In addition, both new and current syndicates must have $2.25 million of capital in cash or marketable securities; the remainder still may be posted through letters of credit.

Formerly, syndicates were only required to put up 25% of their capitalization in cash, explained James Skelton, the IIE's president and chief executive officer.

While the cash component requirement takes effect immediately for new syndicates, established syndicates are given an unspecified amount of time to restructure their capital, Mr. Skelton said.

The IIE also is continuing to phase in its increased minimum capitalization requirements for syndicates that were approved before July 16, 1987.

At year-end 1988, all active syndicates were required to have $2.1 million in capital and surplus. The amount required increases by at least $200,000 each year through 1995, when they will need to have a minimum of $3.5 million in capital.

However, most syndicates already more than meet the minimum capital requirement for established syndicates.

At year-end 1988, five syndicates had capital in excess of $10 million, one had between $5 million and $10 million and six had between $3 million and $5 million, according to Peter J. O'Shaughnessy, an IIE board member and president of Transco Syndicate #1 Ltd.

The new requirements are a response to some states' refusal to approve IIE syndicates as eligible surplus lines markets.

For example, some syndicates' surplus did not meet New Jersey's cash requirements, Mr. Skelton said (see story, page 79).

The IIE believes it must adapt to regulators' requirements if it is to gain wider acceptance, he said.

The IIE's recent steps to increase capitalization requirements are "a good thing," said James Schacht, chief deputy director of the Illinois Insurance Department. "It is what they should be doing."

The change "certainly lends credibility, increases the strength of the exchange and makes regulators more comfortable," added Myron Burdge, executive vp of Britamco Underwriters Inc., the IIE's largest syndicate. On the other hand, the requirement will make it more difficult for new investors to launch a syndicate, Mr. Burdge noted.

And, some syndicate executives disagree with the new requirement mandating the syndicates put up more cash.

The requirement is just "window dressing," said one syndicate executive. Good letters of credit are preferable to some marketable securities because LOCs are not subject to market fluctuations, some critics say.

Nevertheless, the capital requirements enacted by the IIE are not as stringent as those Mr. Schacht and Special Deputy Loren Kramer recommended in a March 15 letter to the IIE following the Insurance Department's examination report of syndicates' financial operations.

The department had recommended that the exchange gradually discontinue the use of LOCs entirely. In addition, the department made 19 other recommendations.

"If. . .it is deemed absolutely necessary that in order to continue to attract new syndicates to the exchange, potential shareholders must be allowed to use letters of credit for up to 75% of the initial capitalization, the

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rules should be amended to require that the letters of credit be replaced with cash and marketable securities over, say, a five-year period," the regulators wrote.

However, Mr. Schacht said in an interview that he would not be surprised if the exchange met the state's goal of phasing out LOCs for capital purposes entirely within five years.

While the Illinois department's review detected "nothing adverse" at the IIE, the regulators "feel strongly" about the overall recommendations, Mr. Schacht added. However, "we did not think they were of such magnitude that they belonged in the examination report," he added.

The department's recommendations, which address operational, financial and accounting practices at the IIE, are intended to "improve the exchange's regulatory oversight and function and provide a framework for conservative accounting practices" to ensure the exchange maintains a sound financial condition, according to the letter from Messrs. Schacht and Kramer.

"The exchange is a unique entity and as such has the ability to exercise greater control over the syndicates than the normal regulatory environment," the regulators said.

Mr. Schacht said he is open to considering IIE officials' comments about the recommendations. However "at some point they may become orders" from the department, he said.

The IIE responded to the recommendations by establishing a four-member committee that set priorities for review of the recommendations by IIE officials, according to an internal IIE memo dated June 9.

In addition, Mr. Skelton pointed out that, before receiving the letter from the department, the IIE had implemented some of the recommendations on its own as part of ongoing efforts to improve operations.

For example, the IIE increased restrictions on cash dividends paid by syndicates; developed the capability to monitor the financial stability of syndicates' reinsurers; and developed internal audit capability and loss reserve evaluation techniques.

As an initial step, the IIE committee decided to address several other department recommendations, including:

- Limiting commissions and fees paid by syndicates to affiliates.
- Establishing restrictions on payment of contingent commissions.
- Prohibiting investments in subsidiaries of syndicates.
- Eliminating exceptions to the exchange's minimum capital and surplus requirements for reinsurers.

The committee said recommendations that deserve some consideration, but do not require immediate attention, include:

- Requiring documentation of syndicates' reinsurance agreements within a reasonable period of time.
- Requiring that syndicates comply with minimum loss reserve rules on all casualty business.
- Requiring syndicates to disclose in their financial statements a range of loss reserve estimates and their impact on the syndicate's financial condition.
- Improving and standardizing loss reserve classification reports by independent actuaries.
- Improving various accounting-related practices.

And, the committee said it disagreed with or did not recommend consideration of several of the departments recommendations, including:

- No longer allowing IIE guaranty fund contributions to be classified as admitted assets.
- Developing an exchange handbook on accounting practices.
- Requiring disclosure of the exposure to risk-to-premium and exposure to risk-to-surplus ratios.
- Appointing an underwriting specialist as adviser to the exchange's audit and regulatory committee. ■

IIE clearing regulatory hurdles

CHICAGO—The Illinois Insurance Exchange has cleared some hurdles in its drive to have state regulators approve the exchange as a single entity rather than as individual syndicates.

Arizona earlier this summer became the most recent state to approve the exchange's application to operate as an approved surplus lines market.

And, IIE officials hope other state regulators will more readily accept the exchange following an Illinois Insurance Department examination of the facility earlier this year (see story, page 79).

However, Nevada—which previously had authorized the exchange as a whole—reversed its position Jan. 1, 1988, and currently requires each IIE syndicate to individually apply for authorization. Late last month, Classic Syndicate Inc. became the first IIE syndicate to receive tentative approval from the state.

Besides Nevada, the IIE is not approved as a whole in New Jersey, Connecticut, Maine, Massachusetts, Nevada, New Hampshire, New York and Rhode Island.

As a result, the exchange as a whole is able to write surplus lines business in 42 states, plus the District of Columbia.

The IIE also is considered an eligible surplus lines insurer in the U.S. Virgin Islands and is approved to write some reinsurance in Guam.

IIE officials want the exchange to be evaluated and approved as a single insurance market, like Lloyd's of London. They argue that the syndicates are inextricably linked by a $25 million guaranty fund as well as by exchange self-regulation.

However, many state regulators —especially those in California, Florida, New York, Maine and New Jersey—want to take a syndicate-by-syndicate approach in light of the closing of the New York Insurance Exchange and the Insurance Exchange of the Americas in Miami, IIE officials say.

IIE officials want the exchange to be evaluated and approved as a single insurance market, like Lloyd's of London. They argue that the syndicates are inextricably linked by a $25 million guaranty fund as well as by exchange self-regulation.

These regulators contend that will allow them to strictly impose rules on individual exchange syndicates.

"While we think that is not appropriate, that is their posture and we have no alternative but to respond to it," said IIE President James Skelton.

Regulators in some states will not allow certain IIE syndicates to write surplus lines business for a variety of reasons. For instance, a syndicate may not have been in operation for a minimum three years, which most states require, or a syndicate may rely too heavily on letters of credit instead of cash to meet a state's capitalization requirements.

For example, Florida considers only 10 of the 12 syndicates active on the Illinois exchange eligible to write surplus lines coverage in the state. The two newest IIE syndicates—AAI Syndicate #1 Ltd. and Agora Syndicate Inc.—are not eligible.

And, in California, only eight of 12 active syndicates are eligible. Excluded are AAI, Agora, Comprehensive Ensurers Market Syndicate Inc. and Resure Inc.

In addition, the IIE failed to win approval as a single entity in New Jersey, which rejected its application to operate as an eligible surplus lines insurer this spring because some syndicates did not have $2 million of their capital in cash.

A 1987 New Jersey law allows approved insurance exchanges to operate in the state without participating in the state insurance guaranty fund.

However, the fact that syndicates can offer cheaper coverage because they are exempt from a fund surcharge led to cries of unfair competition from other surplus lines insurers in the state, according to Gary Hackley, IIE executive vp.

A bill now pending in the New Jersey Legislature would eliminate the exemption, said a spokesman for the New Jersey Insurance Department.

Following New Jersey regulators' rejection of the IIE, the exchange decided to require each syndicate to increase the cash component in its capital.

Meanwhile, the IIE has ironed out difficulties that arose last year with regulators in Oklahoma and Colorado, where the IIE continues to be accepted as a whole (*BI*, Aug. 29, 1988).

In addition to planning to again seek approval as an eligible surplus lines insurer in New Jersey and Nevada, the IIE will continue efforts to win approval from Connecticut, Maine, Massachusetts, New Hampshire, New York and Rhode Island.

—By Meg Fletcher



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Representative syndicate capacity at the Illinois Insurance Exchange

(in thousands of dollars)

	Primary/excess per insured								Facultative per risk					Treaty per reinsured	
Syndicate	Domestic primary property	Domestic excess property	Domestic primary casualty	Domestic excess casualty	International primary property	International excess property	International primary casualty	International excess casualty	Domestic property excess-of-loss	Domestic property proportional	Domestic casualty excess-of-loss	International property excess-of-loss	International casualty excess-of-loss	Domestic property excess-of-loss	Domestic casualty excess-of-loss
AAI Syndicate #1 Ltd.	$250	$250	$250	$250	$250	$250	$250	$250	$250	$250	$250	$250	$250	—	$250
Agora Syndicate Inc.	200	200	200	200	200	200	200	200	200	200	200	200	200	—	200
Alliance Syndicate Inc.	1,000	1,000	1,000	1,000	—	—	—	—	150	150	150	150	150	—	—
Britamco Underwriters Inc.	500	—	500	1,000	—	—	—	—	—	—	—	—	—	—	—
Classic Syndicate Inc.	1,000	1,000	1,000	1,000	—	—	—	—	—	—	—	—	—	—	—
Comprehensive Ensurers Market Syndicate	200	200	200	200	—	—	200	200	—	—	—	—	—	200	200
First Mercury Syndicate Inc.	1,000	1,000	5,000	5,000	—	—	—	—	1,000	1,000	1,000	—	—	1,000	1,000
First Oak Brook Corp. Syndicate Inc.	2,000	1,000	1,000	—	—	—	—	—	—	—	—	—	—	—	—
LUI Insurance Syndicate Inc.	750	750	1,000	2,500	750	750	750	750	750	750	2,500	750	750	—	—
LUI Insurance Syndicate Number Two Inc.	750	750	1,000	2,500	750	750	750	750	750	750	2,500	750	750	—	—
Resure Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—	250	250
Transco Syndicate #1 Ltd.	1,000	1,000	1,000	1,000	—	—	—	—	1,000	—	1,000	—	—	250	250

Syndicates offer variety of coverages

By MEG FLETCHER

CHICAGO—Many of the 12 active syndicates on the Illinois Insurance Exchange are expanding their horizons to drum up new business.

Among the syndicates that in the past year have expanded the types of coverage they write are:

• Britamco Underwriters Inc., the IIE's largest syndicate, which began writing accountants professional liability insurance in May and product liability insurance in January.

In addition, Britamco last year began writing $1 million in excess liability and umbrella limits in addition to the $500,000 in primary limits it previously offered for domestic property and casualty risks.

Britamco, which had been the third-largest IIE syndicate based on 1987 premium volume, moved to the No. 1 spot on the strength of a 2.9% increase in gross written premiums to $36.5 million in 1988 from $35.4 million in 1987.

However, Executive Vp Myron Burdge predicts gross premium volume will drop about 10% this year to about $32.5 million. Britamco wrote $14.8 million in gross premiums in the first six months of 1989, he said.

Britamco wrote $35.9 million in net premiums last year, up 3.7% from $34.6 million last year. The syndicate's combined ratio deteriorated to 98.7% in 1988 from 94.4% in 1987, while its net income soared 252.9% to $1.8 million from $520,068 in 1987.

Besides its new offerings, Britamco writes property, liability and liquor liability insurance for restaurants and taverns; property and liability coverage for retail stores and garages; general liability coverage for small contractors; and professional liability coverage for dentists.

• Two syndicates that write on a joint basis—No. 5-ranked LUI Insurance Syndicate Number Two Inc. and No. 6-ranked LUI Insurance Syndicate Inc.—which began writing professional liability insurance for public officials, including police professional liability coverage, late last year.

The syndicates earlier this year expanded their professional liability business to include coverage for accountants, lawyers and medical personnel.

The two syndicates also write excess liability insurance and primary and excess property insurance, with an emphasis on excess coverage.

A major change at the syndicates occurred at year-end 1988 when London United Investments (Holdings) P.L.C., which owned LUI Insurance Syndicate, purchased CalFed Insurance Syndicate Inc. and renamed it LUI Insurance Syndicate Number Two Inc.

LUI Management Inc. continues to manage both syndicates, said Richard Foss, president and chief executive officer of both syndicates.

LUI Syndicate Number Two wrote $15.6 million in gross premiums last year, down 14.4% from $18.3 million in 1987, while the original LUI syndicate wrote $15.5 million in gross premiums in 1988, down 16.8% from $18.7 million in 1987.

However, both syndicates' volume should increase an average of 35% this year to about $21.3 million, Mr. Foss predicted.

The LUI syndicates each wrote about $11.3 million in net premiums last year, down slightly from about $11.7 million in 1987.

Both syndicates' combined ratio increased last year. LUI Number Two's rose to 107.9% from 102.6% while LUI's rose to 103.3% from 99.9%. However, both syndicates produced net income last year compared with net losses in 1987. LUI Number Two reported net income of $116,695 in 1988 compared with a $496,627 loss the previous year, while LUI posted $660,635 in net income in 1988 compared with a $121,292 loss in 1987.

• Seventh-ranked Alliance Syndicate Inc., which began two new programs in the spring.

The syndicate now writes property insurance for paint manufacturers and property coverage for private lessors of high-valued automobiles. The latter coverage is written through auto dealers.

In addition, Alliance recently began quoting prize indemnification insurance, said Donald Hopfensperger, syndicate president. The coverage is designed to protect a contest sponsor in the event that a participant wins a high-stakes contest.

Most of Alliance's business is domestic primary liability insurance. However, it also provides property insurance with an emphasis on primary coverage.

Alliance's gross written premium dropped 36.6% to $13.7 million from $21.6 million in 1987. Mr. Hopfensperger predicts that gross premium will drop 38% to $8.5 million this year.

Alliance's combined ratio rose to 99.2% last year from 93% in 1987.

• Eighth-ranked First Oak Brook Corp. Syndicate, which late last year began writing monoline casualty insurance, including product liability insurance, after obtaining a reinsurance treaty and hiring an experienced underwriter.

First Oak Brook's emphasis has included physical damage coverage for trucks and buses, as well as various other types of commercial property and casualty coverages, including commercial multiperil policies.

First Oak Brook wrote $11.4 million in gross premium last year, up slightly from $11.2 million in 1987. Its combined ratio jumped to 95.5% in 1988 from 75.8% the previous year.

• Ninth-ranked syndicate Resure Inc., which is expanding slowly into writing direct property/casualty insurance for programs led by other exchange syndicates from solely writing reinsurance, said Frederick Easty, executive vp of syndicates manager, Talon Re Inc.

Resure's primary business emphasis has been property, casualty, marine and aviation treaty reinsurance written on an excess-of-loss basis.

About 20% of Resure's $5.2 million in gross written premium in 1988 came from direct business, Mr. Easty said. But despite that, Resure's gross premium dropped 16.2% from $6.2 million in 1987. And, he predicts that 1989 volume will drop more than 40% compared with 1988.

Resure's combined ratio increased to 97.8% in 1988 from 92.5% the previous year.

• Tenth-ranked Comprehensive Ensurer's Market Syndicate wrote 6% of its nearly $5 million in gross premium last year as treaty reinsurance, up from 2.5% in 1987, reported Lawrence T.P. Molloy, underwriting manager and secretary.

CEM emphasizes professional liability insurance for attorneys, judges and professional associations; and commercial liability insurance for the recreation industry.

CEM's $5 million in 1988 gross premium volume represented a 15.1% increase from $4.3 million in 1987.

CEM expects 1989 gross premium to be about $4.8 million, down 4.3% from 1988 premiums.

Its 1988 combined ratio stood at 83.6%, down from 108.8% in 1987.

• Eleventh-ranked AAI Syndicate #1 Ltd. began writing buffer-layer professional liability insurance for hospitals, auto liability insurance for trucking companies and product liability insurance for manufacturers during the past 18 months.

In addition, Agora Syndicate Inc., which was established in February, may write a portion of a policy written by AAI if the capacity is needed, said Kevin Ottley, who manages both syndicates.

Both syndicates emphasize product liability insurance, including coverage for higher-risk products; professional liability insurance; railroad and transit system liability, public utility liability and excess commercial auto liability insurance. The syndicates also wrote some excess-of-loss treaty reinsurance.

AAI's gross written premium increased 19.1% to $3.7 million last year from $3.1 million in 1987. It expects to at least double its volume this year, while Agora expects to write about $3 million in premium volume, Mr. Ottley said.

AAI's combined ratio rose to 91.5% last year from 89.1% in 1987.

Results for other IIE syndicates include:

• Second-ranked Transco Syndicate #1 Ltd. expects volume this year to stay even with the $35 million in gross premium written in 1988. However, Transco's 1988 volume represented a 6.4% decline from 1987 gross premiums of $37.4 million.

At the start of 1988, Transco took over the business of Erie Syndicate Inc., which was founded in June 1986 but withdrew from the exchange after 18 months because of the softening marketplace (*BI*, Aug. 29, 1988). Transco previously underwrote business jointly with Erie.

Transco principally writes primary liability insurance, specializing in product liability and contractors' risks.

It also writes property and ocean marine coverages.

• Third-ranked Classic Syndicate Inc. saw its gross premium volume decline 34.7% last year to $26 million from $39.9 million in 1987. And, the syndicate expects gross premium to fall another 7.8% this year to about $24 million.

Classic's net premium volume increased 21.7% to $15.3 million from $12.6 million, while its combined ratio improved to 101.1% from 112.7%.

Classic writes domestic casualty and property insurance, concentrating on primary coverage.

• Fourth-ranked First Mercury Syndicate Inc.'s gross written premiums increased 47.6% to $19.8 million from $13.4 million in 1987.

However, it expects to write only about $18 million in gross premium this year, down about 9.2% from 1988.

First Mercury's net written premiums decreased 15.9% last year to $17.3 million from $20.6 million. Its combined ratio rose to 100.1% in 1988 from 87.9% in 1987.

First Mercury writes general and professional liability coverage for the private security industry, including security guards and patrols, armored car companies, alarm installers, alarm manufacturers and alarm monitoring firms. In addition, it writes liability coverage for fire suppression contractors, equipment manufacturers and diagnostic laboratories.

In addition to these active syndicates, inactive IIE syndicates running off their business reported almost $4 million in gross written premiums in 1988. Those syndicates include Erie and LWB Syndicate Inc. ■

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Surplus market wary of new regulations

By MEG FLETCHER

A proposed model law regulating managing general agents and insurers is raising concerns in the surplus lines industry, even though the bill would not directly apply to the surplus lines market.

In addition, states across the country continue to propose new regulations that would directly affect the surplus lines marketplace.

"I thought last year, as we went into the soft market, that we would see a lot of surplus lines legislation—and I wasn't disappointed," said Richard Bouhan, executive director of the National Assn. of Professional Surplus Lines Offices Ltd. in Kansas City, Mo.

Regulators often attempt to pass new regulations affecting the surplus lines market during times of abundant capacity, since there is less pressure on surplus lines brokers and insurers during these periods, he explained.

During the past year, some regulators have introduced proposals to increase the oversight of managing general agents, who underwrite on behalf of both admitted and surplus lines insurers, through beefed-up reporting and licensing requirements.

In addition, wholesalers that market surplus lines insurance also face measures that would increase premium taxes and change the manner in which premium taxes and data about surplus lines business are collected.

And one state—Louisiana—considered a bill to establish a guaranty fund for surplus lines insurance, but the Legislature failed to adopt it.

Mr. Bouhan, expecting a lot of surplus lines legislation in the soft market, says 'I wasn't disappointed.'

However, the biggest regulatory headache faced by NAPSLO, which represents both wholesalers and surplus lines insurers, is a proposal currently being drafted by a subgroup of the National Assn. of Insurance Commissioners that would increase regulation of MGA arrangements.

The NAIC's Managing General Agents Working Group hopes to present a final version of its 16-page model law for formal NAIC adoption in early September, said Illinois Insurance Director John Washburn, who chairs the group.

The model law requires insurers and regulators to increase their scrutiny of MGAs. It also would require MGAs to be licensed and to be more responsive to insurers for whom they underwrite insurance through increased reporting requirements, including audits (*BI*, March 13).

The draft law currently appears to apply only to admitted property/casualty insurers and their MGAs. However, Mr. Washburn said last week at a hearing in Chicago that he may want to include accident/health insurers in the model law and questioned why surplus lines insurers and their MGAs should be excluded when the goal of the measure is to protect policyholders.

The act as currently drafted also excludes: risk retention groups, statutorily created pools like residual market mechanisms, captive insurers not domiciled in the state enacting the model law and overseas insurers.

New Jersey's Special Deputy Commissioner David Grubb, who is the primary drafter of the measure, responded that surplus lines wholesalers and insurers are already regulated through special licenses. That segment of the industry is "a whole separate kettle of fish," he said.

"I know of no move within the task force to bring surplus lines brokers in." Mr. Grubb said in an interview following the hearing.

However, even if surplus lines insurers are excluded from the model, many wholesalers will still be affected because they also write business for admitted insurers, he said.

And, despite the fact that the draft model excludes non-admitted insurers, NAPSLO is concerned that some of the act's licensing provisions could be construed to include MGAs that write business on behalf of surplus lines insurers, Mr. Bouhan said.

The most controversial aspect of the current draft is a definition of a managing general agent, which regulators and 20 industry representatives debated at length during the hearing without reaching any conclusion.

In the current draft, an MGA is defined as a person or firm who manages all or part of the insurance business of an insurer and underwrites and adjusts claims in excess of an amount determined by the state's insurance commissioner, or negotiates reinsurance on behalf of an insurer.

The "most controversial" aspect of the model is the provision dealing with subproducers, Mr. Grubb said.

Groups representing agents and brokers say that agents that accept subproduced business should not necessarily be included in the definition of an MGA.

However, regulators note that subproduction arrangements are among the abuses in the MGA industry that the proposed model is intended to redress.

In related action, Texas broadened its MGA law last year to put more teeth in it, including expanding the definition of who is required to be licensed and setting minimum standards for MGA contracts.

A measure that would force nonadmitted insurers in Minnesota to pay the state's franchise tax, which is similar to an income tax for non-Minnesota-based companies, was recently implemented, while a bill that would have changed the way surplus lines premium taxes are collected failed in Connecticut.

Such tax measures result in higher costs that are passed along to buyers and may reduce the availability of insurance, NAPSLO's Mr. Bouhan said.

In addition, a measure that would have increased the amount of data that surplus lines insurers would have to submit to the California Insurance Department also failed, though other states are likely to consider such measures now that state insurance regulators and legislators have developed a model data reporting bill (*BI*, Aug. 8, 1988). ■

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The disaster occurred at a time when the small town was experiencing new growth. Population was increasing. New businesses were moving in. A town-sponsored industrial park was half full. Now, 190 people are out of work, perhaps permanently, and the consequential economic loss—greater than the actual destruction of the building and its contents—may approach $50 million.

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Circulation Breakdown*

Commercial Consumers

Administrative:
CEO's Presidents and Owners 2,431
Vice-Presidents, General Managers and Other Administrative Personnel ... 3,650

Financial:
Chief Financial Officers and Vice-presidents of Finance 2,745
Secretaries, Treasurers, controllers and other Financial Personnel 4,446

Risk/Employee Benefits:
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations 10,687
Sub-total 23,959

Associations 548
Government, Unions and Educational Institutions 1,299
Commercial Consumers Sub-total 25,806

Insurance Agents and Brokers 10,745
Insurance Companies 7,557
Actuaries, Consultants, Attorneys, Adjusters, Appraisers and Third Party Administrators 3,580
Others Allied to the Field 2,688
TOTAL 50,376

* Source Business/Occupational breakdown of qualified circulation, November 28, 1988 issue, as submitted to BPA for December 1988 BPA Publisher's Statement.

Oil spill liability

Continued from page 1
also call for the creation of an oil industry-funded oil spill compensation fund that would pay up to $1 billion to clean up spills when, for example, a spill is caused by an unknown polluter or when the damage exceeds the polluters' statutory liability.

The bills establish a system that provides for victims of an oil spill to be compensated "fairly and reasonably quickly" without having to go through extensive litigation, Mr. Welch explained. "What you get here is certainty of payment."

As for the companies responsible for a spill, they will know in advance what their limits of liability are and can purchase insurance to cover their potential liability, he said.

However, he added, polluters would be held liable for the full amount of damage in cases of gross negligence, willful misconduct or violation of federal safety laws.

In cases in which a victim is unable to collect damages from a polluter, the victim would be able to go directly to the fund for compensation. The fund would then subrogate against the polluters.


Glenn Huntley

The Exxon Valdez accident could spur a federal oil spill liability law.

"The whole idea is to provide full compensation and quick compensation to injured parties," he said.

Interest in oil-spill pollution liability limits has increased since the Exxon Valdez, owned by Exxon Corp., ran aground in March, triggering a 10-million-gallon oil spill that fouled Alaska's pristine Prince William Sound (*BI*, April 3).

In addition, three oil spills occurred during a 12-hour period in June that polluted waters in the Delaware River; Narragansett Bay, R.I.; and Galveston Bay off the Texas coast (*BI*, July 3).

Prompted particularly by the Exxon Valdez oil spill, the Bush administration offered its own proposal, under which tanker owners' liability for cleanup damages sought in federal courts would be capped at $78 million (*BI*, May 15).

Mr. Welch said the Bush administration proposal, which is partially reflected in the House bills, is based on bills introduced in previous sessions.

Meanwhile, a task force representing major oil companies proposed spending more than $250 million over five years on a national oil spill prevention, containment and cleanup program. Under the proposal, participating oil companies would fund five regional oil spill response centers throughout the country as well as a five-year oil-spill containment and recovery research program (*BI*, June 26).

Observers agree that the provision in the House bills pre-empting state unlimited liability statutes is the critical issue that distinguishes the House and Senate legislations and is the primary reason why previous efforts to pass a comprehensive oil spill liability law have been unsuccessful.

"The question of pre-emption has always been the principal stumbling block as to why the House and Senate haven't agreed," said U.S. Coast Guard Capt. Charles Corbett, who is working as the special assistant to the secretary of transportation on the oil spill legislation.

Coastal states that hold tanker owners unlimitedly liable for pollution incidents include Alabama, Alaska, California, Connecticut, Georgia, Hawaii, Louisiana, Maine, Maryland, Massachusetts, Mississippi, New Hampshire, Oregon, Pennsylvania, Rhode Island, South Carolina and Washington, according to the Washington, D.C.-based Oceanic Society.

The Senate acknowledged the controversy over unlimited liability in its debate on the bill before it approved the measure 99-0.

Referring to the House, Sen. Max Baucus, D-Mont., said: "The other body would like pre-emption. The other body would like to make it difficult for the states to have their own separate liability laws. It has been a very difficult issue in dealing with the other body."

However, Sen. Baucus also said: "It is my judgment that the bill that finally passes the House of Representatives will be a bill that is much closer to this bill than earlier bills have been that passed that body."

Mr. Welch, the Merchant Marine committee counsel, said he believes the Exxon Valdez incident will provide the "necessary political jump start" for the House and Senate to finally agree on the issue of state pre-emption.

Oil spill liability bills have been approved by either the House or Senate several times since the mid-1970s, but "it's never made it to the finish line" because of this issue, he said.

This time, however, state pre-emption is "not going to be a killer. One way or the other, it will be disposed of, and a bill will be sent to the president," Mr. Welch predicted.

He also pointed out that the state law pre-emption issue also may jeopardize the United States' participation in a proposed international treaty concerned with the cleanup of and liability for oil spills by tankers in international waters.

He noted that the two House bills, as well as the Bush administration proposal, include language that would permit the United States to participate in the proposed treaty.

But, participation would not be feasible under the Senate bill because allowing states to hold tanker owners unlimitedly liable for oil spill damage would contradict the complicated series of liability limits established in the proposed treaty, Mr. Welch said.

Other concerns have been raised over the Senate bill and its provision allowing states to impose unlimited liability.

The Water Quality Insurance Syndicate, a New York-based syndicate of 25 insurers that writes liability coverage for vessels like barges that operate exclusively in domestic waters, has been urging Congress to pass a federal limit on oil spill liability that pre-empts state laws, said Robert Lagattolla, president of the syndicate.

Policyholders should not have to contend with different standards of liability throughout the nation, Mr. Lagattolla asserted.

Mr. Lagattolla also noted that the syndicate, which writes pollution liability insurance required for vessel owners under the Clean Water Act, would be able to pro-

Continued on next page

Section 89

Continued from page 2
some to the extent that people believe it will stop or put off their Section 89 compliance problems," said Mark Ugoretz, executive director of the Washington, D.C.-based ERISA Industry Committee.

But while warning employers that they still must comply with the law as of Oct. 1, some benefit experts say the Section 89 "delay" amendments contained in the appropriations bills may give Section 89 opponents time to drum up support to kill the law.

"It is an attempt to shackle the law until there are sufficient votes to repeal Section 89," said Wyatt's Mr. Grossman.

Indeed, congressional and business supporters of Section 89 repeal say the House and Senate votes to delay IRS enforcement of Section 89 are signs that Congress is on its way to killing the statute.

The one-year delay will "give us the opportunity to repeal Section 89 outright later this year," said Sen. Robert Kasten, R-Wis., whose earlier repeal efforts have failed.

"We hope the delay sets the stage for repeal. The vote demonstrates that Congress is very much interested in repeal," said Benjamin Cooper, senior vp-government affairs for The Printing Industries of America Inc., an Arlington, Va.-based trade group favoring Section 89 repeal.

"This is a way station on the way to repeal," said Fred Krebs, a lobbyist with the U.S. Chamber of Commerce in Washington, D.C.

Other experts, though, question whether the House and Senate votes are an indication that Congress is any more likely to repeal Section 89.

"While many members of Congress who voted for the one-year ban on enforcement would also vote for Section 89 simplification, it is by no means clear that there are sufficient votes in Congress for a Section 89 repeal," said Frank McArdle, a consultant in the Washington, D.C., office of Hewitt Associates.

Still, as Mr. McArdle notes, the 101st congressional session has been extraordinarily volatile and unpredictable, forcing congressional leadership to retreat on several issues after feeling the heat from restive members.

For example, House Ways and Means Committee Chairman Daniel Rostenkowski, D-Ill., and Senate Finance Committee Chairman Lloyd Bentsen, D-Texas, neither of whom last year showed more than a modicum of interest in overhauling Section 89, have sponsored measures this year to reform and simplify the law (*BI*, July 17; July 3).

The Bentsen proposal, S. 5, is part of a broader child care bill the Senate passed last month. The Rostenkowski Section 89 proposal is now part of a budget reconciliation bill that the Ways and Means Committee will try to complete when legislators return next month from summer recess.

Benefit experts say that there is no question that Rep. Rostenkowski's interest in overhauling Section 89 is a direct result of the Illinois Democrat's fear that Congress would repeal the statute unless he came up with a reform package and actively worked toward its passage.

Whether Congress will move toward repealing Section 89—while reform measures simultaneously are being considered by legislators—could be known next month.

Small business lobbyists say they intend to try to persuade the Ways and Means Committee to incorporate a Section 89 repeal provision in the budget reconciliation bill. Presumably, such a provision would supplant the Section 89 simplification proposal tentatively approved by the committee.

"We anticipate that a repeal effort will be made as part of the reconciliation bill," said Mr. Cooper of The Printing Industries of America.

Meanwhile, congressional conferees will have to work out differences in the House and Senate legislation delaying Section 89 enforcement and regulations.

The House bill would bar the Treasury Department from using any funds to enforce or implement Section 89 until Oct. 1, 1990. The House language is so restrictive, benefit experts say, that it also would preclude the Treasury Department from developing rules to help employers comply with Section 89.

Such rules would be especially important if Congress in the next few months passes a new Section 89 statute, such as the measures proposed by Rep. Rostenkowski and Sen. Bentsen.

The Section 89 enforcement delay language in the Senate Treasury Department/Postal Service appropriations bill is less restrictive.

The Senate bill also would bar the Treasury Department from issuing or enforcing any binding Section 89 regulations before Oct. 1, 1990. However, the Senate bill, among other things, would allow Treasury Department or IRS staffers to receive training on Section 89 and to respond to taxpayer questions about Section 89 before Oct. 1, 1990.

In addition, the Senate bill is unclear as to whether the Treasury Department or the IRS could issue general guidance about Section 89 before Oct. 1, 1990. ■

Retiree health care benefits

Continued from page 2
tion of some benefits.

Under the 1988 changes to the company's indemnity plan offering basic health care coverage, GM salaried retirees pay an annual deductible of $200 for individual coverage and $250 for family coverage. In addition, salaried retirees are required to pay 20% of the first $2,500 of health care expenses above the deductibles. Previously, salaried retirees did not have to pay deductibles or coinsurance.

In addition, under GM's optional contributory major medical plan, the individual deductible was raised to $150 from $125, while the deductible for family coverage was raised to $300 from $250.

Also under the contributory plan, retirees have to pay 20% of the first $6,000 of expenses above the deductible, up from 20% of the first $5,000 of expenses.

A GM spokeswoman said these changes were made to help encourage retirees to use more cost-efficient managed care options, such as health maintenance organizations and preferred provider organizations.

As part of its benefit changes, GM last year also eliminated coverage for chiropractic services. The GM spokeswoman said the company considers chiropractic treatment to be an expensive benefit that often has "no resolution."

But, according to the retirees' suit, GM promised to provide retirees their basic health care benefits at company expense.

"In written materials provided to the plaintiffs during their employment and in retirement, through seminars and meetings led by GM officials, and in other communications, GM has promised plaintiffs basic health care benefits at GM's expense for plaintiffs' lifetimes," the suit says.

"Plaintiffs believed and relied upon GM's promotion of the retiree health care benefits program's security and GM's commitment to provide the benefits to the plaintiffs for their and their spouses' lifetime at GM's expense. The offering of these benefits induced plaintiffs to accept and continue their positions with GM until retirement and, in many cases, to take early retirement at GM's initiative or invitation," the suit says.

"GM's reduction, modification or elimination of salaried retiree health care benefits violates the terms of the applicable employee welfare benefit plans, the contracts between GM and the plaintiffs, the federal common law and other requirements of ERISA," the suit charges.

But, while the GM spokeswoman said the automaker could not comment on the suit until it receives a copy of the court papers, she said that company benefits publications historically have said that GM reserves the right to change health care benefits.

"GM people are aware that benefits do change," the spokeswoman said.

The spokeswoman also noted that independent surveys have consistently ranked GM's benefit package for retired salaried employees as among the best offered by Fortune 500 companies.

In 1988 alone, GM spent about $1 billion on retiree health care benefits, which represented about one-third of the company's total health care expenses that year, the GM spokeswoman said.

The suit against GM is yet another legal action launched against a major corporation by retirees over the increasingly volatile issue of retiree health care benefits.

These suits first erupted in the mid-1980s, when Bethlehem Steel Corp. increased premium contributions retirees were asked to pay for health care coverage. That suit was later settled, with the company agreeing to place a lifetime cap on retirees' premium contributions (*BI*, March 18, 1985).

Numerous suits on the issue of retiree health care benefit reductions have since been filed against other companies.

This spate of litigation is not surprising, benefit experts say.

As the costs of retiree health care programs have skyrocketed, employers have been trying to better control them, said Richard Ostuw, a vp in the Cleveland office of TPF&C, the benefits consulting division of New York-based Towers, Perrin, Forster & Crosby Inc.

"What the employer may view as an attempt to gain control over cost, retirees may view as a benefit takeaway," Mr. Ostuw said.

After some earlier legal setbacks, employers have won some significant victories in suits by retirees over health care benefits.

For example, the 6th U.S. Circuit Court of Appeals in Cincinnati last year ruled in a case involving American General Corp. that employers can reduce or modify retiree health care benefits without violating federal law if they reserve the right to do so in plan documents (*BI*, Jan. 2).

"By and large, courts have said employers can make changes to their retiree health plans if they reserved that right in plan documents. The key message is that companies have to be clear and careful in their documents," Mr. Ostuw said. ■

Oil spill liability

Continued from previous page

vide coverage required under any new legislation, as long as there are fixed limits of liability as well as fixed defenses, such as acts of God.

"If it's a fixed limit of liability, it can be rated premium-wise," he said.

Dennis Connolly, a senior vp and attorney with Johnson & Higgins in New York, said that if legislation calls for an "unfair and unpredictable liability system, then you discover you probably will not have a reduction in adverse events."

But, he said, to the extent that any legislation provides for reasonable preventive measures where compliance is feasible, "that will probably lead to a reduction of adverse events."

When dealing with very large losses, "the insurance industry's, or any industry's, ability to respond is assisted by a stable—even if high—limitation," Mr. Connolly added. "It's easier for the insurance industry to play its role if it knows its liability has a limit."

Mr. Connolly said the oil spill liability limits could be likened with the liability limits currently in place for the nuclear power industry.

In August 1988, President Reagan signed an extension to the Price-Anderson Act, which limits to about $7.5 billion the nuclear power industry's liability for an accident for the next 15 years (*BI,* Aug. 29, 1988).

Mr. Connolly pointed out that the insurance industry and the nuclear power industry were able to supply adequate insurance capacity to meet the liability limits in the Price-Anderson Act "because they knew the limits were there."

Where there is exposure of a catastrophic nature, said Mr. Connolly, "it's easier for the insurance industry to play its role if it knows its liability has a limit."

A spokesman for the American Petroleum Institute, which represents the major oil companies, said the industry favors pre-emption of states on this issue. "There shouldn't be competing state systems," he said.

But Erik D. Olson, counsel to the National Wildlife Federation in Washington, D.C., said he favors legislation that permits unlimited liability for polluters, because it would serve as a strong deterrent.

"We're definitely opposed to the House bills," he said.

And, he noted, insurers do not have to provide unlimited policy limits to tanker owners if Congress passes an oil spill liability law that does not pre-empt state laws that establish unlimited pollution liability.

In addition, even a $1 billion limit would be inadequate to pay for a major spill, said Mr. Olson.

Exxon estimates that cleaning up Prince William Sound will cost $1.3 billion alone. Exxon also faces 140 spill-related lawsuits (*BI,* July 31).

Damages resulting from the June 23 420,000-gallon spill of No. 2 oil off the coast of Rhode Island caused when the Greek tanker, World Prodigy, ran aground, amount to $4.7 million, according to a spokesman for the Rhode Island attorney general.

The United Kingdom Mutual Steamship Assurance Assn. (Bermuda) Ltd., which wrote coverage for the tanker, owned by Ballard Shipping Co., will pay $3.2 million to cover damage to natural resources and $1 million in cleanup costs, the spokesman said.

The P&I club also is establishing a $500,000 reserve to pay claims filed by corporations or individuals that lost business because of the spill.

In Texas, final costs totaled $955,000 for cleaning up 250,000 gallons of oil dumped into Galveston Bay by a barge owned by Coastal Towing Inc. when it collided with a Panamanian tanker, also on June 23.

Coastal Towing's insurer, Steamship Mutual Underwriting Assn. (Bermuda) Ltd., will pay $640,000, and the balance will be paid by the U.S. government, according to Lynn Garner, president of Garner Environmental Co., which cleaned up the spill. Coastal Towing did not return phone calls.

The cost of cleaning up 306,000 gallons of oil that a Uruguayan tanker spilled into the Delaware River near Philadelphia on June 24 will not be known for three to six months, said a spokesman for the Delaware Department of Justice.

Mr. Welch said the House Science, Space and Technology Committee is expected to consider the oil spill cleanup bill approved by the Public Works Committee, while the Interior and Insular Affairs Committee has asked to see both House bills.

Mr. Welch, who noted that the two House bills are "95% the same," said he expects that a joint bill will be created for a vote by the full House in mid-September after legislators return from their summer break.

A conference committee would then be appointed to work out differences between the House and Senate bills.

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Associate Editor Michael Bradford in Dallas also contributed to this report.

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and unfound sources

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London

Court to hear lawsuits from soccer match

By CAROLYN ALDRED

LONDON—A test suit seeking damages from a local police department and a sports authority on behalf of a woman widowed in April when dozens of fans were crushed to death while attending a British soccer match will be heard in Liverpool High Court next spring.

The lawsuit, filed against the South Yorkshire Police Authority and Sheffield Wednesday Football Club, seeks unspecified damages for alleged negligence and breach of duty by the two organizations.

The test action was filed by a steering group of lawyers representing about 150 British law firms representing between 600 and 700 plaintiffs who are survivors of those who died or who were themselves injured when thousands of fans attempted to pack into a sold-out tournament at Hillsborough Stadium in Sheffield. Ninety-five people were killed and 170 others were injured in the incident (*BI,* April 24).

In a July 26 preliminary hearing, Justice Steyn agreed that the trial should be heard as soon as possible, according to Nicola Harrison, a member of the steering group, who is a lawyer with the Liverpool law firm of Mace & Jones.

Liability insurance for the South Yorkshire Police Authority, which was heavily criticized for its handling of the event by an official inquiry on the disaster published early this month, is underwritten by Municipal Mutual Insurance Ltd. The limits of the policy are not known.

Liability insurance for the Sheffield Wednesday Football Club, which owns the stadium where the incident occurred, is written through a program sponsored by the Football League. Sources have estimated the club has 20 million pounds ($32.4 million) in coverage. The League's public liability insurance is placed by Lloyd's of London broker Windsor Insurance Brokers Ltd. and is led by the Sun Alliance & London Insurance P.L.C.

New name

London broker Meadows Tolley Insurance Brokers Ltd. now is called Tolley & Bagwell Ltd.

The name change follows the sale by Thomas Meadows (U.K.) Holdings Ltd. of its stake in the company to Jack Bagwell on July 1.

Mr. Bagwell has been named chief executive officer and a director of the broker. ■

Baby Bell strikes

Continued from page 1

care cost shifting concessions by labor but also contains several new family care benefits.

The contract, subject to ratification, amounts to "an improvement in benefits for the most part," according to a statement from the CWA in Atlanta.

Covered services provided through the company's network of preferred hospital providers will continue to be paid in full, but annual deductibles were increased. The individual deductible was increased to $165 from $150, while the family deductible was changed to $400 per family from $450 per family with a $150 per-family-member deductible.

Deductibles for care outside of the hospital network are the same, but services received from non-network providers now are subject to a 10% coinsurance charge.

In addition, effective Jan. 1, 1991, a physician PPO will be added and 90% of charges will be paid, as opposed to the reasonable and customary fee schedule that existed under the old contract.

The company will pay 80% of physician costs if an employee uses a physician outside of the network.

But, BellSouth also agreed to provide additional benefits.

BellSouth will allow employees to create pretax family care reimbursement accounts, permitting employees to defer up to $5,000 annually to pay for child care expenses for children 12 years old and younger.

BellSouth also extended the length of unpaid leave to care for newborn children and other dependents with guaranteed employment at the end of the leave to one year from six months. In addition, employees on unpaid leave will receive full medical benefits for the first six months rather than for one month as was stipulated in the expired contract.

BellSouth also will offer an employee-paid long-term care program for workers, their parents, spouses and spouses' parents beginning Jan. 1, 1991.

AT&T agreed to add similar benefits under its agreement with the two unions.

But, strikes continue at other regional telephone companies, including NYNEX, where 40,000 CWA members and 20,000 IBEW members were striking late last week.

No formal talks had been scheduled and an end to the strike was not foreseeable, said a spokesman for NYNEX, which comprises New York Telephone and New England Telephone as well as 10 smaller phone companies.

NYNEX is asking workers to contribute $10.27 per week during the first year of a new three-year contract toward the cost of first-dollar individual and family coverage under the company's insured health care plan.

Workers did not make any premium contributions under the expired contract.

NYNEX says its cost for the health care plan will increase to $3,520 annually per employee by the end of the three-year contract from its current cost of $2,360—or $45.38 per week.

NYNEX also is offering employees the option of paying deductibles instead of making a premium contribution. Under this proposal, individuals would be subject to a $500 deductible; a worker and a spouse, $1,000; and a family, $1,500.

In addition, NYNEX offered a cafeteria plan in its pre-strike proposal. Under this offer, employees who opted for the lowest amount of coverage would receive as much as $31 per week in cash from the company.

NYNEX is the only phone company that does not self-insure its health care plan.

Various Blue Cross & Blue Shield plans write the company's hospitalization coverage, while Hartford, Conn.-based Travelers Corp. writes its major medical coverage, according to a spokesman.

In addition, NYNEX proposed offering health maintenance organizations with NYNEX's premium contribution equaling the amount it contributes to its indemnity plan.

CWA countered in a 10-page release that health care costs at NYNEX are "an insignificant and declining element of total operating expenses."

The union asserted: "NYNEX is a hugely profitable company and can well afford to continue paying for employee health benefits. The company earned $3.81 billion in profits from 1986 to 1988."

The CWA contends that NYNEX wants to shift costs to its unionized employees because "four years ago, NYNEX imposed medical benefits cost-shifting on management employees. Managers are now paying up to $1,700 per year for medical coverage unionized employees get at no cost. NYNEX promised its managers that unionized employees would have to pay as well."

NYNEX declined to comment on the CWA's statement.

At Bell Atlantic, 41,000 CWA workers struck on Aug. 5 and 11,000 IBEW members struck on Aug. 7 in Pennsylvania and New Jersey over management's proposal to eliminate first-dollar coverage for hospitalization.

Bell Atlantic comprises New Jersey Bell, Bell of Pennsylvania, Diamond State Telephone in Delaware and Chesapeake & Potomac Telephone Co. of Virginia, West Virginia, Maryland and Washington D.C.

Bell Atlantic proposed initiating a $150 deductible for individual and family hospitalization coverage under its self-insured health care plan. It also wants to continue the $150 deductible applicable to individuals and families for major medical benefits.

NYNEX 'can well afford to continue paying for employee health benefits,' the union says.

A Bell Atlantic spokesman said the company's health care costs have been rising at an average of 20% per year since 1984. "We feel this deductible would make better shoppers of those who use the services," he said.

Bell Atlantic's health care plans are administered by several Blue Cross and Blue Shield plans throughout the mid-Atlantic states.

Formal negotiations were continuing late last week with CWA.

However, Joseph McGlaughlin, president of IBEW local 827 in New Jersey, which represents 9,000 striking employees, said members "are prepared to strike almost forever." He said the IBEW "totally rejects and finds absurd" Bell Atlantic's proposed $150 deductible for hospitalization costs.

"We have traditionally sacrificed wages for more thorough company-paid health care benefits. For the company to come back at us with this is a slap in the face."

Bell Atlantic also has offered several benefit increases.

For example, it offered to increase the company's contribution to an existing employee savings plan to 62.5% of the employee's contribution from 50%.

The company also has offered to introduce a cash bonus profit-sharing plan. The plan initially would pay each worker $300 annually, but provisions would eventually increase the payment to as much as $600.

Similar benefits were contained in the AT&T pact.

Bell Atlantic also offered to increase pension benefits 15%.

A strike by 42,400 CWA employees at Pacific Bell and Nevada Bell, which make up the Pacific Telesis Group, also continued last week in California and Nevada.

Pac Tel, which self-insures its health care plans, had proposed creating a health care provider network by 1991 that would reimburse employees for 90% to 100% of the cost of medical care obtained through the network, depending on the medical services received, according to a statement from the company.

Employees who choose to receive care outside of the network would be reimbursed for only 70% to 80% of the cost of medical services obtained. In addition, unspecified deductibles would apply to coverage for care received outside of the network.

However, Vira Milirides, a CWA representative in Burlingame, Calif., said Pac Tel has not provided the union with a concrete plan. She said the CWA is opposed to agreeing on a redesigned plan that it cannot visualize.

Pac Tel also proposed during informal discussions implementing monthly premium contributions ranging from $15 for individuals up to $40 per month for families, Ms. Milirides said. There were no premium contribution requirements under the expiring contract.

And, Pac Tel proposed that emergency room and the first week of hospital expenses be covered at 95%, said Ms. Milirides.

Both emergency room expenses and hospitalization were previously covered at 100%.

"In 1986, we negotiated cost containment measures including HMOs and provider networks which held the company's health care cost increase to 5.6% since 1986. That's far below what other self-insured companies saw," said Ms. Milirides, explaining why the CWA vehemently opposes cost shifting attempts by Pac Tel.

Pac Tel also offered expanded benefits, according to its statement.

Pac Tel proposed establishing a pretax health care reimbursement account in 1991 and offered to expand leaves of absence for newborn child care and immediate family care to one year from six months with guaranteed re-employment rights and medical and dental benefits paid by the company for the first six months away from the job.

Similar measures were contained in the AT&T pact.

Contracts covering another 117,800 telephone workers at Southwestern Bell, Ameritech and U.S. West were set to expire Saturday at midnight.

Southwestern Bell, in addition to increasing deductibles for health care, is proposing that an employee have a combination of 95 years of age and service to be eligible for full retiree health care benefits at no cost.

The union will hold out against these requests, said Jennings Wooldridge, northern area director for district 6 of the CWA in St. Louis, which has 41,000 members employed by Southwestern Bell in Arkansas, Kansas, Missouri, Oklahoma and Texas.

Under the expired contract, most employees were covered under a PPO in 13 cities, said Milt King, district manager of benefits for Southwestern Bell.

There were no deductibles or copayments under the plan, Mr. Wooldridge said.

For HMOs, premium contributions ranged from $20 per individual to $80 per month per family, depending on the HMO.

Under an indemnity plan, individuals were subject to a $150 deductible, and families were subject to a per-family-member deductible of $150, up to a maximum of $450 per family. There also was a 20% copayment required.

Unlike the other six regional phone companies, each Ameritech unit negotiates separately with labor.

Ameritech units are: Illinois Bell, with 2,900 CWA members and 12,800 IBEW members; Indiana Bell, with 4,300 CWA members and 400 IBEW

Continued on next page

Update

FSLIC to get $20 million award

AUSTIN, Texas—A Texas insurer that writes professional liability coverage for lawyers will pay more than half of a nearly $20 million settlement between a Dallas law firm and the Federal Savings & Loan Insurance Corp.

Texas Lawyers Insurance Exchange in Austin will pay the $10 million in coverage limits it wrote for the law firm of Jenkens & Gilchrist, said David Randolf, president of the insurer.

The FSLIC originally sought more than $100 million in damages from Jenkens & Gilchrist, according to Mr. Randolf.

Thomas Cantrill, chairman of Jenkens & Gilchrist, said the FSLIC charged that the law firm was responsible for the actions of a former firm attorney who continued to advise thrift institutions after leaving the firm. The FSLIC charged that the attorney gave faulty advice to two institutions that later failed, he said.

Before the settlement was reached, the insurer had tried to pay the policy limits to the law firm and stop providing a defense.

But a state district court judge in Austin ruled last month that the insurer had to continue the defense and pay up to the policy limits any damages assessed against the policyholder.

Outhwaite members have case

LONDON—Lloyd's of London members on the syndicate of underwriter Richard Outhwaite during the 1982 underwriting year, who face hundreds of millions of dollars in losses, have adequate grounds for claiming damages, a legal opinion sent to members last week concludes.

The opinion, prepared by three independent trial lawyers on behalf of the 900-member Outhwaite 1982 Names Assn., claims Mr. Outhwaite "fell far below the standard of skill and competence reasonably expected of him" in writing 32 runoff reinsurance policies, a large percentage of which Mr. Outhwaite reinsured on an unlimited basis.

Members first will have to sue the members' agencies that placed them on syndicate 317, managed by R.H.M. Outhwaite (Underwriting Agencies) Ltd. The members' agencies could then sue Outhwaite.

This course of action "does not involve any adverse comment on the skill, judgment or integrity of the members' agents concerned," the legal opinion stresses.

Outhwaite members will meet on this issue Sept. 14.

Hurricanes' damage assessed

HAMILTON, Bermuda—Dozens of boats and hundreds of houses were damaged, including Pink Beach and Mermaid Beach resorts, when Hurricane Dean hit Bermuda Aug. 6, packing sustained winds of more than 80 mph and gusts of more than 100 mph for several hours.

Bermuda's largest domestic insurer, Bermuda Fire & Marine Insurance Co. Ltd., was evaluating more than 300 claims and expected more.

The final toll, however, is not expected to reach the $50 million in damages caused by Hurricane Emily, which scored a direct hit on the island Sept. 27, 1987.

Meanwhile, Hurricane Chantal caused approximately $40 million in insured damage when it struck Texas Aug. 1 and 2, the American Insurance Services Group reported.

Errors cited in New Jersey JUA

TRENTON, N.J.—Errors and insurer inefficiency cost the New Jersey automobile joint underwriting authority $908 million between 1984 and 1988, according to an Insurance Department audit.

The New Jersey Insurance Department says it will take immediate action to recover the funds and is considering legal action.

Problem areas cited include overpaid claims; excessive servicing fees; premium errors; high-cost subcontractors; and accounting errors.

A spokesman for Aetna Life & Casualty Co., which was cited for $43.8 million of the overcharges, termed the audit results "ridiculous" and accused the department of engaging in a "pretty obvious political publicity stunt" to divert attention from the JUA's $3 billion deficit. The spokesman also noted that Aetna itself had discovered a $12.1 million error and has already returned the sum.

William J. O'Brien, president of Worcester, Mass.-based Hanover Insurance Co., said that at least more than half of the $113.1 million the insurer is cited for was legitimately retained or charged.

Briefly noted

The California Supreme Court on Aug. 10 declined to review an April ruling by a California appellate court in the **hazardous waste coverage litigation** between Aerojet General Corp. and 55 of its general liability insurers that hazardous waste cleanup costs are insurable under CGL policies. . . .The Florida Department of Insurance is appealing a federal magistrate's summary judgment that **federal law preempts a Florida statute** regulating administrators of self-insured employee benefit plans (*BI*, July 3). . . .**New York State Sen. John R. Dunne**, R-Garden City, formerly chairman of the Senate Committee on Insurance and past president of the Conference of Insurance Legislators, will leave the Senate effective Sept. 13 to practice law. . . .The U.S. Supreme Court in June refused to hear the **Pittsburgh Post-Gazette**'s appeal of a $2.5 million libel award. PG Publishing Co. is continuing to sue its excess insurer for indemnification (*BI*, June 5). . . .California Attorney General John Van de Kamp has extended the deadline to file comments on the proposed **insurance industry antitrust guidelines** he released last month until Sept. 20 from Aug. 11 (*BI*, July 31). . . .**Zurich-American Insurance Co.** will combine its personal lines business with the personal lines business of its recently acquired Maryland Casualty Co. unit but will keep the companies' commercial lines separate. . . .A New Jersey judge will decide today whether to rehabilitate **Southeastern Casualty & Indemnity Insurance Co. of New Jersey**, which the Insurance Department has determined is $3.9 million insolvent. . . .Alamo Rent A Car Inc. is suing the Illinois secretary of state in Cook County Circuit Court challenging the constitutionality of a law that forces **car rental companies** to include the cost of accidental rental car property damage and theft losses in their base rates (*BI*, April 3; July 18, 1988).

Baby Bell strikes

Continued from previous page

members; Michigan Bell, with 13,000 CWA members; Wisconsin Bell, with 4,000 CWA members; Ohio Bell, with 10,200 CWA employees; and Ameritech Services, Ameritech's support group for all of its units, with 600 CWA members and 200 IBEW workers.

Ameritech companies, which self-insure their health care plans, hope to reach a settlement similar to the one Illinois Bell reached with 12,800 IBEW members July 1, a spokesman said.

Those workers already had been subject to cost-sharing provisions, which continue under the new contract.

Under the new agreement, which still must be ratified, workers pay a $150 deductible for individual health care coverage and a $300 deductible for family coverage, an Illinois Bell spokesman said.

After the deductible is met, expenses are covered at 90% up to $500 per individual and $1,000 per family, after which expenses are paid in full by the company.

However, employees can avoid paying the coinsurance by participating in a preferred provider network, he said.

Employees still are not required to make a premium contribution.

New under the Illinois Bell contract, however, is a $50 deductible for individual and family dental coverage beginning Jan. 1, 1990.

But, Illinois Bell agreed to provide workers a $75 annual allowance for mammograms and diabetes and cholesterol testing.

However, 2,900 CWA employees of Illinois Bell were set to strike over health care cost shifting when their contract expired Saturday.

U.S. West telephone subsidiary U.S. West Communications, which operates in 14 western states, has been negotiating with representatives of 42,000 CWA members since June over health care and other issues, according to a spokesman. It settled Aug. 5 with 800 IBEW employees in Montana, who made some health care cost sharing concessions.

Under the terms of the agreement, which still must be ratified, deductibles for major medical and hospitalization coverage would be hiked to $600 annually from $300 for families and increased to $200 from $150 for individuals, said Jim Parsons, IBEW business manager in Helena, Mont.

Unionized workers still would not be required to make copayments for the majority of benefits, except surgery and psychiatric treatment, he said. But, the maximum annual out-of-pocket major medical and hospitalization costs for families would be doubled to $2,000 from $1,000, Mr. Parsons said. The individual out-of-pocket maximum would remain at $1,000.

Also, the annual deductible for orthodontic care would be increased to $1,500 from $1,000, and the deductible for dental care would be increased to $50 annually from a $50 lifetime deductible.

The company did agree, though, to fully pay for annual vision checkups.

"We're very optimistic we can reach a settlement on several health care, wage and job security issues" with the CWA members, said a U.S. West spokesman.

Bill Frazee, a CWA representative in Denver said: "We're looking for improvements in health care without cost shifting or cafeteria plans."

Cafeteria plans have been criticized for discriminating against older employees who may need more extensive coverages than younger, healthier employees, who theoretically can save through these plans by selecting fewer benefits.

Mr. Frazee said U.S. West initially proposed raising the out-of-pocket maximum for medical expenses to $3,000 per individual and $5,000 per family from $1,000 for individual and family coverage.

U.S. West also proposed increasing the deductible employees pay for hospitalization and major medical coverage to $750 per individual and $1,200 or $1,800 per family, depending on the plan chosen, from $450 per household, regardless of the number of covered lives.

Under the expired contract, hospitalization was covered in full.

Mr. Frazee said U.S. West also proposed a 20% copayment.

"We are opposed to all these initiatives because they're all cost-shifting measures," he said. "We gained this program (under the expired contract) over many years through various concessions and we're not about to let it go." ■

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ABA proposal

Continued from page 1

icy-making group is expected to approve the proposal at the ABA's mid-year meeting in February in Los Angeles.

"I believe our report contains recommendations designed to provide a fair and economical method of handling mass tort litigation," said Robert F. Hanley of Morrison & Foerster in Denver. Mr. Hanley chaired the ABA commission that drafted the proposal to consolidate mass tort litigation.

Only one member of the commission, which was composed of judges, law professors, plaintiffs' lawyers, defense lawyers, the general counsel for a major pharmaceutical firm and the general counsel for a large insurer, dissented from the proposal.

"In general, if you can get all the problems into one kettle you can solve them easier," said attorney Eugene Anderson of Anderson Kill Olick & Oshinsky in New York.

Mr. Anderson, who has litigated mass tort claims, said all proposals to consolidate mass tort litigation "could be beneficial."

However, Lawrence Fitzpatrick, president of the Center for Claims Resolution, an asbestos claims handling facility, said consolidation is not appropriate for asbestos claims because the injuries vary widely.

"One problem with consolidation in the asbestos area is that juries value claims based on the few serious injuries," pointed out Mr. Fitzpatrick.

Furthermore, Mr. Fitzpatrick says there are now about 80,000 asbestos cases pending, which if consolidated would be administratively unwieldy.

Recommendations by the ABA are considered very potent because the association represents half of the nation's 700,000 lawyers.

In addition, an ABA recommendation to Congress to consolidate mass tort litigation could be powerful since a similar proposal was approved by the House of Representatives in 1988. However, Congress adjourned before similar legislation could be considered by the Senate.

"There is warm support in Congress" for this type of proposal, said commission Chairman Mr. Hanley.

"There is a feeling in Congress that they have to do something here," agreed insurer attorney Stephen Coher. of McElroy, Deutsch & Mulvaney in Morristown, N.J. "I think there will be receptive ears in Congress."

Sen. Joseph R. Biden Jr., D-Del., already has formed a task force to study the issue of consolidating mass tort litigation, Mr. Hanley said.

Mass tort litigation "poses an extraordinarily dangerous threat to the existence of our adversary system," Mr. Hanley said in the report.

"Leaving each individual claim resulting from these situations to be resolved separately is inefficient and wasteful, and contributes to the unreasonable delays in justice that are fundamentally unfair to all parties," Mr. Hanley added.

Specifically, the ABA proposal calls for the creation of a seven-member judicial panel that would determine whether a group of cases constitutes "mass tort litigation" and, thus, should be consolidated.

The ABA says the Chief Justice of the U.S Supreme Court should appoint seven judges from the federal courts to the panel. The judges could be from both the federal trial courts and federal courts of appeal, but the judges must be from separate federal court circuits.

The panel should be limited to looking only at situations involving more than 100 cases, each seeking more than $50,000 for death, serious personal injury or substantial property damage stemming from a single accident or use of or exposure to the same product or substance, according to the ABA proposal.

Once the panel has determined that a group of similar cases constitutes mass tort litigation, the panel could order all or part of this litigation to be consolidated before a single federal court.

'If you can get all the (lawsuits) into one kettle you can solve them easier,' says Mr. Anderson.

Rulings of the panel could be appealed only in special circumstances, and only if the panel grants permission to appeal.

The federal court judge appointed to handle the consolidated litigation would have broad powers to adjudicate the case. For example, the judge would have the power to choose which state's laws should govern the dispute. And, the judge would have the power to remand parts of the litigation to other courts.

The judge also would have the power to create a panel of independent experts to testify in the litigation. Normally, each side in the litigation hires its own experts to testify.

In addition to consolidating all punitive damages claims against a defendant in a separate trial, which would spare defendants from multiple punitive damage awards, the proposal also calls for making it more difficult to prove punitive damages.

The ABA says punitive damages should only be awarded when it is proved that the defendant showed "substantially greater indifference to the safety of others than ordinary negligence, such willful and wanton misconduct or the conscious disregard of the rights or safety of others."

And, the standard of proof required to award punitive damages should be raised from the current "preponderance of evidence" to "clear and convincing evidence," according to the ABA commission.

The ABA commission's proposal also would empower the judge presiding over consolidated mass tort litigation to require litigants to use alternative dispute resolution techniques, such as arbitration, on individual issues. But for common issues among more than one party to the litigation, alternative dispute resolution would be voluntary.

Only one member of the commission, New York plaintiffs' attorney Paul D. Reingold, dissented from the proposal.

He says the commission's recommendations are "too weak for true mass torts and unnecessarily intrusive for routine mass torts."

According to Mr. Reingold, only lawsuits involving asbestos; Agent Orange, a defoliant used in the Vietnam War that has been linked to cancer; and the Dalkon Shield, an intrauterine device manufactured by A.H. Robins Co. truly constitute "mass tort litigation."

Only these three types of litigation are burdening the courts, he says. Other types of mass litigation, such as airline disaster cases, are being adequately handled, Mr. Reingold asserts.

"Therefore, something that has not been demonstrated to be broken is being fixed, and something which is severely broken is being fixed only with palliatives unable to effect the needed corrections," Mr. Reingold said.

His main criticism of the commission's recommendation is that it fails to bind all future claimants.

"If one speaks with house counsel for defendants, what they seek more than anything else is certainty and the final resolution of mass claims," Mr. Reingold said.

In addition to Messrs. Hanley and Reingold, other members of the Commission on Mass Torts include: William Mather Byrne Jr., U.S. District Judge for the Central District of California; Richard O. Cunningham, a plaintiffs' attorney with Steptoe & Johnson in Washington, D.C.; Kenneth R. Feinberg, special settlement master in the Agent Orange litigation and a plaintiffs' attorney with Kaye Scholer, Fierman, Hays & Handler in Washington, D.C.; George S. Frazza general counsel in Chicago of New Brunswick, N.J.-based Johnson & Johnson Products Inc.; Professo Francis McGovern of the University of Alabama School of Law; Georg A. McKeon, general counsel for th Travelers Insurance Co. in Hartford Conn.; Richard Ransom, justice fo the Supreme Court of New Mexico Leonard M. Ring, a defense lawyer i Chicago; Henry Woods, a U.S. District judge for the Eastern District o Arkansas; and Barbara Wrubel, product liability attorney with Skadden, Arps, Slate, Meagher & Flom i New York. ■

Higher retentions dangerous

By MYRON PICOULT

Special to Business Insurance

THE USE OF THE TERM "retention" in a discussion of the property/casualty insurance industry normally causes one to think about the ability of a company to hold on to its existing book of business—in short, how successful underwriters are at renewing policies. However, retention also has another meaning. It is a measure of just how much risk a company's management retains for its own account vis-a-vis reinsuring a portion with another insurer.



Mr. Picoult

Over the past few years retention levels have been increasing. The negative premium growth for the reinsurance industry substantiates the statement.

Most insurers seem to be very reluctant to provide specifics about retention levels. The common thread seems to be that most managements believe their capital bases have expanded to levels that permit the use of less reinsurance. We have also heard some grumblings from the primary companies that reinsurance prices were being sustained at higher than needed levels. The jury is still out on this point. In many instances, we suspect that retentions were raised to permit reported net premiums to grow at a faster pace. After all, no insurers have readily admitted that they too have been cutting prices. Hence, the need to do some covering up.

While we will agree that retention levels several years ago appeared to be too low relative to "real" capital growth, we believe that the pendulum has swung too far to the right and insurers have overdone it.

While we have been able to document the rise in retentions overall, we have not been able to obtain specific information on aggregate property or casualty retentions. We suspect that the rise in casualty retentions has been sharper than the boost in property retentions.

Between the end of 1986 and year-end 1988, we found that for a representative sampling of commercial insurers, net premiums as a percent of gross premiums rose to 77.8% from 74.8%. The multiline insurers went to 81.5% from 78.8%, while personal lines-oriented companies slipped to 91.5% from 93.4%. Although the higher level of retentions may not appear to be great, their impact could be material over the next several years as companies experience adverse reserve development at a time when their capital bases are not expanding much, if at all.

The decision to increase retention levels basically involves a trade-off between financial stability and profit. Going one step further, this involves the assessment of various corporate objectives, the risk characteristics of an insurer's book of business and the company's financial position. We would argue that a company's financial condition (keying around statutory surplus) is the most critical factor because it is the cushion that enables an insurer to absorb an adverse financial impact.

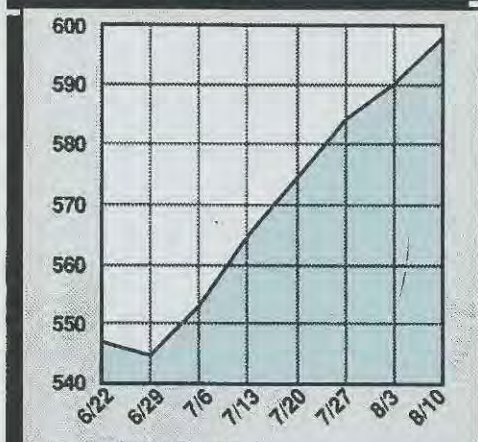
In last month's column, we noted that most insurers were not sufficiently adjusting their reserving process to recognize the higher retention levels and the spike in development that is likely to occur in the upper casualty layers.

A preliminary review of second-quarter results reported to date clearly shows that companies are skimping on reserve increments. For the most part, overall corporate insurance earnings improvements are coming from better group accident and health results and smaller additions to reserves.

This latter fact reminds us of the guy who has been buried in a borrowed suit. Everybody knows that the undertaker is going to come back for the suit, but they just don't know when. The industry's compromising on reserves is sure to come home to roost. While the timing may be somewhat uncertain, we suspect that it could occur sooner rather than later.

Murphy's Law is alive and well.

BI Insurance Index



Insurance industry stocks continued to climb last week, as the *Business Insurance Index* rose 8.3 points to 598.2 on Aug. 10, from 589.9 on Aug. 3. Advancing issues were led by Pacificare Health Systems, up 21.2%; Orion Capital Corp., up 17.4%; and SCOR U.S. Corp., up 14.5%. Decliners followed Western Health Plans Inc., down 19.4%; American Indemnity Financial Corp., down 9.1%; and Kemper Corp., down 6.2%. The most active issue was Aetna Life & Casualty Co., 884,000 shares traded. The *BI Index* gained 1.4% for the period; the Dow Jones 30 Industrials was up 1.9%; the New York Stock Exchange Composite grew by 1.0%; and the Standard & Poor's 500 was up 0.8%.

British Issues

August 10 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	408	17.0	29.3	7.2	410—402	
Gen'l Accident	1058	9.9	70.7	7.3	1060—1050	
Gdn Royal Exch	215	11.3	15.7	7.3	223—215	
Royal	438	13.4	34.0	7.8	440—430	
Sun Alliance	303	8.7	17.0	5.6	305-298	
Brokers						
Bradstock	195	13.4	10.0	5.1	195—195	
CE Heath	463	13.2	34.5	7.5	463—455	
Hogg Robinson	145	12.1	9.3	6.4	145—142	
Lloyd Thompson	220	16.9	8.0	3.6	220—220	
PWS Holdings	48	12.0	3.3	6.9	48—46	
Sedgwick Grp	250	17.6	16.7	6.7	252—250	
Steel Brrl Jones	237	15.8	15.3	6.5	237—237	
Willis Faber	219	16.2	15.3	7.0	220—219	

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

Hall results

Continued from page 2

Because most of these new employees "are still operating under covenants-not-to-compete," they are not yet able to generate revenues to compensate for their salaries, he said. Most of the hirees' non-compete agreements are for two years, while some are for three years, he added.

Of the $50 million loss attributable to discontinued operations:

- $16 million was placed in reserves to fund Hall's $29 million portion of a $48 million settlement with the New York Insurance Department of litigation involving its former underwriting subsidiary, Union Indemnity Insurance Co. of New York (*BI*, June 5). The remaining $19 million was covered by Hall's directors and officers liability insurer, National Union Fire Insurance Co. of Pittsburgh, Pa.

The payout is structured over a 10-year period, and the $16 million represents the present value of the $29 million, using a discount rate of 12%, according to Mr. Addeo.

- $15 million represents a write-down of its investment in claims adjusting company Adjustco Inc. "to what it believes is now the realizable value of the shares," Mr. Addeo said.

Hall regained a 49% stake in its former subsidiary at the end of June when Adjustco's buyer, Leonard J. Russo Insurance Services, failed to honor the terms of its 1987 purchase agreement (*BI*, July 17).

- $19 million, principally related to two discontinued reinsurance underwriting subsidiaries in Brussels, Belgium, that have been in runoff since 1986, and also to establish reserves for pending securities litigation.

"We're confident that this is the last of Hall's discontinued operations charges," Mr. Addeo stressed. Hall's new chairman, Donald R. Bell, has said "he expects the company to be profitable in 1990," Mr. Addeo added.

The "$50 million cash infusion will provide funds sufficient to meet our working capital requirements, and with the company's (projected) return to profitability, it is not projected that the company will need any more cash," Mr. Addeo said.

He also pointed out that Hall has "seen a positive trend in new business production in the last four quarters, and this quarter far exceeded our budget projections," with new domestic property/casualty business up 13% compared with the second quarter of 1988, not considering the effect of rate reductions.

Gross revenues were up 4.2% in the quarter to $93 million from $89.2 million in the second quarter of 1988, and up 1.1% in the first six months of the year to $193.2 million from $191.2 million in the first half of 1988. ■

BI Industry Stock Report

AUGUST 10, 1989 **8/4/80 THRU 8/10/89**

BROKERS		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
Alexander & Alexander Svcs	NYSE	29.13	1.3	24.0	29.63	22.63	97	1.00	3.4	18.0	2.90	10.04
Corroon & Black Corp.	NYSE	36.50	1.0	17.3	36.88	30.75	240	1.24	3.4	15.7	7.62	4.79
Gallagher Arthur J. & Co	NYSE	23.88	-3.5	42.6	24.75	16.13	19	0.52	2.2	16.8	5.33	4.48
Hall Frank B. & Co	NYSE	3.75	-3.4	30.2	4.63	2.50	28	0.00	0.0	-1.8	0.00	N/A
Hilb, Rogal & Hamilton	OTC	18.25	2.8	19.7	19.00	13.75	28	0.20	1.1	15.9	4.60	3.97
Marsh & McLennan Cos. Inc.	NYSE	70.38	0.7	25.1	72.13	55.13	194	2.50	3.6	17.3	6.48	10.86
Poe & Assoc. Inc	OTC	8.50	0.0	3.0	8.75	8.25	3	0.40	4.7	9.7	1.43	5.94
BROKERS	AVERAGE		0.2	23.1					2.6	13.0		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W R. Corp.	OTC	35.25	-2.1	19.5	36.25	29.25	46	0.40	1.1	7.4	21.28	1.66
Berkshire Hathaway Inc. DEL	NYSE	8075.00	4.2	71.8	7996.00	7975.00	103	0.00	0.0	28.6	2468.63	9.30
ITT (Hartford Group)	NYSE	62.50	1.2	24.7	62.75	49.75	726	1.48	2.4	10.5	56.33	1.11
Sears Roebuck & Co. (Allstate)	NYSE	46.38	-1.3	13.5	48.00	40.13	762	2.00	4.3	15.8	36.09	1.29
CONGLOMERATES	AVERAGE		0.5	32.4					2.0	15.5		
INSURERS/REINSURERS												
Aetna Life & Cas Co	NYSE	59.38	0.0	25.7	60.13	46.75	884	2.76	4.6	8.7	58.11	1.02
AmBase Corp.	NYSE	16.00	5.8	45.5	16.38	11.00	425	0.20	1.3	5.6	18.66	0.86
American General Corp.	NYSE	37.88	0.3	26.8	38.50	29.50	184	1.50	4.0	9.8	28.04	1.35
Amer Heritage Life Invt	NYSE	26.50	0.0	2.9	27.88	25.00	0	1.20	4.5	10.1	22.47	1.18
Amer Indty Fin'l Corp.	OTC	10.00	-9.1	-4.8	13.00	9.50	3	0.56	5.6	6.4	17.38	0.58
American Int'l Group	NYSE	95.00	-0.1	40.2	95.88	66.25	638	0.48	0.5	12.0	33.55	2.83
Aon Corp.	NYSE	36.63	0.4	30.8	38.00	27.00	18	1.40	3.8	12.2	16.67	2.20
Argonaut Group	OTC	62.88	1.0	43.7	62.50	43.50	23	1.00	1.6	8.2	36.83	1.71
AVEMCO Corp.	NYSE	24.00	-5.4	-7.3	26.13	22.63	34	0.40	1.7	12.9	9.20	2.61
Baldwin & Lyons Inc.	OTC	20.00	1.3	34.4	20.25	14.50	9	0.20	1.0	6.7	17.57	1.14
Belvedere Corp.	AMEX	5.25	0.0	16.7	6.50	4.50	1	0.04	0.8	8.2	8.43	0.62
Chandler Insurance	OTC	10.50	1.2	51.3	10.88	7.00	73	0.00	0.0	5.9	9.53	1.10
Chubb Corp	NYSE	77.88	1.8	34.3	78.25	57.63	129	2.32	3.0	8.5	53.50	1.46
CIGNA Corp.	NYSE	63.25	5.9	34.2	63.88	45.88	158	2.96	4.7	10.8	53.08	1.19
CNA Fin'l Corp	NYSE	82.38	-1.2	36.2	84.88	57.63	49	0.00	0.0	17.3	54.52	1.51
Continental Corp.	NYSE	37.88	3.1	17.0	38.63	31.50	193	2.60	6.9	25.8	42.10	0.90
Durham Corp.	OTC	32.25	-3.7	-2.3	34.00	30.00	0	0.92	2.9	28.5	26.32	1.23
Fireman's Fund Corp	NYSE	38.00	0.7	29.9	38.75	29.00	40	0.60	1.6	9.9	32.74	1.16
Fremont Gen Corp.	OTC	16.25	-3.7	21.4	18.25	12.13	131	0.80	4.9	12.5	17.61	0.92
Frontier Insurance Group	OTC	21.25	3.7	70.0	21.75	11.13	8	0.00	0.0	11.0	7.53	2.82
General Re Corp.	NYSE	75.25	-0.5	35.6	76.63	54.38	348	1.36	1.8	12.5	29.04	2.59
Hanover Ins Co.	OTC	28.38	-1.3	6.1	30.25	25.75	68	0.44	1.6	6.8	31.47	0.90
Harleysville Group Inc.	OTC	22.00	0.0	22.2	22.50	17.75	16	0.48	2.2	7.3	18.94	1.16
Hartford Steam Boiler	OTC	53.75	7.5	46.3	53.00	34.75	87	1.60	3.0	14.4	13.04	4.12
Kans City Life Ins	OTC	35.25	0.7	2.2	36.00	32.75	0	1.04	3.0	12.2	39.22	0.90
Kemper Corp.	NYSE	43.63	-6.2	81.8	47.25	22.75	143	0.84	1.9	7.6	28.91	1.51
Lawrence Ins. Group	AMEX	7.50	7.1	-4.8	8.50	6.63	1	0.24	3.2	15.6	3.19	2.35
Liberty Corp. S.C.	NYSE	36.38	-3.0	1.1	38.00	32.50	5	0.80	2.2	20.8	21.17	1.72
Lincoln Nat'l Corp.	NYSE	55.63	1.6	26.4	56.63	42.75	58	2.48	4.5	14.3	39.21	1.42
NAC Re Corp.	OTC	31.75	3.3	50.0	32.00	20.63	15	0.20	0.6	14.5	15.21	2.09
Navigators Group	OTC	25.75	-3.7	28.8	27.25	20.50	3	0.00	0.0	9.6	15.22	1.69
Nobel Ins Ltd.	OTC	2.13	6.5	-55.2	5.00	1.50	60	0.42	9.7	-8.2	7.76	0.27
Northwestern Nat'l Life	OTC	39.50	5.3	26.9	39.13	26.88	110	1.20	3.0	14.3	37.50	1.05
Ohio Cas Corp.	OTC	49.50	2.8	38.5	49.75	35.50	57	2.08	4.2	7.4	33.30	1.49
Old Rep Int'l Corp.	OTC	26.38	0.5	9.9	28.88	23.38	40	0.74	2.8	12.6	26.50	1.00
Orion Cap Corp.	NYSE	27.00	17.4	75.6	26.75	15.38	96	0.84	3.1	7.1	12.93	2.09
Phoenix Re Corp.	OTC	9.50	-2.6	0.0	11.00	8.75	23	0.00	0.0	5.2	12.99	0.73
Protective Life Corp.	OTC	15.75	0.0	18.9	16.25	12.88	115	0.70	4.4	38.4	14.54	1.08
Re Capital Corp.	AMEX	12.38	-1.0	35.6	12.88	9.13	1	0.00	0.0	11.1	12.60	0.98
RLI Corp.	NYSE	8.88	4.5	16.4	9.25	7.13	10	0.36	4.1	8.5	10.71	0.83
Provident Life & Acc Ins Co	OTC	27.63	7.8	43.5	27.00	19.13	686	0.68	2.5	9.4	23.24	1.19
St. Paul Cos. Inc.	OTC	58.75	-0.2	35.1	59.75	43.00	263	2.20	3.7	7.5	32.00	1.84
SAFECO Corp.	OTC	33.50	4.7	41.8	33.50	23.13	408	1.20	3.6	8.0	24.88	1.35
SCOR US Corp.	NYSE	9.88	14.5	8.2	9.50	7.50	118	0.20	2.0	7.5	10.35	0.95
Seibels Bruce Group Inc.	OTC	13.00	7.2	14.2	13.63	10.25	29	0.80	6.2	14.1	13.42	0.97
Selective Ins Group Inc.	OTC	25.50	-3.8	10.9	26.50	21.75	3	1.44	5.6	5.4	22.33	1.14
Statesman Group Inc.	OTC	3.00	-6.0	-4.2	4.00	2.38	35	0.05	1.7	75.0	3.48	0.86
Tokio Marine & Fire Ins	OTC	77.50	-2.8	-15.2	95.50	66.00	0	0.23	0.3	47.0	0.00	N/A
Torchmark Corp.	NYSE	47.38	-3.1	55.3	49.00	30.00	90	1.20	2.5	13.9	12.24	3.87
Transamerica Corp.	NYSE	44.63	0.9	31.7	44.50	32.75	561	1.88	4.2	9.7	30.70	1.45
Travelers Corp.	NYSE	43.88	-0.8	26.3	45.00	34.50	275	2.40	5.5	7.7	44.85	0.98
Trenwick Group Inc.	OTC	18.75	0.0	29.3	19.00	13.75	31	0.36	1.9	9.9	16.91	1.11
United Fire & Cas Co.	OTC	32.75	-0.8	7.4	33.13	29.00	0	1.20	3.7	6.9	22.56	1.45
United States Fid & Gty	NYSE	32.88	-0.8	15.4	34.00	28.50	243	2.80	8.5	17.5	22.57	1.46
UNUM Corp.	NYSE	36.75	-4.2	36.1	39.13	26.63	97	0.60	1.6	10.8	30.64	1.20
USLIFE Corp.	NYSE	47.25	2.7	35.5	47.50	34.13	58	1.40	3.0	11.0	54.27	0.87
Washington Nat'l Corp	NYSE	28.88	0.0	7.0	29.13	24.00	13	1.08	3.7	-20.6	32.33	0.89
Zenith Nat'l Ins Corp.	NYSE	19.50	-2.5	11.4	20.00	16.75	13	0.84	4.3	9.0	13.61	1.43
INSURERS/REINSURERS	AVERAGE		0.9	24.1					3.2	12.2		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International Corp	OTC	39.88	13.1	228.8	39.00	11.75	310	0.00	0.0	20.3	3.54	11.27
HMO America Inc.	OTC	10.38	10.7	36.0	10.63	0.88	486	0.00	0.0	-9.1	1.12	9.27
Pacificare Health Systems	OTC	47.88	21.2	290.9	52.50	12.25	37	0.97	2.0	29.2	6.35	7.54
Safeguard Health Ent.	OTC	9.25	4.2	68.2	9.50	4.75	23	0.00	0.0	15.7	2.99	3.09
Sierra Health Services	AMEX	8.13	14.0	398.8	8.25	1.50	39	0.00	0.0	-6.6	1.59	5.11
United HealthCare Corp.	OTC	12.00	7.8	174.0	12.38	4.13	775	0.00	0.0	-5.4	0.31	38.71
United Medical Corp.	AMEX	5.88	0.0	12.0	6.75	5.13	5	0.00	0.0	1.7	4.11	1.43
U.S. Healthcare	OTC	13.00	2.0	123.8	13.88	5.25	350	0.20	1.5	41.9	2.87	4.53
Western Health Plans Inc.	AMEX	0.25	-19.4	-63.8	1.13	0.25	4	0.00	0.0	-0.1	0.82	0.30
HMOs	AVERAGE		6.0	141.0					0.4	9.7		
ALL COMPANIES	AVERAGE		1.4	37.9					2.7	12.2		

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