

Business Insurance

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Lloyd's chairman calls for vote by members on corporate capital

LONDON—Lloyd's of London Chairman David Rowland has called an Oct. 20 extraordinary general meeting to prevent rebel members from delaying next year's scheduled introduction of corporate capital.

Members voted last week in favor of Lloyd's business plan, which includes the introduction of corporate capital (see story, page 65).

On Oct. 20, members will be asked to vote on bylaws, which are scheduled to be approved by the Council of Lloyd's on Sept. 8.

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Spotlight on Surplus Lines Page 3

Directory of Excess/Surplus Insurers Page 31
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Texas board won't die unnoticed

By NANCY P. JOHNSON

AUSTIN, Texas—Insurance regulators, legislators and interest groups are gearing up for a Texas showdown later this month, but the sparks likely will start flying this week.

On Thursday, the state House Insurance Committee will ask the state Board of Insurance to justify the volume of new rules—44 in all—it hopes to pass during an Aug. 30 meeting. Business groups claim the board wants to push through a host of controversial measures before it loses its rulemaking authority Sept. 1.

A new law will transfer much of the three-person board's authority to a new insurance commissioner's office. Gov. Ann Richards is expected to fill the post this month.

The current commissioner, Georgia Flint, plans to leave office by Sept. 1.

The two remaining members of the Board of Insurance—one recently returned to the state Treasury Department—will not attend the special hearing. Instead, they are sending the board's director of governmental affairs, said a spokesman for Rep. John Smithee, R-Amarillo, who chairs the insurance committee.

Insurance groups are bristling at the board's proposals, which primarily affect personal lines insurance.

"Many of the proposed rules are an example of the board's tendency toward excessive regulation of our industry. This philosophy of regulation contradicts free enterprise, stifles competition, and is detrimental to insurance consumers," said Kimberly A. Yelkin, a partner at Akin, Gump, Strauss, Hauer & Feld in Austin, and who represents insurance industry interests in the Texas Legislature.

The rules before the board would apply to personal auto, residential property, life, accident and health insurance. They include proposals to: bar insurers from discriminating on grounds that are not actuarially valid; require insurers to disclose reasons for refusing coverage; prohibit insurers from basing underwriting decisions

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From con man to consultant

Insurer's investors tap convicted felon to advise company

By DOUGLAS McLEOD

SKOKIE, Ill.—Last winter, a prominent reinsurance broker visited the suburban Chicago offices of Prestige Casualty Co. to discuss the company's reinsurance programs.

When the broker was introduced to Prestige's reinsurance consultant, though, he quickly cut the meeting short. "I didn't walk away from that meeting; I ran," he says. "I didn't wait for my pants to crease."

The consultant who produced that reaction: John V. Goepfert, convicted insurance felon.

Eight years out of federal prison, Mr. Goepfert is back in business as a \$174,000-a-year, behind-the-scenes consultant to investors who acquired Prestige last fall, *Business Insurance* has learned.

Some of the investors have longstanding business or personal ties to Mr. Goepfert.

And, the husband of one investor, who contributed more than \$1 million in stock



Photo by Todd Winters

NOTHING TO HIDE: Illinois regulators are aware that John V. Goepfert, convicted insurance felon, is now advising the owners of Prestige Casualty Co.

to a Prestige unit as part of the deal, is the former president of Savoy Reinsurance Co. Ltd., a defunct offshore company that once reported \$50 million in bogus assets on its balance sheet.

Neither Prestige, its new owners nor Mr. Goepfert has been accused of any wrongdoing connected with Prestige's operations.

In fact, Illinois Insurance Department of-

Continued on page 69

Clinton issues reform plan outline

By JERRY GEISEL

WASHINGTON—After months of sound bites and trial balloons, the Clinton administration for the first time is providing a broad outline of its health care reform package.

The document released last week to congressional Democrats contains few, if any, surprises about the contents of the president's plan, which is expected to be formally unveiled next month.

The 47-page document was not without some vitriolic statements about health insurers. For example, the health alliances that would be formed under the plan are described as a way to provide consumer

protection "so that if the insurance company tries to rob you of your benefits, you won't be alone."

Generally, however, the paper took a positive approach in describing reform proposals.

Many of the elements in the document have previously been well-publicized: universal coverage, a system of health care alliances that would purchase coverage for employers and individuals, folding the medical portion of workers compensation into the program, banning pre-existing medical condition exclusions and giving individuals medical security cards.

But the briefing paper, "Health Care Update: The Need for Health Care Re-

form," confirms other elements that until now were unknown or mere speculation.

Those features include:

- "Very large" employers would be able to set up their own health care purchasing alliances rather than being forced to join alliances sponsored by government. Very large is not defined, but a minimum threshold of 5,000 employees is being mentioned by some employer lobbyists.

Employer health alliances, though, would have to meet the same standards as other alliances, including offering a choice of comprehensive benefit plans and limits on employee cost-sharing.

Business groups previously had feared

Continued on page 71

Cost of reform may sting some employers

By JERRY GEISEL

For whom the Clinton plan tolls

Payroll taxes as a percent of payroll could raise employer health costs sharply.



WASHINGTON—Unless supplemental revenues are found, financing universal health care coverage through payroll taxes could mean staggering costs for employers that never have offered coverage.

People want health care reform to cut costs before widening access: Survey Page 68

The Clinton administration next month is expected to propose establishing giant health care purchasing alliances as the centerpiece of its health care reform package. Employers would pay premiums to the alliances, which will purchase policies from insurers, health maintenance organizations and other providers.

The alliances, which could be organized by state govern-

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Update

Corporate capital vote set

Continued from previous page

that will allow Lloyd's to introduce limited-liability corporate capital for the first time. One-third of members must vote in favor of the bylaws to quash any further challenge, a Lloyd's spokesman said.

Mr. Rowland told members in a letter that he called the meeting and the vote because "I am concerned that the minority of members who are opposed to our plans may seek to disrupt our timetable."

The Oct. 20 vote would pre-empt rebel members from challenging the adoption of the new bylaws by calling their own EGM, which could delay the introduction for corporate capital by three months.

Pru Re offer reported

NEW YORK—An investor group led by Texas investor Robert Bass and Centre Reinsurance Holdings Ltd. reportedly has made an offer to acquire Prudential Reinsurance Co.

Spokesmen for Pru Re and parent Prudential Insurance Co. of America declined to comment on the Wall Street Journal report, as did officials with Insurance Partners L.P., the investor group.

Insurance Partners—led by a Bass investment partnership, Centre Re and Chase Manhattan Corp.—is seeking additional investors through a private placement.

Prudential announced earlier this year that it would try to sell Pru Re for at least \$1.2 billion, a figure some analysts considered optimistic (BI, March 15). The insurer is rumored to have had discussions with several potential buyers.

Republican health reform ideas

WASHINGTON—While President Clinton is readying legislation to overhaul the nation's health care delivery system, Republicans are responding with much more modest proposals.

In contrast to the administration's plan, which would require employers to pay 80% of employees' health care premiums (see story, page 1), a reform package drafted by House Republicans would require employers only to offer—not pay for—health care benefits.

Other provisions in the draft package would restrict the use of pre-existing medical condition exclusions, require insurers to make available at least one standard and one catastrophic health care plan to employers with less than 50 employees, and pre-empt state laws that interfere with managed care. The package would also cap non-economic damage awards in medical malpractice cases.

Also last week, the Senate Republican Health Care Task Force released a set of "consensus principles" for reform, chief among them a proposal to create a system of private-sector purchasing cooperatives for small businesses and individuals.

However, the task force disapproves of proposals mandating that all small businesses provide health insurance and opposes using payroll taxes to finance health reforms.

The task force also says that states should be given "maximum flexibility" to enact their own health care reforms.

Prop. 103 advocates blast bill

SACRAMENTO, Calif.—California state senators this week will debate a measure critics say would nullify a key provision in Proposition 103 that subjected the insurance industry to state antitrust laws.

A.B. 1086, introduced by Assemblyman Robert Campbell, D-Martinez, passed the Assembly and sailed onto the Senate floor earlier this summer. Sponsored by the Insurance Agents & Brokers Legislative Council, the bill would specify what information could be included in advisory manuals that California insurers and agents use to set rates.

Critics of the bill including the Department of Insurance and Harvey Rosenfield, the consumer advocate who authored Proposition 103, say it would permit insurance companies to engage in price-fixing, as they did before Proposition 103 was passed.

The bill's sponsors say the legislation would not violate antitrust laws because it would simply give agents access to information they can use when negotiating rates. They note that the bill would prohibit "not only allowing an advisory organization to set or establish rates, but from also issuing any manual that contains final rates for any insurance coverage."

Royal out as GM's liability TPA

CHARLOTTE, N.C.—Royal Insurance will no longer administer General Motors Corp.'s general and product liability claims.

Effective Sept. 1, CIGNA Corp. will pick up the business. Neither CIGNA nor GM would comment on the change.

While no specifics were given, a Royal spokesman said the insurer and GM were unable to reach an agreement during renewal. "GM wanted Royal to change its role in handling claims, and we were unwilling to do that. The agreement (to split) was mutual."

The loss of the GM claims administration contract accounts for less than one-fourth of Royal's business with the Detroit automaker, said Royal Vp Fred Dabney II. Royal, which has done business with GM for at least 75 years, will continue its other duties for the automaker, he said.

About 70 Royal employees work full-time handling GM claims.

Updates continued on page 70

Errors & Omissions

• Primex Ltd. covers costs from offsite pollution incidents that begin and end within 72 hours, not 36 hours as reported in a July 19 story due to incorrect information supplied to BI. In addition, Quaker Cehmical Corp. is located in Conshohocken, Pa., not Pittsburgh as reported in the story.

California court OKs lawsuits over comp claims handling

By LOUISE KERTESZ

LOS ANGELES—A California employer can sue its workers comp insurer if the insurer's allegedly inefficient claims handling and reserving practices increase the employer's premiums and reduce policy dividends, a state appellate court says.

Insurance company officials fear the decision could lead many employers dissatisfied with their workers comp costs to sue their insurers over claims handling practices.

The State Compensation Insurance Fund, the defendant in the case and the state's largest workers comp insurer, will petition the state Supreme Court for review, said Charles Savage, the SCIF's chief counsel in San Francisco.

If not reversed, "this is a potential problem (when) coupled with new provisions" of a recently passed workers comp law that allows employers access to claims files, said William Molmen, general counsel for the insurer-supported California

Workers' Compensation Institute in San Francisco (BI, July 26).

Although some employers previously had contractual access to claims files with some insurers, employers had no legal access to the files before the reform was passed last month, he added.

The Aug. 4 decision by California's 2nd Appellate District Court could encourage attorneys to "mine" claims files on behalf of employers that are dissatisfied with their workers comp insurers, said Mr. Molmen, adding

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Shipyard workers win more than \$10 million

Abestos award to be appealed

By MICHAEL SCHACHNER

PASCAGOULA, Miss.—Two former asbestos producers and a mining concern say they will appeal a \$10 million-plus award to six former shipyard workers in one of the nation's largest consolidated asbestos personal injury cases.

A state court jury last week found that asbestos-containing products distributed to the Ingalls Shipyard in Pascagoula from the 1940s to the 1970s were

defective. The three defendants are Westinghouse Electric Corp., Dresser Industries Inc. and Colonial Sugar Refinery Ltd. of Sydney, Australia—which mined raw asbestos and sold it to U.S. producers.

Westinghouse, which was ordered to pay \$4.2 million, said it was fully insured for the damages. Dresser said it was covered for about two-thirds of the \$3.9 million it was ordered to pay. Colonial Sugar was ordered to pay \$2.2 million; coverage infor-

mation was not available.

Jurors awarded the six workers \$9.3 million in compensatory damages and 10% of that total in punitive damages. Jurors denied the claims of three other workers, finding they had not proved their injuries were caused by exposure to asbestos.

If upheld on appeal, the court's finding that the products were defective would apply to some 6,900 suits still pending against the three defendants. Plaintiffs

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AIDS cost inflation slows

Life/health insurers' claims costs rise 7.1% in 1992

By MICHAEL SCHACHNER

AIDS-related life and health insurance claims costs are still rising, but the rate of increase is slowing, a new survey finds.

Pre-screening for life insurance eligibility and large-scale case management of AIDS cases helped hold the rise in AIDS life/health insurance claims to 7.1% in 1992, its lowest level since AIDS claims experience was first

tracked in 1986.

U.S. life and health insurers paid an estimated \$1.4 billion in AIDS-related claims in 1992, according to the American Council of Life Insurance and the Health Insurance Assn. of America.

That estimate is based on responses from 365 life and health insurers that paid about \$1 billion in AIDS claims last year, plus estimated costs of payments made by self-insured employers

and Blue Cross & Blue Shield plans nationwide.

The 1992 estimate brings the cumulative total of AIDS-related claims payments to nearly \$6.3 billion since 1986.

Since 1989, though, the rate of increase has steadily declined. In 1989, AIDS-related claims increased 68.3% to \$1.01 billion from about \$600 million. The following year, costs increased

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Bill would extend COBRA eligibility

WASHINGTON—The lawmaker who originally sponsored the COBRA health care statute wants to lengthen the period of time that employers must extend health care coverage to former workers and dependents.

The COBRA Health Coverage Extension Act of 1993 would increase to 54 months from 18 months the period in which coverage must be offered to employees who terminate employment.

The measure, introduced this month by House Ways and Means Health Subcommittee Chairman Rep. Pete Stark, D-Calif., also would extend COBRA eligibility to 72 months from the current 36-month period for dependents in cases in which an employee dies or coverage would be lost due to marital divorce or separation.

Rep. Stark, who in early 1985 introduced a health care continuation proposal that later was in-

corporated into the Consolidated Omnibus Budget Reconciliation Act, said his extension measure is needed to keep health care coverage in place until broader health care reform legislation is enacted.

"Reform of the health insurance market is coming in the months ahead, but this is no solace to those on the verge of losing their coverage today or tomorrow," Rep. Stark said.

—By Jerry Geisel

Inside

✓ The Americans with Disabilities Act is causing more employers to realize the people with disabilities are an untapped resource, this week's editorial says. **PAGE 8**

✓ The European Community's framework for a single insurance market raises many questions, a U.S. government report says. **PAGE 64**

✓ Directors and officers liability risks are growing in Canada. **PAGE 65**

✓ The New Zealand government hopes to increase catastrophe insurance capacity with a new tax deduction for insurers. **PAGE 65**

✓ Many Americans think cost control and waste reduction should precede universal access as steps to reform the health care system, a new survey shows. **PAGE 68**

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Spotlight report

Surplus lines market report

By DAVE LENCKUS

Most of the largest U.S.-based surplus lines insurers are building on the momentum they gathered heading into 1993, which was generated largely by the hardening property insurance market and a bevy of new products.

The nation's largest wholesalers are counting on those same forces to drive a turnaround in their generally weaker 1992 results.

Many surplus lines insurers and wholesalers also are taking other measures, like trimming their producer networks, in an effort to improve business.

But the surplus lines market will continue to face several challenges, like heated competition for casualty business from the admitted market and tougher regulation in some states.

The high-risk property business that the admitted market has cast off because of catastrophe losses over the past year is the prize catch for the surplus lines market this year, with some property premiums increasing from 20% to 300%, according to surplus lines executives.

"High-risk property pricing is on the rise, and the lines separating the non-admitted market from the admitted one are blurring," said John G. Hahn, the new president of Tri-City Insurance Brokerage Inc. of New York, the

third-largest surplus lines broker and the fifth-largest wholesaler.

"It makes for a better market for us to work in," he said.

Indeed, "now more (property) business is coming out of the admitted market than going toward it," said Robert J. Ceconi, senior vp of The St. Paul Surplus Lines Insurance Co. Inc. of St. Paul, Minn., the ninth-largest surplus lines insurer.

For example, Lexington Insurance Co., the largest surplus lines insurer, reported a 25% increase in premium volume in the first six months of 1993, largely due to increased property business.

But, not all surplus lines insurers can count on additional property business to boost premium volume, said Kevin H. Kelley, president of Lexington, an American International Group Inc. unit.

"Many companies in the surplus lines business can't play in the property game today because they can't get the reinsurance and don't have the wherewithal to handle all of the retentions that are being thrown at them," he observed.

With the hardening high-risk property market and a showroom full of new products, the surplus lines market

Continued on next page

Ten largest U.S.-based surplus lines insurers

Insurers Parent company	Non-admitted direct premiums		% change	Total gross premiums		% change	Statutory combined ratio	
	1992	1991		1992	1991		1992	1991
Lexington Insurance Co. American International Group Inc.	\$764,382,633	\$745,207,428	2.6%	\$802,731,983	\$770,483,412	4.2%	91.1%	89.8%
Scottsdale Insurance Co. Nationwide Mutual Insurance Co.	582,453,416	517,801,293	12.5	1,083,696,768	1,027,553,920	5.5	109.4	104.0
American International Specialty Lines Insurance Co. American International Group Inc.	353,658,397	208,490,844	69.6	373,519,879	242,293,032	54.2	87.5	88.2
General Star Indemnity Co. General Re Corp.	175,323,313	161,395,887	8.6	178,594,988	164,965,585	8.3	97.4	95.1
United National Insurance Co. American Manufacturing Corp.	162,780,870	128,986,372	26.2	199,711,284	162,631,949	22.8	98.1	94.1
Illinois Insurance Exchange	148,441,421	116,159,143	27.8	203,540,229	150,847,391	34.9	101.0	97.4
Reliance Insurance Co. of Illinois Reliance Insurance Co.	135,720,371	140,767,481	-3.6	188,623,744	179,809,280	4.9	117.9	114.4
The Home Insurance Co. of Illinois Home Insurance Co.	124,561,476	91,003,000	36.9	154,235,523	128,246,653	20.3	111.9	108.1
St. Paul Surplus Lines Insurance Co. Inc. The St. Paul Cos. Inc.	97,694,688	95,286,469	2.5	124,921,747	124,251,979	0.5	117.9	104.1
Evanston Insurance Co. Markel Corp.	95,035,021	97,981,583	-3.0	130,178,224	140,200,609	-7.1	106.0	116.9

Source: BI survey

GRAPHIC BY A. TRANCHITA

Ten largest U.S.-based insurance wholesalers

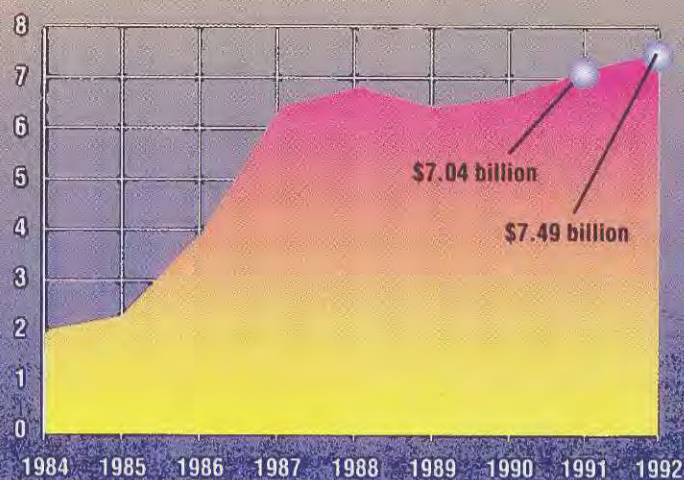
Brokers Parent company	Premium volume		% change	Gross revenues		% change	Percent surplus lines ¹		
	1992	1991		1992	1991		1992	1991	
Swett & Crawford Group The St. Paul Cos. Inc.	\$522,406,000	\$527,018,000	-0.9%	\$51,200,000	\$51,050,000	0.3%	60.0%	65.0%	
Price Forbes North America Sedgwick Group P.L.C.	440,000,000	424,000,000	3.8	43,700,000	38,000,000	15.0	65.0	65.0	
Tri-City Insurance Brokerage Inc. Privately held	358,080,808	318,888,888	12.3	21,500,000 ^E	19,500,000 ^E	10.3	15.0	10.0	
Alexander Howden North America Inc. Alexander & Alexander Services Inc.	303,407,000	277,979,212	9.1	19,663,500	17,184,397	14.4	31.0	20.0	
Stewart Smith Group Inc. Willis Corroon P.L.C.	248,000,000	260,000,000	-4.6	18,240,000	20,797,000	-12.3	60.0	63.0	
MGAs/Underwriting managers Parent company		Premium volume		% change	Gross revenues		Percent surplus lines		
		1992	1991		1992	1991	1992	1991	
The Schinnerer Group Inc. Marsh & McLennan Cos. Inc.		\$415,000,000	\$452,000,000	-8.2%	34,500,000 ^E	\$38,500,000 ^E	-10.4%	5.0%	5.0%
Coregis Group Inc. Crum & Forster Inc.		378,528,000	394,631,000	-4.1	N/M	N/M	-	8.0	11.0
The London Agency Inc. Crum & Forster Inc.		280,000,000	393,496,000	-28.8	N/M	N/M	-	5.0	10.0
General Star Management Co. General Re Corp.		214,339,068	194,493,754	10.2	N/M	N/M	-	75.9	72.2
First State Management Group ITT/Hartford Group Inc.		193,200,000	208,300,000	-7.2	N/M	N/M	-	67.5	67.5

¹ Percent placed with non-admitted markets ^E BI estimates N/M Not meaningful
Source: BI survey

GRAPHIC BY JOHN HALL

Surplus lines premiums

Surplus lines premium volume continued to grow last year, rising 6.4% in 1992.



Source: BI survey of state insurance departments

GRAPHIC BY KIMBERLY MART

Surplus lines

Continued from previous page
 looks to improve on 1992, when premium volume increased 6.4% to \$7.49 billion from a restated \$7.04 billion in 1991 (see chart, page 11). Premium volume increased 3.8% in 1991 compared with 1990.

The nation's 10 largest surplus lines insurers fared even better last year than the market in general: According to figures provided to *Business Insurance*, the direct non-admitted premiums for the Top 10 non-admitted insurers increased 14.6% to \$2.64 billion from \$2.3 billion in 1991 (see chart, page 3).

Eight of the 10 largest surplus lines insurers reported increased premium volumes. For the second consecutive year, American International Specialty Lines Insurance Co., which changed its name from American International Surplus

Lines Insurance Co., reported the strongest gain—69.6%. Volume gains for the seven other insurers that reported increases ranged from 2.5% to 36.9%.

Premiums dropped only in the 3% range for the other two Top 10 surplus lines insurers.

Only one insurer was new to the ranks of the Top 10: The Home Insurance Co. of Illinois, a subsidiary of The Home Insurance Co. With nearly \$124.6 million of direct non-admitted premiums, it moved into eighth place, replacing First State Insurance Co.

First State was one of three surplus lines and reinsurance subsidiaries that ITT/Hartford Group Inc. shut down last year when it restructured its wholesale underwriting operations.

Other changes in the Top 10 insurer rankings:

- United National Insurance

Co., an American Manufacturing Corp. unit, and the Illinois Insurance Exchange each moved up a notch—to fifth and sixth place, respectively.

- Reliance Group Holdings Inc. unit Reliance Insurance Co. of Illinois, one of the two insurers that reported a drop in premium volume, fell two places to No. 7.

- Markel Corp. unit Evanston Insurance Co., the other insurer that reported a drop in premium volume, fell behind St. Paul Surplus Lines to 10th place.

Among the Top 10 wholesalers, six reported declines in premium volume that ranged from 0.9% to a sharp 28.8% drop for The London Agency Inc., which shed three brokerage operations to focus on underwriting management.

Increases in wholesalers' premium volume ranged from 3.8% to 12.3%.

There were only a few changes in the wholesalers' rankings.

The London Agency fell one notch to third place among managing general agents/underwriting managers. The reorganized and renamed Coregis Holdings Inc., which includes the former Crum & Forster Managers Group, moved up one rung to second place.

The London Agency also fell three notches to No. 7 among all wholesalers, while Coregis moved up three places to the No. 4 spot among all wholesalers.

Missing from this year's Top 10 list of wholesalers is K&K Insurance Group Inc. Replacing it as the fifth-largest MGA/underwriting manager and 10th-largest wholesaler is First State Management Group, the restructured Hartford unit that is writing new and renewal surplus lines business for two Hartford units.

The surplus lines market is not counting on increased high-risk property business alone to help it improve premium volume. Insurers and wholesalers also are introducing many new products.

"We are not abandoning casualty to write more property," summed up Pennington H. Way III, who oversees the surplus lines operations of Reliance Insurance Co. of Illinois as executive vp of sister company Reliance National Insurance Co. of New York.

New surplus lines products include:

- \$5 million of employment practices liability coverage, written by Reliance Insurance Co. of Illinois and placed by a unit of Price Forbes North America, which ranked as the No. 2 wholesale broker as well as the second-largest wholesaler. The policy covers wrongful employment practices like wrongful termination, sexual harassment and discrimination.
- \$5 million of claims-made liability coverage for operators of non-hazardous landfills, written by Home of Illinois. It covers general liability, pollution liability, and professional liability risks.

- Liability insurance for taxi owners and dentists who belong to risk purchasing groups, written by syndicates on the Illinois Insurance Exchange.

- Professional liability coverage for environmental consultants and general liability coverage, including pollution coverage, for environmental remedial contractors and for manufacturers of pollution abatement and control equipment, written by General Star Indemnity Co., a unit of General Re Corp.

General Star, which is the fourth-largest surplus lines insurer, also has introduced liability coverages for motor sports, daycare centers and petroleum

Continued on page 6

Ramon Gonzales Teja/The Image Bank



"Never say never"

Some surplus lines insurance companies use underwriting policy to bog down producers in a bottomless quagmire of paperwork and procedure while underwriters try to figure out what to do with unique risks and specialty programs.

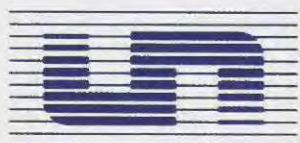
It is no wonder that producers often feel their risks will never get written.

At United National Group—one of the largest surplus lines insurers in America—our underwriters

are trained to tear through the paperwork in order to get risks placed quickly and efficiently. We want to help producers grow and profit.

Our companies are resourceful, flexible, and inventive, and when it comes to writing surplus lines risks, we never say never.

United National Group. Wise enough to listen, strong enough to act.



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Spotlight report

Surplus lines

Continued from page 4
storage tank contractors.

- \$1 million to \$15 million of media liability coverage, offered by The Schinnerer Group Inc., the largest MGA/underwriting manager and the third-largest wholesaler.

- An errors and omissions program for company-sponsored life insurance agents, offered by First State.

- General liability for medical equipment manufacturers and patent and copyright infringement coverage, offered by Tri-City.

- Several programs in the excess casualty areas, D&O and financial services lines, written by AI Specialty.

Several wholesalers also are now looking to find coverage

with better terms and conditions for small risks.

Both Alexander Howden North America Inc., which is the No. 4 broker and No. 6 wholesaler, and The London Agency have created special units to cater to those risks. And, Tri-City stepped up its marketing of package policies for associations of homogeneous businesses.

While adding new products, several insurers and wholesalers are cutting back on producers.

"What we're trying to do is focus on key producers in key markets," Mr. Way of Reliance explained.

"Because Evanston is not a price-driven market, we need to create value in our products by means other than price. And one way you can do that is by limiting access to your product," said Paul W. Springman, president of

the surplus lines insurer.

Howden North America expects to wrap up a two-year effort by year end to reduce its retail agency base by about 50% compared to a year ago.

But others, like United National and General Star Indemnity, are adding new producers.

In addition, several wholesalers—Coregis, First State and The London Agency—have reorganized to better utilize their resources.

However, surplus lines insurers and wholesalers still will have to jump some hurdles to improve their results this year.

A major hurdle is the still-heated competition among non-admitted and admitted insurers for casualty business, which in some cases is intensifying.

Casualty business "was once a

niche area for us, but no more," said Seth D. Freudberg, president and chief executive officer of United National.

"It's the foolishness of our industry," he said. Referring to catastrophe property losses in the past year, he observed: "One thing happens and you forget what hurt you before."

"I'm not sure why casualty is so great now, but it is," Mr. Freudberg said.

And, it may remain competitive for the long term, said Edward F. Casey, president and chief executive officer of Stewart Smith Group Inc., the fifth-largest surplus lines broker and the eighth-largest wholesaler.

"The market has been soft for so many years now, maybe this is the way it's going to be for the rest of our insurance lives," he said.

"For the types of business we're in, the competition is intense across program lines, with architects and engineers perhaps being the fiercest of all," said Richard J. Walk, senior vp of Schinnerer.

Competition for this business is particularly aggressive for large accounts, with competitors cutting rates 25% to 50%, he said.

The non-admitted and admitted markets also are battling for excess and umbrella business.

"The (admitted) market has been very relentless in its pursuit of excess casualty business," cutting rates 20% to 25%, said Ralph J. Palmieri, president of First State.

In addition, "Pricing is still falling for umbrella business, and the competition to write the business is more intense," Tri-City's Mr. Hahn observed.

For example, General Star Management Co., the No. 4 MGA/underwriting manager and the ninth-largest wholesaler, lost an umbrella account it had written for five years when a competitor cut the premium 36% and increased limits by \$5 million, said Chairman and President Kevin Brooks.

Many surplus lines executives say they will not write business at a loss, though some say walk-away prices vary depending on the risk.

"That template approach doesn't work for us" because of the uniqueness of each account, said Dennis B. Reding, chairman and chief executive officer of The London Agency.

"We allow the underwriter to evaluate the risk," Mr. Reding said.

With increased pressure from competitors, United National cut its high-layer excess casualty rating structure by about 10%, but it still reported underwriting profits on this business.

Wholesalers also are seeing business slip away as many large retail brokers use their own in-house resources more, noted Warren Stanley, president and chief executive officer of Swett & Crawford, the nation's largest surplus lines broker and wholesaler.

As a result, wholesalers are catering more to independent brokers and agents.

Attempts to increase surplus lines premiums also will run head-on into efforts by some state insurance commissioners to reduce surplus lines writings.

"Regulatory difficulties make it increasingly more difficult to operate on a non-admitted basis," said Coregis Senior Vp Roger A. Quigley.

"There's a lot of pressure in some states, like California and New York, to use more admitted insurers," said Rolland L. Wieggers, president of Scottsdale Insurance Co. of Scottsdale, Ariz., the No. 2 surplus lines insurer.

For example, under California's crackdown on surplus lines insurers, the minimum required surplus for each syndicate on the Illinois Insurance Exchange was raised to \$15 million.

As a result, only four—rather than eight—IIE syndicates can now write in California, explained President and Chief Executive James M. Skelton.

"Surplus lines markets are going to have to fight for survival in the regulatory environment, more so than in the market environment," Mr. Skelton asserted.

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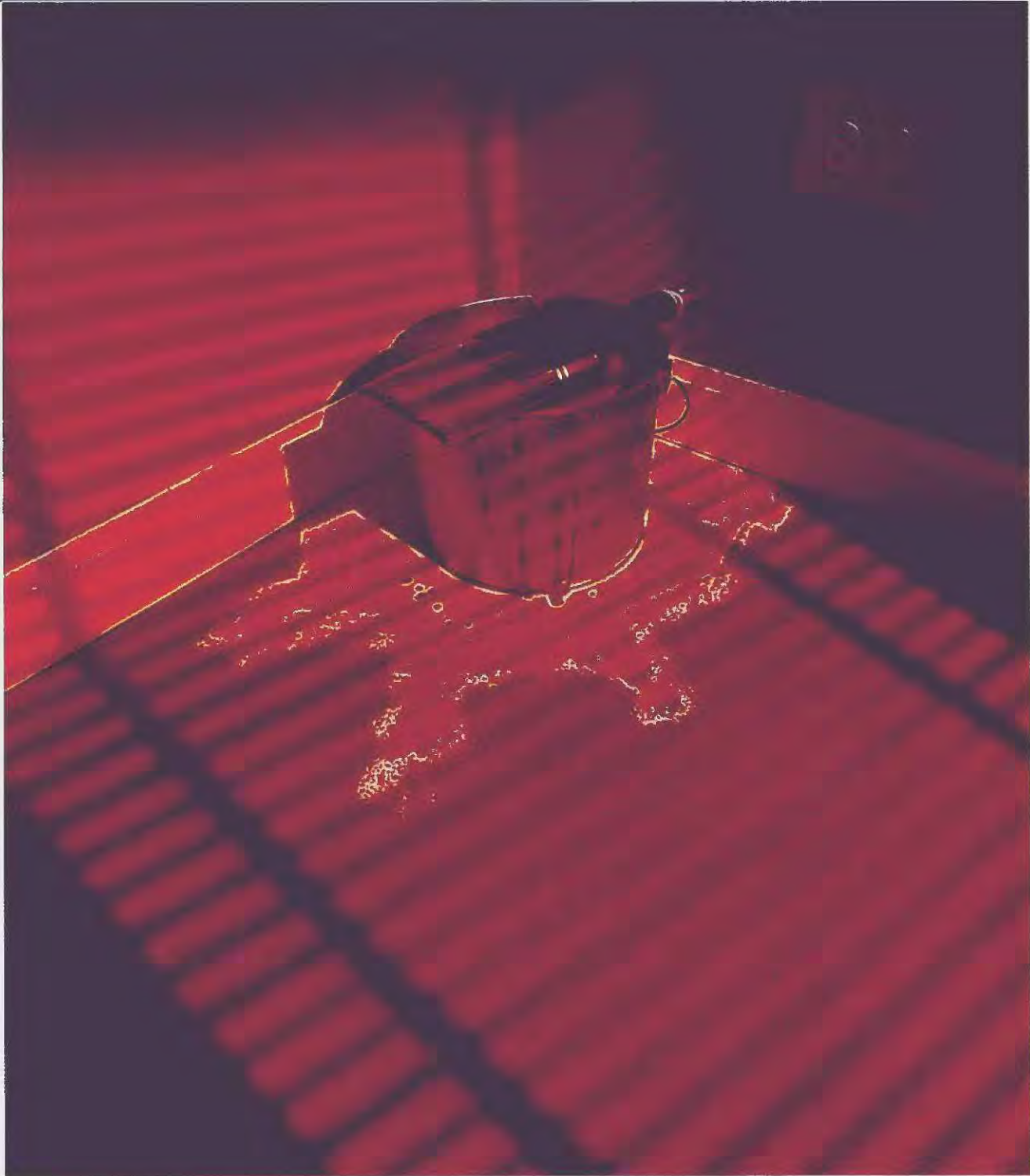
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Opinions

Fear of ADA unfounded

WE'RE ENCOURAGED THAT fears surrounding the Americans with Disabilities Act have proved to be overblown and that employers are not swamped with a tidal wave of expensive claims. But that is not the most important development associated with the law.

To be sure, it is significant that the Americans with Disabilities Act—one year after it took effect for most companies—has not turned into a litigation monster. As we recently reported, claims brought under the law on average have been settled for just over \$2,000 in wages and out-of-pocket costs (BI, July 26).

In addition, when claims alleging violations of the law are filed, they are settled much faster than other types of claims under the jurisdiction of the Equal Employment Opportunity Commission, the federal agency reports.

Another fear sparked by the passage of the Americans with Disabilities Act—that workers compensation claims would soar because employers would be forced to hire disabled applicants who would be more prone to injury—also has proved to be unfounded.

However, there's been little evidence that the ADA—through the increased use of return-to-work programs—has reduced workers comp costs, either.

And, surely the ADA has increased employers' consulting and legal costs. While ADA claims have not generated the huge costs that many had feared, they still must be defended. And, an entire new consulting industry has been created to advise employers on how to comply with the law.

More important than the deflation of employer's worst fears surrounding the law—or the problems that it has created—is that the Americans with Disabilities Act has helped change employer atti-



tudes about hiring employees with disabilities.

Rather than—at best—viewing people with disabilities with indifference or—in extreme cases—with hostility, more and more employers have realized that people with disabilities are, in fact, a great, largely untapped human resource.

By making what really may be small accommodations in the workplace—like buying larger computer monitor screens for the visually handicapped or designing wider aisles for employees in wheelchairs—the pool of potential employees available to employers can be vastly expanded.

While the attitudes of many employers toward those with disabilities were changing long before the Americans with Disabilities Act was enacted, the law has accelerated that change.

Letters

No easy solution to workers comp coverage gap

To the editor: I thought that Jesse Pagonis of Engelhard Corp. wrote an excellent letter (BI, July 26) on the silent issue of officers and non-officers lacking protection as individuals under Section B of the workers compensation policy. It is something I never had thought about.

The National Council on Compensation Insurance's answer is certainly typical of the organization—make the subject go away by being silent.

If I were Mr. Pagonis, I'd be real mad about our industry. The NCCI is most correct that the workers compensation/employers liability policy is governed by state statutes and judicial review. But who is in better position to make corrective motions and actions than the NCCI? Certainly, my state senator wouldn't know what to do.

The NCCI's answer was to a great degree irrelevant. And, perhaps Engelhard Corp. is a big enough company to "force" an alternative insurance mechanism. But, if the coverage was out there somewhere, I'm sure Mr. Pagonis would not have written the letter. And,

what about the average small account that wouldn't have the leverage of Engelhard?

I wouldn't have written this letter, either, if the NCCI wasn't so defensive and lacking in proactive responsiveness in general. It, unfortunately, is par for their course.

Otto A. Wahlrab
President
John P. Slade & Son Insurance
Agency Inc.
Fall River, Mass.

To the editor: Jesse Pagonis' letter correctly points to a problem of which many risk managers or their brokers are not aware, especially those who are not aware that in several states employers' immunity under the workers compensation law does not extend to officers and employees.

It is not an easy problem to solve with insurance. Employers liability policies do not usually include anyone but the employer as an insured. General liability policies contain a lot of exclusions to contend with (like fellow employee, worker injury, pollution liability, etc.). Individuals have a real problem if their employer cannot or will not give them an indemnity agreement—ideally one bonded by a surety.

Another little "coverage gap" item may be of interest. How do you deal with a lawsuit alleging that your company is responsible for the acts of an employee who provided a bank with fraudulent documents that tricked the bank into paying a specific sum of

money to a person who was in collusion with the employee? The company's crime bond will not defend the lawsuit and if the company loses the lawsuit, the crime insurer may take the position that the policyholder is not covered because the employee did not steal from the company but rather from someone not covered by the policy. Or the insurer could argue that there was no "manifest intent"—that the employee really did not mean for the company to suffer a loss. And, the company's general liability insurer may refuse to defend or indemnify on the grounds that there is no loss or damage to tangible property.

W.T. Howard Jr.
Director of Risk Management
Arch Mineral Corp.
St. Louis

To the editor: I was interested in Jesse Pagonis' letter, but I have to question whether this has been thought through. What about the legal doctrine of "respondeat superior"—let the master answer. Citing Black's Law Dictionary, if it is assumed the servant is acting within the scope of his authority, the master is responsible for his acts.

Equally interesting is how a legitimate question can arise about a type of policy that has been around for many years. Is it that times change or are we changing?

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Surplus lines premium growth reported by state regulators

6.4% rise in premium volume nationwide

The largest increase was posted by Oklahoma, where surplus lines premiums were up 38.6% to \$78.9 million in 1992, compared with \$56.9 million in 1991. Following the Sooner State were: Delaware, up 25.7%; Texas, up 17.7%; and Mississippi, up 16.8%.

Overall, 29 states posted increases in surplus lines premium volume between 1991 and 1992.

The jurisdiction with the largest decline in premium volume was the District of Columbia, where surplus lines premiums fell 30.8% to \$41.9 million last year from

\$60.5 million in 1991.

The other states with the largest declines in volume were: Idaho, down 16.5%; Maryland, down 16.2%; and Kentucky, down 12.9%.

Overall, 22 states posted declines in surplus lines volume.

Separately, 15 states reported changes to their surplus lines laws last year. These ranged from small changes in the language of surplus lines statutes, to changes in surplus lines brokers' licensing and filing requirements, to increases in surplus lines premium taxes.

Major changes occurred in: Pennsylvania, which completely overhauled its 1966 surplus lines statute, including new financial and reporting requirements, among other things; and Texas, which raised capital and surplus requirements for non-admitted insurers to \$15 million and transferred authority for surplus lines tax collection and administrative hearings from the Texas Department of Insurance to other state agencies.

California also made significant changes to its surplus lines regulations last December in an effort to crack down on the use of unscrupulous unauthorized insurers, mostly from offshore domiciles (BI, Dec. 7, 1992). Among other things, Regulation 2174 requires surplus lines insurers to have a minimum capital and surplus of \$15 million. Non-U.S. insurers also must maintain a \$5.4 million trust account.

Proposals to change surplus lines laws are pending in four states. **BI**

Surplus lines premiums and taxes by state

	Surplus lines premiums			91-92 % change		90-92 % change		Surplus lines taxes		
	1992	1991	1990			1992	1991	1990	% tax rate	
Alabama	\$123,567,975	\$114,888,600	\$102,541,350	7.6%	20.5%	\$4,942,719	\$4,595,544	\$4,101,654	4.00%	
Alaska	41,711,636	46,654,187	45,603,800	-10.6	-8.5	846,369	1,480,322	992,200	2.70	
Arizona	77,024,309 ¹	73,849,667	62,032,013	4.3	24.2	2,283,465 ¹	2,187,185	1,861,011	3.00	
Arkansas	46,921,111 ²	44,265,199	40,426,980	6.0	16.1	1,876,844 ²	1,802,137	1,643,832	4.00	
California	1,622,851,299	1,471,526,643	1,501,170,500	10.3	8.1	48,685,539	44,145,799	45,035,115	3.00	
Colorado	87,607,323	92,193,806	82,123,037	-5.0	6.7	2,496,557	1,861,143	1,658,632	3.00 ³	
Connecticut	70,749,952	73,773,579	72,250,426	-4.1	-2.1	2,754,223	2,846,593	2,669,563	4.00	
Delaware	15,277,308	12,155,371	11,418,052	25.7	33.8	305,476	243,107	228,361	2.00	
District of Columbia ⁴	41,865,100	60,511,900	36,705,228	-30.8	14.1	837,302	1,210,238	734,105	2.00	
Florida	503,558,750 ¹	442,439,594	478,164,270	13.8	5.3	22,703,280 ¹	20,659,281	16,127,636	5.00 ⁵	
Georgia	197,201,058	174,846,239	147,454,120	12.8	33.7	7,888,042	6,993,850	5,898,165	4.00	
Hawaii	49,895,948 ¹	54,718,394	46,713,878	-8.8	6.8	2,334,569 ¹	2,560,821	2,186,210	4.68	
Idaho	15,543,285	18,618,607	14,556,084	-16.5	6.8	426,705	527,979	438,609	3.00	
Illinois	273,529,375	277,690,719	291,211,257	-1.5	-6.1	8,178,682	8,332,936	8,738,415	3.00 ⁶	
Indiana	79,319,423	80,562,814	75,128,333	-1.5	5.6	1,983,016	2,014,070	1,878,208	2.50	
Iowa	32,858,963	35,386,304	28,422,066	-7.1	15.6	657,179	707,726	568,441	2.00	
Kansas	43,418,573	40,288,761	37,402,044	7.8	16.1	2,075,744	1,611,552	1,496,088	6.00 ⁷	
Kentucky	32,044,122	36,799,182	38,960,000	-12.9	-17.8	961,324	1,103,975	1,169,800	3.00	
Louisiana	338,912,873	302,949,043	259,362,651	11.9	30.7	16,945,643	15,147,452	12,968,133	5.00	
Maine	18,691,200	16,393,765	17,226,760	14.0	8.5	560,736	491,813	510,836	3.00	
Maryland	68,036,345	81,210,096	84,476,679	-16.2	-19.5	2,041,091	2,436,303	2,534,301	3.00	
Massachusetts	190,433,514	167,614,600	178,818,825	13.6	6.5	7,617,340	6,704,584	7,152,753	4.00	
Michigan	316,486,607 ¹	304,426,517	363,991,308	4.0	-13.1	6,334,396 ¹	6,089,074	7,278,369	2.00	
Minnesota	76,562,074	85,006,437	78,998,722	-9.9	-3.1	2,296,862	2,550,193	2,369,962	3.00	
Mississippi	50,032,378	42,843,790	40,209,561	16.8	24.4	1,966,459	1,671,603	1,560,097	4.00 ⁸	
Missouri	114,029,746	113,619,615	108,255,788	0.4	5.3	5,701,487	5,680,981	5,412,789	5.00	
Montana	10,187,631	11,631,318	11,944,338	-12.4	-14.7	322,250	361,779	368,863	2.75 ⁹	
Nebraska	21,967,936	19,191,515	17,697,464	14.5	24.1	668,222	583,908	544,205	3.00	
Nevada	30,000,000 ²	28,900,000	23,900,000	3.8	25.5	1,050,000 ²	1,011,800	838,500	3.50	
New Hampshire	28,574,034	27,858,137	26,850,347	2.6	-6.4	571,555	557,444	542,304	2.00	
New Jersey ¹⁰	209,653,972	211,758,202	192,637,797	-1.0	8.8	6,827,484	7,190,623	7,348,063	3.00	
New Mexico	19,828,180	21,471,860	20,239,111	-7.7	-2.0	594,845	644,156	607,173	3.00	
New York	386,141,471	427,341,112	461,688,565	-9.6	-16.4	13,901,093	15,384,280	16,620,788	3.60	
North Carolina	84,877,816	86,425,437	77,915,284	-1.8	8.9	4,243,889	4,321,267	3,895,763	5.00	
North Dakota	5,162,313	5,437,920	6,460,252	-5.1	-20.1	90,340	95,590	112,917	1.75	
Ohio	126,329,055	130,803,662	126,661,250	-3.4	-0.3	1,041,082	1,078,555	1,043,256	5.00	
Oklahoma	78,874,815	56,918,809	65,684,966	38.6	20.1	4,732,489	3,415,129	3,941,098	6.00	
Oregon	73,579,901	71,270,546	67,205,161	3.2	9.5	1,655,097	1,603,590	1,512,128	2.25	
Pennsylvania	290,000,000	267,000,000	240,000,000	8.6	20.8	8,700,000	8,010,000	7,101,825	3.00	
Rhode Island	25,908,154	24,933,000	24,233,000	3.9	6.9	777,245	748,000	727,000	3.00	
South Carolina	66,619,250	65,823,625	59,911,607	1.2	11.2	2,664,770	2,632,945	2,396,464	4.00	
South Dakota	8,600,000 ¹	7,990,000	5,903,680	7.6	45.7	215,000 ¹	199,000	147,592	2.50	
Tennessee	87,815,736	76,500,437	62,314,300	14.8	40.9	2,389,194	2,074,963	1,952,663	2.50	
Texas	1,048,533,731	890,819,831	718,226,054	17.7	46.0	50,859,824	43,190,157	34,834,015	4.85	
Utah	30,759,366	28,882,199	26,654,044	6.5	15.4	1,307,273	1,277,493	1,132,797	4.25	
Vermont	10,269,563	10,560,008	11,500,000	-2.8	-10.7	308,087	316,800	345,000	3.00	
Virginia	78,221,277	71,207,430	74,591,625	9.8	4.9	1,759,979	1,602,167	1,678,312	2.25	
Washington	132,419,710	120,747,504	104,082,097	9.7	27.2	2,648,349	2,414,950	2,082,449	2.00	
West Virginia	20,863,251 ¹	19,449,977	21,279,631	7.3	-2.0	834,530 ¹	777,999	851,185	4.00	
Wisconsin	76,866,960	80,835,081	73,851,395	-4.9	4.1	2,294,642	2,415,994	2,210,352	3.00 ¹²	
Wyoming	8,327,756	8,374,310	8,387,463	-0.6	-0.7	257,323	258,767	259,174	3.00	
TOTALS/AVERAGES	\$7,488,512,125	\$7,037,365,350	\$6,773,443,164	6.4%	10.6%	\$266,415,611	\$247,773,618	\$230,307,171	3.33%	

¹ State insurance department estimate ² BI estimate ³ 2% before March 1, 1992; 3% after March 1, 1992 ⁴ Fiscal year ends Sept. 30 ⁵ 3% before July 1, 1990 ⁶ 3% plus 1% on fire coverage ⁷ 4% before July 1, 1992; 6% after July, 1992 ⁸ 3% on direct placements ⁹ Additional 1.5% pension tax and 1% fire tax after July 1, 1991 ¹⁰ Premiums exclude direct placements, taxes include direct placements ¹¹ 5.82% from July 1, 1989 to Aug. 1, 1989; 4.62% before July 1, 1989 ¹² 3% plus 0.5% on ocean marine coverage

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Lexington retains top spot in surplus market

Lexington Insurance Co.

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

	1992	1991
Gross premiums	\$802,731,983	\$770,483,412
Non-admitted	\$764,382,633	\$745,207,428
Commercial risks	99.7%	99.7%
Net premiums	\$253,231,440	\$263,313,910
Paid-in-capital	\$4,100,000	\$4,100,000
Capital & surplus	\$448,314,960	\$404,197,366
Employees	184	181
Combined ratio	91.1%	89.8%
Net income	\$97,979,771	\$91,439,566
Best's rating	A++	A++
S&P rating	AAA	AAA

The soft market blues are finally beginning to lift for Lexington Insurance Co.

Lexington, which saw competition erode its premium volume in 1991, regained some ground in the second half of last year and continued to pick up steam in the first six months of 1993, largely on the strength of a hardening property market, according to President Kevin H. Kelley.

The American International Group Inc. unit saw its gross premium volume expand a modest 4.2% to \$802.7 million last year from \$770.5 million in 1991, keeping it in its longstanding spot as the largest U.S. surplus lines insurer.

Premium volume in the first six months, though, is up 25% over last year, and Lexington is on a pace to

write \$950 million in gross premiums this year, Mr. Kelley said.

"We are quite encouraged by what we've seen in the first six months," he observed.

Much of that optimism stems from the property market: Lexington first began to see tightening last year on catastrophe and energy risks written through its London-based international property department, Mr. Kelley said.

The domestic property market has since followed suit, and Lexington has consistently seen 15% to 25% rate increases across the board on property business, with even bigger hikes on catastrophe-exposed business, he said.

At the same time, deductibles

have risen steadily, and Mr. Kelley observed that Lexington's gross exposure to windstorm losses is probably unchanged from last year despite its rising premium volume.

"This time last year we saw the potential beginning," he recalled. "It was very, very interesting to see that development emerge."

He added that prices on catastrophe-exposed business are still too low, and should move up another 35% to 40% before the end of this year.

"We think the rates still need to move up because catastrophe costs have gone up immeasurably," he noted.

The change in the property market is changing Lexington's mix of

business: Excluding business written by the insurer's specialty divisions, individual risk property premiums will rise 60% to about \$200 million this year from \$125 million last year, while individual risk casualty premiums will rise 8.6% to \$380 million from \$350 million, Mr. Kelley said.

Lexington continues to offer a maximum net and treaty line of \$10 million on property risks, and can expand this to as much as \$20 million with facultative reinsurance. The average line last year was about \$4 million, he said.

The tightened property market has also underscored the difference between the strongest surplus lines insurers and the rest of the market, he observed.

As the catastrophe reinsurance market has constricted, ceding insurers have had to absorb higher retentions while buying lower reinsurance limits. This has forced insurers to rely more heavily on their own surplus to support their underwriting, he explained.

"Many companies in the surplus lines business can't play in the property game today because they can't get the reinsurance and don't have the wherewithal to handle all of the retentions that are being thrown at them," Mr. Kelley said.

Lexington's own surplus rose 10.9% to \$448.3 million at year-end 1992 from \$404.2 million at year-end 1991, even after a \$30.2 million dividend to its parent company.

Some insurers also laid off property underwriters during the soft market and now have to scramble to get them back, he added.

"A number of companies try to match their skills to yesterday's opportunity, and the market is too fluid for that," he said. "We have always maintained a strong property staff, but the last few years they couldn't do much because the market just didn't look good."

Casualty business, meanwhile, continues to offer opportunities only in selected areas, Mr. Kelley said.

"There are pockets where casualty rates are moving up," including directors and officers liability and some professional liability lines, Mr. Kelley said. But "general casualty business for all intents and purposes is flat."

Despite this, liability lines continued to produce the bulk of Lexington's gross written premiums last year, accounting for \$654.9 million, or 81.6%, of the total gross volume of \$802.7 million.

This was only a marginal rise from \$649.1 million in 1991.

The mix of casualty business has changed little: About 70% consists of excess and umbrella risks, while 20% consists of transportation risks written on an occurrence form and 10% consists of primary liability risks.

Lexington now offers a maximum gross limit of \$25 million on excess and umbrella liability risks for both claims-made and occurrence coverage, up from \$20 million; and limits of up to \$5 million on D&O risks.

Excluding transportation business, about half of Lexington's casualty book is written on a claims-made basis and half on an occurrence basis.

Gross written premiums in property lines, meanwhile, rose 21.6% last year to \$147.6 million from \$121.4 million in 1991.

Along with its individual risk casualty and property accounts,

Continued on next page

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Continued from previous page
Lexington writes business through several specialty divisions:

- A special-accident division, which provides stop-loss coverages to companies that self-insure employee benefit programs.

The division is on track to produce roughly \$70 million in premiums this year, though growth has slowed, Mr. Kelley said.

Rising unemployment "is probably retarding our growth somewhat," he observed.

In addition, Clinton administration health care reform proposals have caused some employers that would otherwise start self-funding their benefit plans to put off any action until the shape of the reforms becomes clearer. "We think health care reform has held back our growth," he said.

The reform package could bring even worse news for Lexington depending on its final shape, he added.

Currently under consideration is a plan that would allow only large employers with 1,000 or more employees to opt out of mandatory health insurance purchasing cooperatives, Mr. Kelley said. Since Lexington's self-insured stop-loss clients typically have between 250 and 1,000 employees, this proposal would virtually wipe out Lexington's current book, he said.

Mr. Kelley added, though, that "implementation of that plan may not be for several years down the road," and even if it is implemented, Lexington would refocus its programs on large employers and develop new products.

"Medical risk will not go away," he said. "Chances are it will be shifted to someone other than employers, so we will follow the medical risk."

- An international division, which handles the U.S. and international exposures of non-North American multinational corporations.

The division's London office added property underwriters last year to take advantage of the tightening market for energy and other property risks, while casualty operations were divided into general and specialty risk units.

This year will also see a large increase in international division volume over last year, he said.

The international property department in particular is "going great guns," he said. While the division's business has historically been evenly divided between property and casualty, it is now 95% property and 5% casualty.

Lexington is receiving submissions from brokers as far away as Australia.

"That kind of interest we haven't seen probably since the mid-1980s," he said.

- A program division, which writes primary and excess property and liability coverages for trade groups and professional organizations.

Lexington has added an auto warranty program to a list of programs that includes mental health clinics, social service agencies and HMOs. The insurer also writes a liquor-law liability program.

- A captive division, which handles fronting and excess insurance programs for captive insurance companies.

Gross premium volume for this division was little changed last year and will probably be flat again in 1993, Mr. Kelley said.

"That's a reflection of losing a few accounts to the competition, and in some cases lower funding levels," he explained.

Of Lexington's total \$802.7 million in 1992 gross written premi-

ums last year, \$766.8 million represented direct written business, while \$35.9 million represented reinsurance business—nearly all of it assumed from other AIG affiliates.

All of Lexington's 1992 direct volume was written on a non-admitted basis except \$2.4 million written in Delaware, the only state where the insurer is licensed.

Lexington ceded a total of \$549.5 million in premiums to scores of U.S. and foreign reinsurers last year, leaving it with net written premium volume of \$253.2 million, down 3.8% from \$263.3 million in 1991.

Lexington's annual statement shows a \$268,714 charge for unauthorized reinsurance and a penalty of about \$6 million for overdue authorized reinsurance.

Operating results continued to improve for Lexington last year.

Although earned premiums de-

clined 17.1% to \$232.9 million from \$281 million in 1991, losses, loss adjustment expenses and other underwriting expenses also fell 14.6%

Lexington finished the year with net income of almost \$98 million, up 7.2% from \$91.4 million in 1991.

Bottom-line results for the first

Lexington Insurance Co. is receiving submissions from brokers as far away as Australia. 'That kind of interest we haven't seen probably since the mid-1980s,' President Kevin H. Kelley says of the American International Group Inc. unit.

to \$212.9 million from \$249.3 million in 1991.

These results translated into a statutory loss ratio of 86.9% and an expense ratio of 4.2%, producing a combined ratio of 91.1%. This was actually a slight deterioration from the 89.8% combined ratio posted in 1991.

quarter were not as good.

First-quarter underwriting income totaled \$2.9 million, 59% lower than \$7 million in 1992's first quarter.

Investment gains also slid 11.4% to \$24.6 million from \$27.8 million in last year's first quarter. After investment and other gains and

losses, Lexington reported net income of \$22.8 million in the first quarter, down 17.3% from \$27.5 million for the same period last year.

Mr. Kelley noted that Julio Portalatin, a former Allstate Insurance Co. executive, has joined Lexington as a vp-personal lines to run a new homeowners insurance program. The program will focus on states like Florida, where other insurers have pulled out, he said.

Other Lexington officers include Richard Bucilla and Richard Jodoin, executive vps; and Nicholas Anselmo and Louis Garafalo, senior vps.

Lexington, founded in 1965, carries AIG's group rating from A.M. Best Co. of A+. Lexington individually holds an AAA claims-paying ability rating by Standard & Poor's Corp.

—By Douglas McLeod

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Scottsdale Insurance Co.

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

	1992	1991
Gross premiums	\$1.06 billion	\$1.03 billion
Non-admitted	\$582,453,416	\$517,801,293
Commercial risks	94.3%	94.6%
Net premiums	\$271,604,270	\$288,543,879
Paid-in capital	\$5,027,200	\$6,027,200
Capital & surplus	\$151,827,563	\$147,178,919
Employees	858	778
Combined ratio	109.4%	104.0%
Rating agency	110.0%	105.0%
Net income	\$277,593	(\$6,006,808)
Best's rating	A+	A
S&F rating	AA+	AA

Scottsdale Insurance Co. has no intention of changing a business game plan that has helped it successfully weather the prolonged soft market.

"We are trying to look at all of our departments and capitalize on all opportunities found," said Executive Vp Vickie Kartchner. "At this point with the market in the state that it is, that's really all we can do."

One opportunity that Scottsdale took advantage of in 1992 was to expand its media professional liability coverage writings by insuring covering written by

Kansas City, Mo.-based Media/Professional Insurance Inc.

Scottsdale also has been able to capitalize on business lost to the admitted market by reinsuring 100% of the coverage underwritten by sister company National Casualty Co. of Los Angeles.

Scottsdale and National Casualty are both subsidiaries of Nationwide Mutual Insurance Co. National Casualty is used when Scottsdale needs an admitted insurer to write a risk; 100% of National Casualty's business is ceded to Scottsdale.

About 20% of Scottsdale's total book of business was written on an admitted basis in 1992 because of changing requirements in some states.

"There's a lot of pressure in some states, like California and New York, to use more admitted insurers," explained Scottsdale President Rclland L. Wieggers.

"We're also seeing more of a demand for admitted paper among risk managers and agents," Ms. Kartchner added.

"When you're in a soft cycle, the agent and risk manager can demand more than when the

market is tight," Mr. Wieggers explained.

But even the prolonged soft market hasn't stymied Scottsdale's growth.

Scottsdale's pooled gross premiums written last year reached \$1.08 billion, up 5.5% from \$1.03 billion in 1991.

And premiums written on a direct, non-admitted basis grew substantially, rising 12.5% to \$582.5 million from \$517.8 million in 1991.

Scottsdale continues to hold the No. 2 position in the *Business Insurance* ranking of the largest surplus lines insurers.

Scottsdale's book of business is divided into "general business," which is written mostly by general agents with binding authority, and "specialty business," which is written by an in-house specialty underwriting division.

The insurer set up the specialty underwriting division about four years ago "when it looked like the market would get soft," Mr. Wieggers said.

The division operates like an in-house brokerage, placing special classes of business backed by separate reinsurance treaties. Scottsdale's general agents are given binding and quotation authority within certain guidelines the insurer has established.

"If we hadn't done that, general agents would have had to submit business (that Scottsdale's general business division wouldn't write) to other brokers. This kept the business in-house," he added.

The division has contributed significantly to Scottsdale's consistent growth, which has bucked the downward trend of the rest of the surplus lines market.

The division produced more than \$100 million in premium volume in 1990, its first full year of operation. That contribution increased to \$248 million in 1991 and \$310 million in 1992, or more than a third of Scottsdale's non-pooled gross premium volume of \$809.1 million, Ms. Kartchner said.

Staffing in the specialty division also is growing to handle the increased business. Twenty people were added in 1992 to bring the division's staff size to 108 at year end, she said.

"Our biggest growth area was" the new link with Media/Professional, a unit of Aon Corp., said Ms. Kartchner.

Scottsdale began insuring coverage written by Media/Professional, which underwrites libel and professional liability for newspapers and other print and broadcast media, last year. It "will take a couple of years to roll over into our book," she said. That book includes some real estate agents errors and omissions coverage.

Most of Scottsdale's media coverage is written on an admitted basis by Nationwide units National Casualty and Wausau Insurance Co., with 100% ceded back to Scottsdale.

Scottsdale experienced modest growth in property and transportation lines, according to Ms. Kartchner, who did not provide figures.

"I think there is a little movement in property generated by hurricane losses and the increased cost of catastrophe reinsurance," said Mr. Wieggers.

For the most part, however, the casualty market is still soft, he said, estimating that Scottsdale's premium volume in gen-

Continued on next page

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Continued from previous page
eral liability lines was down about 2% in 1992.

Scottsdale's other specialty lines include police professional liability, attorneys professional liability, orthodontists liability, liability for rehabilitation centers, commercial auto liability, umbrella coverage and general property/casualty lines.

Scottsdale also has a sizable book of daily auto rental coverages, which insures owners of rental car franchises against collision damage caused by renters, according to Mr. Wieggers, who estimated annual premium volume at between \$16 million and \$20 million.

The insurer avoids risks like long-haul trucking, personal auto, difficult product liability, aircraft or ocean marine, petrochemical, medical malpractice, high-layer excess liability, workers compensation and Fortune 500 companies.

The bulk of Scottsdale's general underwriting business, about 80%, continues to be in casualty lines.

Commercial risks comprise about 94% of the insurer's total business.

Up to \$1 million in property or liability limits is offered for general underwriting business.

If a policyholder seeks higher limits, the account is transferred to the specialty underwriting division.

For example, up to \$10 million in limits are available for some "hand-picked" media professional liability accounts, Mr. Wieggers explained.

The specialty division also writes any property/casualty accounts with deductibles or self-insured retentions exceeding \$25 million.

Scottsdale usually retains up to \$250,000 of each general liability risk and \$500,000 of commercial auto risks written by managing general agents. It retains at least \$100,000 of each property risk underwritten by the general underwriting division.

Most of Scottsdale's business—approximately 80%—is binding authority business placed through MGAs, Ms. Kartchner said.

Scottsdale does business with approximately 110 general agents operating from about 160 locations nationwide.

Among Scottsdale's largest producers are Alexander Howden North America Inc., Burns & Wilcox Ltd., Cambridge General Agency, Crump E&S Group Inc., Hall & Co., J. Arthur Janoff and Swett & Crawford Group.

Property reinsurance placements on the general underwriting side are handled by intermediary E.W. Blanch Co. in Minneapolis.

Aon Reinsurance Agency Inc. of Chicago, a unit of Aon Corp., handles most liability reinsurance placements.

Reflecting Scottsdale's continued emphasis on specialty lines underwriting, Ms. Kartchner, who had been vp in charge of the specialty underwriting division, was promoted to executive vp in May.

Ms. Kartchner is slated to take over as president when Mr. Wieggers retires in 1995.

Two months after Ms. Kartchner's appointment, Thomas D. Stamm, senior vp of Scottsdale's general underwriting division, left to take a position at Acceptance Insurance Cos. Inc. in Omaha.

Mr. Stamm had been with Scottsdale since its inception in 1982 and was primarily responsible for its general underwriting and marketing division.

Mr. Stamm took with him three other members of Scottsdale's general underwriting division: Gary Tiepleman, associate vp; and Tony McCormack and David McDermid, both of whom were directors.

Mr. Wieggers would not say whether the departures were related to Ms. Kartchner's promotion.

Mr. Tiepleman was replaced with Harley Franken, who had been director of casualty underwriting in the specialty underwriting division.

In addition, Richard Schmitzer, director of specialty transportation, will take on the additional responsibility of gen-

'When you're in a soft cycle, the agent and risk manager can demand more,' says Rolland Wieggers.

eral transportation, which had been the purview of Mr. McDermid.

David Dale, an associate vp who heads commercial property, will also take on Mr. McCormack's job heading up personal lines property.

Mr. Stamm will not be replaced.

"We've got good bench strength here in the company," Mr. Wieggers said.

Many of Scottsdale's numbers

on its annual statement are reported on a pooled basis since the insurer participates in Nationwide's intercompany pooling program.

While the statement shows Scottsdale's combined ratio deteriorated to 109.4% in 1992 from 104% in 1991, the company's combined ratio on a stand-alone basis actually improved to 100.4% from 100.8% in 1991.

Non-pooled gross premiums grew to \$809.1 million in 1992 from \$739 million in 1991. On the other hand, non-pooled net premiums dropped to \$572.7 million in 1992 from \$592.2 million in 1991.

Scottsdale reported net income of \$277,593 after pooling for 1992, compared with a net loss of \$6 million in 1991.

However, on an unpooled basis, Scottsdale's net income

actually grew to \$138.9 million in 1992 from \$118 million in 1991.

According to its 1992 annual statement, Scottsdale's provision for unauthorized reinsurance was \$9.3 million. In addition, Scottsdale recorded a \$14,217 penalty for overdue unauthorized reinsurance.

Scottsdale is approved as a non-admitted insurer in all states except Arizona, Delaware and Ohio, where it writes on an admitted basis.

In addition to Mr. Wieggers and Ms. Kartchner, other principal officers are Gordon E. McCutchan, secretary, and James R. Kapeller, treasurer.

Scottsdale received an A+ rating from A.M. Best Co., the highest rating possible for a company in its size category.

—By Joanne Wojcik

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**American International
 Specialty Lines Insurance Co.**

Harborside Financial Center, 401
 Plaza 3, Jersey City, N.J. 07311;
 201-309-1100

	1992	1991
Gross premiums	\$373,519,879	\$242,293,032
Non-admitted	\$353,658,397	\$208,490,844
Commercial risks	99.8%	99.0%
Net premiums	\$58,618,429	\$19,780,920
Paid-in capital	\$5,002,500	\$5,002,500
Capital & surplus	\$127,658,819	\$118,455,775
Employees	0	0
Combined ratio	87.5%	88.2%
Net income	\$10,196,705	\$6,732,697
Best's rating	A++	A++

Reflecting "a broader emphasis on product"—which generated several new programs in the past year—American International Surplus Lines Insurance Co. has changed its name to American International Specialty Lines Insurance Co.

The American International Group Inc. unit, which is domiciled in Alaska and based in Jersey City, N.J., credits most of its growth to the new programs instituted in the past year and to a continuing "flight to quality," according to President Thomas R. Tizzio.

AI Specialty wrote \$353.7 million in direct, non-admitted premiums in 1992, up 69.6% from \$208.5 million in 1991.

That dramatic increase came on the heels of a spectacular 444.5% increase in 1991, when premiums grew from \$38.3 million in 1990.

For past two years, that strong momentum has kept AI Specialty in the No. 3 spot in the *Business Insurance* rankings of the largest U.S.-based surplus lines insurers.

Direct, non-admitted premium volume grew about 10% in the first six months of this year, he said.

AI Specialty is the second AIG

unit in the Top 10; the other, Lexington Insurance Co., has held the No. 1 spot for 13 years (see story, page 14). The two AIG subsidiaries are not direct competitors.

AI Specialty's growth last year was fueled "by quite a few programs... in the excess casualty areas, D&O, financial services lines and some risk management programs," Mr. Tizzio said, declining to provide details.

Besides the new programs, AI Specialty began to see growth in the last quarter of 1992 as a result of "a lot of property (coverages) written because of the shortage in the market" caused by Hurricane Andrew, he said.

AI Specialty is continuing to write more property coverages in 1993, though it is still primarily a liability insurer "by a yard."

The insurer also saw "quite a bit" of growth in excess casualty lines,

both because of the flight to quality and the AIG unit's ability to offer more capacity than other companies.

AI Specialty can now offer limits of up to \$10 million across all lines of property and casualty coverages, up from \$5 million a year ago, because of "increased support from reinsurers." It can "occasionally go higher with facultative support," Mr. Tizzio said.

AI Specialty places most of its reinsurance "with the major direct reinsurers" like General Reinsurance Group, American Re-Insurance Co. and Employers Re Group, he said. In 1992, AI Specialty's provision for unauthorized reinsurance was \$1.9 million, and the insurer paid a penalty of \$83,257 for overdue authorized reinsurance.

AI Specialty offers a variety of liability insurance programs targeted to specific industries and pro-

fessions as well as standard property/casualty coverages.

For example, the insurer offers health care-related liability coverages, concentrating specifically on hospital professional liability. Other programs include professional liability coverage for investment advisers and mutual fund managers.

While AI Specialty writes professional liability coverages for law firms and accounting firms, it does not offer coverages for "jumbo" companies, Mr. Tizzio said. Like last year, lawyers liability insurance is the sole area where the insurer has not enjoyed growth.

AI Specialty also offers coverage for financial institutions and commercial crime coverage.

The insurer will not write coverages for utility company transmission and distribution lines or financial guarantee coverages, Mr. Tizzio said. Those lines have "poor experience and I think you cannot write them on a profitable basis."

The insurer also does not write architects errors and omissions or Resolution Trust Corp. E&O covers.

AI Specialty does business with all the alphabet brokers and with
Continued on page 20

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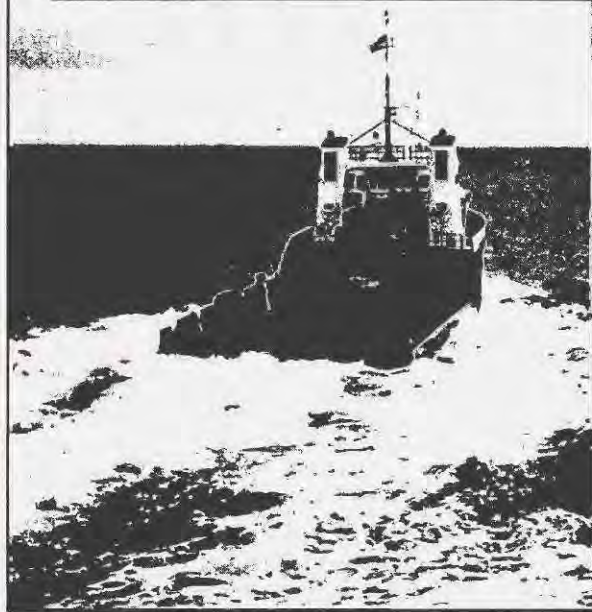
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Continued from page 18
such surplus lines producers as Swett & Crawford Group and Stewart Smith Group Inc.

"As a specialty carrier, you are open for anything unique and unusual that doesn't fit the standard markets, and as we gain prominence, more producers will come to us," he said.

Mr. Tizzio projects sustained growth for AI Specialty. "We should be up probably 10% in gross volume in 1993." Program growth is expected to continue, as well as "growth of individual lines, individual classes of business." He expects "good growth" in excess casualty coverages.

"From our perspective, we've been healthy. We continue to offer good financial security and product expertise for our producers," Mr. Tizzio said.

"We spend a lot of time on given industries that producers come to us with, and help develop specific programs" for those industries, he said.

But growth is not coming at the expense of profitability. "If we can't get an appropriate premium, we don't write the risk," Mr. Tizzio said, noting that AI Specialty does not cut premiums to compete with the admitted market. "Not at all."

The insurer also sets walk-away prices. "Absolutely—otherwise we can't produce a profit. That's our business, to produce a profit."

On the classes of property coverage AI Specialty writes, "We're looking at nothing less than 25%" increases in rates for windstorm and earthquake areas, Mr. Tizzio said.

"In addition to rate increases, probably more important is the increased use of deductibles" in catastrophe-prone areas, he observed. Depending on where the risk is located, most policyholders now must maintain deductibles of 2%-5% of insured value, he said.

"We have always maintained appropriate deductibles," Mr. Tizzio said, but now the insurer is increasing them.

In non-catastrophe-prone areas, property rates are also rising, "but not as high. We do expect as the year progresses that the property market will get increasingly tougher. . . . We expect catastrophe-exposed business to get tougher to place," he said.

As for casualty rates, "Ours are not falling. We write principally the tougher excess business, not the soft lines. The tougher business—such as the excess business of the Fortune 500 companies—continues to move upward," he said.

"D&O rates have been going up," he added.

AI Specialty reported gross premiums of \$373.5 million in 1992, up 54.1% from \$242.3 million written the previous year.

The insurer's gross premiums comprised: \$362.5 million in liability lines; \$5.9 million in property lines; \$195,095 in combined lines; and \$4.9 million in other lines.

Net premiums grew 47.2% to \$58.6 million in 1992 from \$39.8 million in 1991.

Last year, net income rose 52.2% to \$10.2 million from \$6.7 million in 1991. Surplus grew 7.8% to \$127.7 million from \$118.5 million in 1991.

The insurer's statutory combined ratio improved slightly to 87.5% in 1992 from 88.2% a year earlier.

American International is eligible to write as a non-admitted insurer in all states except Alaska and New Jersey. It is an admitted insurer in Alaska.

In addition to Mr. Tizzio, the insurer's principal officers are Armand G. Pepin, treasurer and comptroller; James M. Kilkenny, vp; and Elizabeth Tuck, secretary.

—By Louise Kertesz

General Star Indemnity Co.

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

	1992	1991
Gross premiums	\$178,594,988	\$164,965,585
Non-admitted	\$175,323,313	\$161,395,887
Commercial risks	95%	93%
Net premiums	\$112,394,358	\$98,179,672
Paid-in capital	\$5,000,000	\$5,000,000
Capital & surplus	\$210,155,020	\$171,456,576
Employees*	0	0
Combined ratio	97.4%	95.1%
Rating agency	96.6%	94.6%
Net income	\$33,906,785	\$28,978,656
Best's rating	A++	A++
S&P rating	BBq	BBq

* Management provided by General Star Management Co.

Big growth in several areas in 1992 helped General Star Indemnity Co. report the highest increase in its gross premium volume in the past six years.

However, fierce competition in what is still a predominantly soft market halted that growth in 1993, said Kevin P. Brooks, chairman and president of the General Re Corp. subsidiary.

To attract more business, General Star Indemnity has added several new coverages to its stable, including environmental liability coverages, he said.

But the company's bread-and-butter business remains product liability, general liability and auto-related coverages for small to medium-size companies, Mr. Brooks said.

Premiums written by General Star Indemnity on a direct non-admitted basis increased by 8.6% last year to \$175.3 million from \$161.4 million in 1991. Likewise, overall gross premium volume rose 8.2% to \$178.6 million in 1992 from nearly \$165 million in 1991.

General Star Indemnity writes on an admitted basis only in Connecticut.

That growth helped General Star Indemnity retain its position as the fourth-largest U.S.-based surplus lines insurer.

Of the company's four divisions, the largest increases in premium volume were recorded in the property and facilities departments: Premiums rose by 23% in each unit. The property department writes property coverage, while the facilities department is made up of business written by managing general agents.

Growth was slower in the other two departments: Premiums rose by 11.5% in the primary department, which writes primary liability coverage, while premiums nudged up only 3% in the excess department, he said.

The growth in the property department was largely due to a tightening of capacity in Texas and the Southeast, he said.

"As a result of Hurricane Andrew, four or five companies pulled out of Florida which were in markets that we covered," Mr. Brooks said.

The same phenomenon triggered the increase for the facilities department, though premiums in this department also were boosted by the addition of five new producers, he said. The department now works with 35 MGAs around the country, up by about five from last year.

"One of them had quite a dramatic impact, and through it we got into some school board and public officials' errors and omissions coverage," he said.

The facilities department's
Continued on next page

Continued from previous page growth also included a new producer who is writing insurance agents' E&O business, Mr. Brooks said.

While gross premiums rose, net premiums jumped at an even higher rate. Net premium volume increased 14.5% to \$112.4 million in 1992 from \$98.2 million a year earlier.

General Re Corp., General Star Indemnity's parent, is the surplus lines insurer's largest reinsurer. The company took no writeoffs last year for unauthorized reinsurance or overdue reinsurance.

General Star's statutory combined ratio edged up to 97.4% in 1992 from 95.1% in 1991. However, Mr. Brooks is not troubled by the increase. "When you look at a world where people are comfortable with 114%, I can sit back comfortably with 97%."

Generally, the company continued last year to lose large accounts to the admitted market. However, it made up for the losses by taking on more small and medium-size accounts, Mr. Brooks said.

For example, to record the 11.5% increase in primary department premium volume, General Star Indemnity issued 47% more policies. The average premium of policies written by the department declined by 24%, he said.

The smaller accounts offer General Star Indemnity a better chance of making an underwriting profit, Mr. Brooks said. "The higher the premium, the more aggressive the pricing."

The strategy paid off in terms of net income: Profits rose to \$33.9 million last year, up 17% from nearly \$29 million in 1991.

General Star Indemnity's surplus jumped to \$210.2 million at year-end 1992 from \$171.5 at the end of 1991.

General Star Indemnity also increased its capacity in some areas during the past year.

For excess liability risks, the company increased its capacity to \$20 million from its usual \$5 million last year.

"We were able to offer \$10 million before, but we increased it to \$20 million because our clients on the habitational side needed it and we had the reinsurance to back it," Mr. Brooks said, meaning clients like hotel and apartment building owners.

Capacity for primary risks remained at \$1 million for most lines, but the company still has the ability to offer \$2 million for some types of risks. General Star Indemnity is considering increasing its capacity for all of its primary risks to \$2 million in October, he said.

The property department offers \$5 million in capacity, the same as last year.

The facilities department offers \$1 million in capacity.

While 1992 was a good year for volume increases at General Star Indemnity, that momentum was not sustained in the first six months of 1993.

"Volume for the first six months is up 2.4%," Mr. Brooks said. He attributed the much slower growth to a 28% plunge in gross premiums written by the property department, which has been rejecting a lot of property/casualty package business.

"It has mostly been in habitational business where we have not had good experience," Mr. Brooks said. "It has not been good for four years, and we decided that we were not going to play with those rates anymore."

Package policies made up 34% of the property department's business in June 1992, but now it only

comprises 17%, he said.

The company has also cut back its small jewelers block insurance account, he said.

New areas of coverage that General Star Indemnity entered last year have produced mixed results.

"Some of them produced good successes whereas others produced more modest results, but none were a bad deal," Mr. Brooks said.

The new areas General Star Indemnity entered last year include liability coverage for motor sports events, daycare centers and petroleum storage tank contractors.

"The motor sports business was not as successful as we had hoped because a number of other specialty carriers entered the market when we did," said Vp Ronald S. Austin.

The daycare business has been profitable, but the volume of business has been limited. However,

the petroleum storage tank business has been very successful, Mr. Brooks said.

Last month, the insurer began

General Star Indemnity made up for lost large accounts last year by taking on more small and medium-size accounts, according to Kevin Brooks.



offering new types of environmental insurance products. General Star Indemnity now offers professional liability coverage for environmental consultants. It also now writes general liability coverage—including pollution liability—for environmental remedial contractors and manufacturers of pol-

lution abatement and control equipment.

All of the environmental coverages are written on a claims-made basis and cover both sudden and non-sudden pollution. The company offers \$3 million in capacity for all of the coverages.

"Environmental risks afford a real opportunity for surplus lines insurers. On general liability business you are competing with a large number of markets, but only about one-tenth of those compete in the environmental market," Mr. Austin said.

The petroleum storage tank business and the environmental business together have produced more than \$5 million in gross premiums so far for General Star Indemnity, Mr. Brooks said.

Another new area for the company is dentist professional liability insurance.

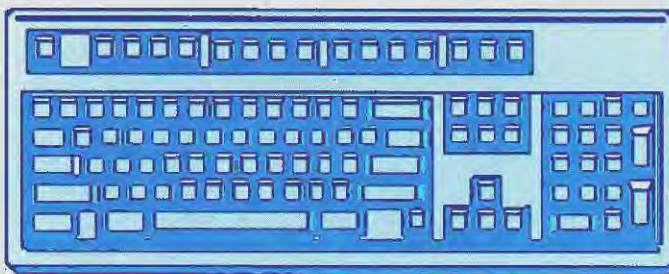
"Somebody walked in with a good program. It was definable and limited geographically," Mr. Brooks said. General Star Indemnity offers \$3 million in capacity for dentists.

General Star Indemnity has no employees of its own. All employees work for General Star Management Co., which also underwrites on behalf of admitted affiliate General Star National Insurance Co. (see story, page 48).

In addition to Messrs. Brooks and Austin, General Star Management's principal officers are Sam Anderson, Patricia Roberts, Adin Tooker, vps; Ken Garcia, Elmer Hess, and Charles Venezia, second vps.

General Star Indemnity, like other General Re Corp. affiliates, has an A++ rating from A.M. Best Co.

—By Gavin Souter



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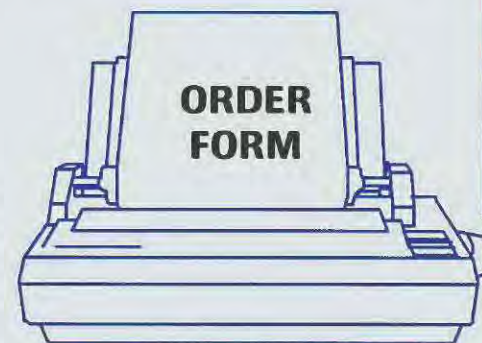
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Illinois Insurance Exchange Syndicates

(Ranked by gross premium volume in thousands of dollars)

Syndicate	Gross premiums written		Net premiums written		Policyholder surplus		Net premium to surplus ratio		Combined ratio		Net investment income		Net income (loss)	
	1992	1991	1992	1991	1992	1991	1992	1991	1992	1991	1992	1991	1992	1991
Classic Syndicate Inc.	\$32,281	\$23,955	\$21,900	\$20,300	\$19,315	\$17,061	1.13:1	1.19:1	102.7	104.2	\$2,616	\$2,234	\$794	\$(695)
First Oak Brook Corp. Syndicate Inc.	27,293	18,505	20,015	11,391	7,894	7,798	2.54:1	1.46:1	100.1	102.8	362	416	(675)	(29)
First Mercury Syndicate Inc.	25,433	16,672	20,796	14,786	19,365	17,520	1.07:1	0.84:1	106.7	103.2	4,906	4,893	2,115	2,853
Transco Syndicate #1 Ltd.	20,267	19,401	21,137	16,285	25,321	15,081	0.83:1	1.08:1	93.3	96.7	2,766	4,339	2,427	5,099
Britamco Underwriters Inc.	19,884	22,265	18,038	21,267	28,099	26,482	0.64:1	0.80:1	102.3	90.9	7,884	8,956	5,096	8,003
Resure Inc.	17,643	12,280	9,011	8,030	6,016	6,038	1.50:1	1.33:1	95.1	96.0	813	1,512	460	1,097
Agora Syndicate Inc.	16,261	9,297	11,131	6,300	6,117	4,007	1.82:1	1.57:1	105.0	106.7	792	447	(353)	(239)
Geneva Underwriters Syndicate Inc.	15,329	9,816	14,723	3,558	8,629	8,555	1.71:1	0.42:1	102.5	43.5	771	(5,019)	(327)	(1,921)
Geneva Assurance Syndicate Inc.	15,316	9,816	17,148	3,443	11,196	9,545	1.53:1	0.36:1	82.2	42.0	(177)	(4,371)	1,225	(1,161)
Comprehensive Ensurers Market Syndicate	4,080	3,710	4,001	3,520	4,505	4,268	0.89:1	0.83:1	98.6	104.2	408	567	369	695
Prime Syndicate Inc.	3,533	0	3,533	0	5,990	0	0.59:1	NA	112.1	NA	156	0	(381)	0
ERIC Syndicate Inc.	3,187	0	916	0	3,692	5,457	0.25:1	NA	111.6	NA	(32)	0	253	0
AAI Syndicate #1 Ltd.	3,173	3,384	3,173	3,052	4,032	5,934	0.79:1	0.51:1	174.4	119.7	755	819	(1,812)	853
Total active syndicates	\$203,540	\$150,847	\$165,699	\$111,932	\$153,955	\$131,410	1.08:1	0.85:1	101	97.4	\$22,170	\$15,005	\$9,316	\$14,728

Source: Illinois Insurance Exchange

GRAPHIC BY CHRIS ROY

Illinois Insurance Exchange

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

	1992	1991
Gross premiums...	\$203,540,229	\$150,847,391
Non-admitted...	\$148,441,421	\$116,159,143
Commercial risks...	73%	77%
Net premiums...	\$165,699,204	\$111,931,788
Paid-in capital...	\$19,369,602	\$19,369,569
Capital & surplus...	\$153,955,396	\$131,410,431
Employees...	NA	NA
Combined ratio...	101.0%	97.4%
Net income...	\$9,315,544	\$14,727,989
Best's rating...	NA	NA
S&P rating...	NA	NA

Last year was the Illinois Insurance Exchange's best year in terms of premium volume since the hard market days of 1987.

The IIE's 13 active syndicates in 1992 wrote \$203.5 million in gross written premiums in 1992, up 34.9% from \$150.8 million written by those 13 syndicates in 1991. That, though, was still \$60 million short of the IIE's record premium volume of \$263 million in 1986.

Premiums written on a direct, non-admitted basis increased 27.7% to \$148.4 million from nearly \$116.2 million in 1991. As a result, the IIE moved up one notch to No. 6 from No. 7 in the *Business Insurance* ranking of the largest U.S.-based surplus lines insurers.

The IIE's active syndicates also saw net written premiums increase 48% to \$165.7 million from \$111.9 million in 1991.

However, profitability declined, with the syndicates' aggregate net income falling 36.7% to \$9.3 million in 1992 from \$14.7 million in 1991.

The reduction in profits was due to syndicate losses as well as slower premium growth in the first half of 1992, which reduced investment income, said James M. Skelton, the IIE's president and chief executive officer.

Direct insurance provides about 73% of the exchange's volume, with reinsurance accounting for only 27%.

Continuous innovations in the types of coverages offered by syndicates helped fuel the IIE's growth in 1992. IIE syndicates write more than 350 different types of coverages—ranging from liability insurance for acupuncture operations to youth outreach programs—which are all listed in a 16-page directory.

"I think we're doing a lot more program business and niche business," Mr. Skelton said. For

example, some syndicates write liability coverage for risk purchasing groups composed of taxi owners and dentists.

In addition, some syndicates like Transco Syndicate #1 Ltd., which primarily writes non-medical product liability risks, are successfully branching out into marine business, Mr. Skelton said.

IIE syndicates chiefly write primary or excess casualty coverages: About 70% of its business is casualty coverages and 30% property.

The syndicates can "fairly easily" put together \$10 million in casualty or property limits, though up to \$150 million in limits could theoretically be available under exchange rules, Mr. Skelton said. The syndicates' appetite for risk is tempered by their owner-investor's desire to make a profit, he said.

In addition, "a change in the market is occurring, though not as dramatic as we would like to



The IIE is writing more program business and niche business, like liability coverage for risk purchasing groups composed of taxi owners and dentists, says James Skelton.

see," Mr. Skelton said. "Capacity is getting scarce in certain types of areas."

For example, more syndicates are expected to underwrite commercial property risks in Florida to replace dwindling capacity from admitted insurers that want to flee the state due to Hurricane Andrew.

The IIE will be prepared to seize opportunities created by that ill wind, Mr. Skelton said, and the IIE's increased policyholder surplus—\$154 million at year-end 1992, up 17.2% from \$131.4 million in 1991—will give the syndicates the ability to do that.

Thus far in 1993, premium volume is growing at an even faster pace than it did in 1992, Mr. Skelton said. The IIE's gross written premiums totaled \$61.4 million at the end of the first quarter, compared with \$39.3 million in the first quarter of 1992, and he estimates premium volume hit \$125 million in the first half.

When the Illinois Legislature created the exchange in 1982, the IIE was envisioned as a Lloyd's

of London-style market that would attract non-traditional sources of capital that would be used to underwrite unusual risks.

In its early years, most exchange syndicates were offshoots of large insurance companies that wrote very little premium in the soft market of the early 1980s. Membership began to change in 1985 as large insurers were replaced by private investors whose personal financial involvement made them more concerned with long-term profits rather than short-term gains.

That trend continued last year as two new syndicates were added in the first quarter of 1992.

Prime Syndicate Inc. sold shares to non-insurance industry investors through Hamilton Investments Inc., a Chicago financial service company (*BI*, June 1, 1992).

The other newcomer was ERIC Syndicate Inc., a former risk retention group managed by ERIC Group Inc. of Englewood, Colo.

However, the IIE announced in May 1993 that ERIC would no longer accept risks as an IIE underwriting manager because it did not meet the exchange's capital maintenance requirements. ERIC is now operating as a managing general agent and most of its book of business was rewritten by another insurer, Mr. Skelton said.

"Generally, the (IIE's) structure has held up for a number of years now," said John Andre, senior financial analyst with A.M. Best & Co. in Oldwick, N.J. "They do a good job of monitoring themselves."

"In a tough (surplus lines) market, some syndicates have done well, though others have not done quite as well," he added.

Specifically, two syndicates' 1993 Best's ratings each improved a notch. Classic Syndicate Inc. is now an A- while Transco is a B+.

However, Resure Inc.'s rating dropped a notch to B+ from B++.

Also, two syndicates saw a slight decline in their Financial Performance Index ratings, which Best assigns to some insurers not eligible for letter ratings. First Oak Brook Corp. Syndicate Inc. now has a 5 FPI instead of a 6, and AAI Syndicate #1 Ltd., now has a 3 instead of a 5.

In addition to Best's ratings, Continued on next page

New York; American Re-Insurance Co. of Princeton, N.J.; General Reinsurance Corp. of Stamford, Conn.; Skandia American Reinsurance Corp.; and Assicurazioni Generali S.p.A. of Trieste, Italy.

"We try to limit the number of reinsurers we deal with. That's why they rarely change. However, we are talking now with Underwriters (Reinsurance Co.) and North American Reinsurance about property automatic facultative reinsurance agreements since Skandia left the property market," Seth Freudberg said.

Last year, United National reported no penalty for overdue authorized reinsurance, and the insurer's provision for unauthorized reinsurance totaled \$290,615—up from less than \$100,000 reported in 1991.

Policyholder surplus rose \$141.1 million, a 9.1% jump from \$129.3 million in 1991. That increase came in addition to a \$6.7 million dividend paid to its parent, American Manufacturing Corp. of Philadelphia.

Midyear 1993 results are ahead of 1992's pace, but Mr. Kelleher expects business to slow down considerably in the second half of this year.

"So much of what we were working on came to fruition in the latter part of last year and the first half of 1993. Our second-half results last year were much better than our first half results. This year, it'll be the opposite," he said.

Through June, gross premium volume totaled about \$123 million, up 61.8% from \$76 million in the same period last year. Non-admitted premiums increased nearly 70% to about \$100 million from \$59 million.

Midyear net income stood at \$9.5 million, up 14.5% from \$8.3 million last year.

"We're very satisfied with the progress the company has been making," Ray Freudberg said. "But we're still maintaining our nervousness. You can't lose your vigilance in this business."

United National writes on a non-admitted basis in all states except Pennsylvania, where subsidiaries Diamond State Insurance Co. and Hallmark Insurance Co. Inc. are both approved, non-admitted insurers.

The company employed 112 people last year.

Besides Raymond and Seth Freudberg and Mr. Kelleher, top executives include Kevin L. Tate, senior vp, and Robert Cohen, vp-underwriting.

United National has an A+ rating from A.M. Best Co.

—By Michael Schachner

Continued from page 22
\$18 million last year.

One such package program that performed well is a primary liability-driven package for contractors. The program, primarily produced by Alexander Howden North America Inc., typically provides \$1 million in general liability limits as well as property and inland marine coverage appropriate to the risk. To date, the program has been purchased by nearly every type of contractor possible, including electrical and plumbing contractors, sewer contractors, crane operators, carpenters and builders.

United National also began writing a truck physical damage program on an in-house basis last year after an existing program, which had been written by an Indiana managing general agent, produced higher-than-expected losses.

"We hired about six or seven new underwriters just for this program. It's good business because it's short-tailed and we can get immediate feedback as to the quality of our underwriting," explained Seth Freudberg, noting that the business last year accounted for about 7% of the company's book, or about \$11.5 million in premiums.

Property business and other miscellaneous coverages accounted for the remaining 7% of United National's 1992 portfolio of business. Included within this miscellaneous category are liquor liability and jewelers block coverage.

Centrex Underwriters Inc. of Memphis continues to produce the bulk of United National's liquor liability business. The standard program consists of \$1 million in coverage for package stores, bars, restaurants and hotels in about 23 states. The coverage is also offered in Florida and Georgia through different MGAs.

Insurance Offices of Pittsburgh markets a smaller \$50,000 liquor liability policy to Pennsylvania risks.

For the second consecutive year, United National formed new business relationships with about 10 different producers. The company currently works with about 57 wholesalers and managing general agents nationwide. About 90% of the company's premiums are generated by MGAs and wholesale brokers.

United National retained about 31% of its direct, non-admitted premium volume in 1992. Its main treaty reinsurers are Employers Reinsurance Corp. of Overland Park, Kan., and Constitution Reinsurance Corp. of New York.

On a facultative basis, United National contracts with: Employers Re; Munich American Reinsurance of

Continued from previous page
another sign of the IIE's growing maturity is that Exstar Financial Corp., Transco's parent company, went public in early 1993, spurred by the syndicate's success. The stock is traded on the NASDAQ market.

Yet, the IIE also faces new challenges.

A negotiated settlement is resolving complex litigation in which several syndicates argued that they were not made fully aware of the risk and terms of the medical malpractice coverage when it was placed by a former member of the IIE's board of directors (*BI*, Dec. 14, 1992; Aug. 17, 1992).

As a result, the IIE tightened its structure so the board and exchange have separate officers and only exchange officers can approve policies, Mr. Skelton said.

The IIE also is involved in ongoing negotiations with its directors and officers liability insurer concerning the litigation, Mr. Skelton said.

He added that uncertainties stemming from the legal dispute contributed to a deterioration in the IIE's combined ratio, which rose to 101% in 1992 from 97.4% in 1991.

The IIE's most significant challenge may come from some state insurance regulators who want to impose tougher financial and operating requirements on surplus lines insurers operating within their borders.

"What prompted a lot of scrutiny are offshore markets that entered the fray without responsibility," Mr. Skelton said. "Surplus lines markets are going to have to fight for survival in the regulatory environment, more so than in the market environment."

The IIE, which is admitted only in Illinois, is eligible to write as a non-admitted insurer in all states except Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York and Rhode Island. However, individual syndicates must be approved by regulators in California, Colorado, Florida and Nevada.

A California crackdown on surplus lines insurers raised the minimum required surplus for each syndicate to \$15 million. That cut to four from eight the number of syndicates that can write business in California, Mr. Skelton pointed out. Currently eligible are Britamco Underwriters Inc., Classic Syndicate Inc., First Mercury Syndicate Inc. and Transco.

The IIE also faces a threat of tougher regulation from a proposed "Model Non-Admitted Insurance Act" being considered by the National Assn. of Insurance Commissioners' Surplus Lines Task Force.

One proposed provision would require the exchange to have \$100 million in its security fund, which now contains only \$30 million. Another provision would phase in a requirement that each syndicate must, in essence, maintain at least \$25 million in capital and surplus, though a partial exemption is possible if special permission is granted from a state regulator (*BI*, July 5).

"We will be in touch with the task force and respond," Mr. Skelton said. "We are confident that the wording will be changed so it is more favorable to the exchange."

—By Meg Fletcher

Reliance Insurance Co. of Illinois

233 S. Wacker Drive, Chicago, Ill.
60606; 312-876-0886;
fax: 312-554-3223

	1992	1991
Gross premiums	\$188,623,744	\$179,809,280
Non-admitted	\$135,720,371	\$140,767,431
Commercial risks	100%	100%
Net premiums	\$14,859,426	\$14,622,834
Paid-in capital	\$4,100,000	\$4,100,000
Capital & surplus	\$16,911,266	\$12,213,017
Employees	NA	NA
Combined ratio	117.9%	114.4%
Rating agency	118.4%	114.7%
Net income	\$1,015,357	\$932,456
Best's rating	A-	A-
S&P rating	BBB+	BBB+

Despite a sluggish national economy and a continuing soft casualty insurance market, Reliance Insurance Co. of Illinois is betting on a relatively new prod-

uct to help it maintain its high profile in the surplus lines market.

The product is employment practices liability insurance, which will soon become one of the insurer's "bread-and-butter" products, predicts Pennington H. Way III, executive vp of New York-based sister company Reliance National Insurance Co. He oversees Reliance Group Holdings Inc.'s surplus lines operations.

Reliance of Illinois currently offers an employment practices liability policy with limits of up to \$5 million, with a minimum deductible of \$10,000 and a minimum premium of \$10,000. The policy provides coverage for wrongful employment practices like wrongful termination, sexual harassment and discrimination.

The employment practices coverage joins traditional—and growing—products like lawyers professional liability and other errors and omissions coverages as Reliance of Illinois' mainstays.

Despite its name, the bulk of the work of Reliance of Illinois takes place in New York. The company, staffed by Reliance National employees, has no employees of its own. Reliance National underwrites specialty and standard commercial lines coverage through several Reliance Group Holdings subsidiaries, including Reliance of Illinois.

"We don't really have a bread and butter line. What we're successful in I suppose is more bread and butter than what we're not successful in, but that can vary from year to year," Mr. Way said.

He characterized the surplus lines environment in which Reliance of Illinois operated during the past 12 months as "more of the same: increasing competition, continued falling prices in some areas and I don't see any change. What we're going to try to do is hold the line and keep our head above water in some areas and try to grow where we think there is a significant opportunity, where there aren't too many competitors and where we can get the price we view as fair."

"We are not abandoning casualty to write more property. One of our goals is to have all significant underwriting areas to have a combined of no more than 100%," he said.

That goal remained elusive in 1992. The insurer's statutory combined ratio deteriorated to

Continued on next page

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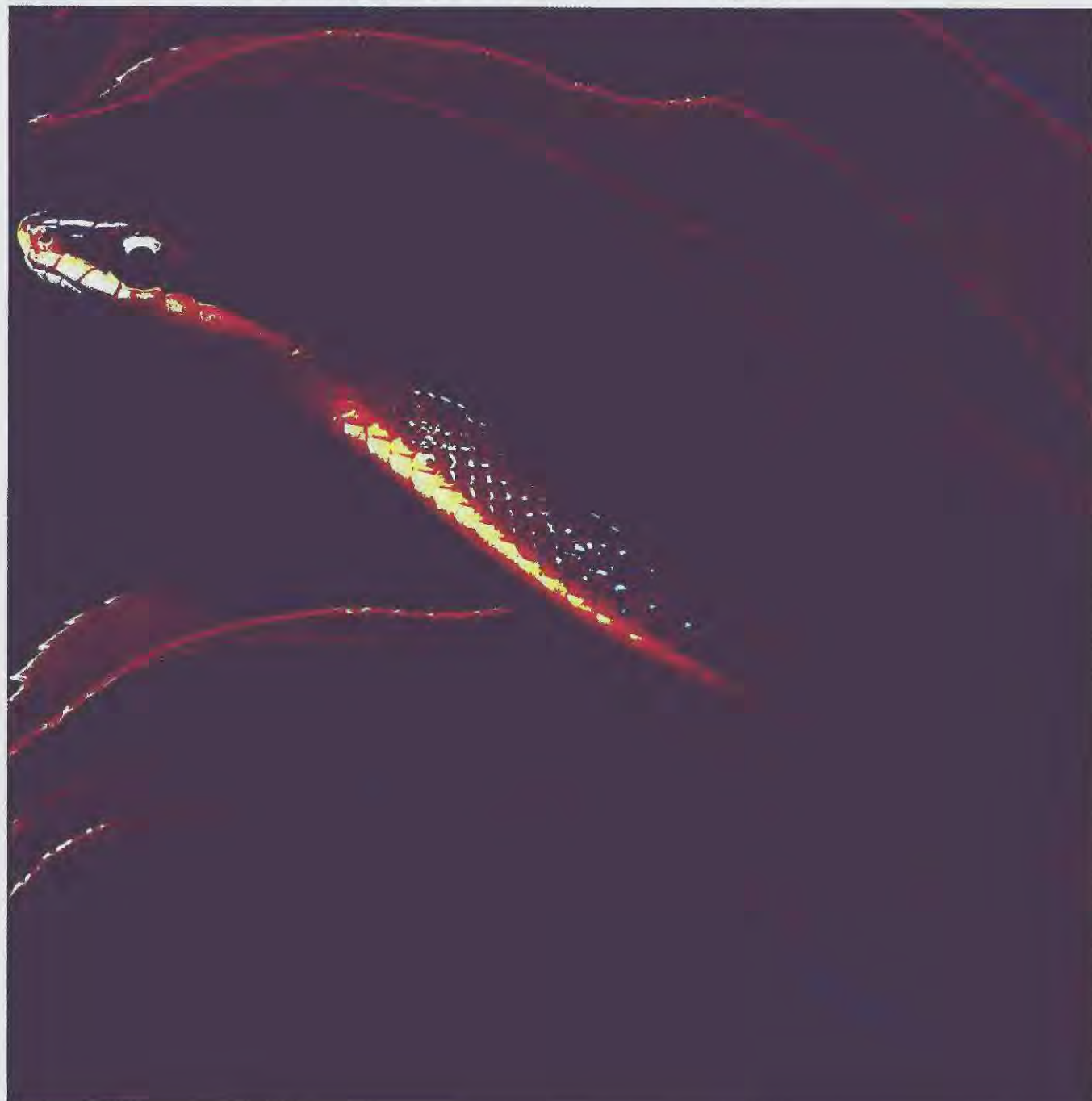
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Continued from previous page
117.9% from 114.4% a year earlier.
Reliance of Illinois wrote \$135.7 million in premiums on a direct, non-admitted basis in 1992, a drop of 3.6% from 1991's \$140.8 premium volume. That dropped the insurer two notches to No. 7 in the *Business Insurance* ranking of the largest U.S.-based surplus lines insurers.

However, the insurer's gross premium volume rose 4.9% to \$188.6 million in 1992 from \$179.8 million a year earlier.

Net written premiums remained virtually unchanged, increasing 1.6% to \$14.9 million in 1992, compared with \$14.6 million in 1991.

Mr. Way said that the decline in non-admitted premium stemmed in part from "the way we write business. The underwriting departments have their choice of whether to use an admitted market or a

non-admitted market. Some of that is probably a result of market forces changing where we cannot write (on a surplus lines basis) where we could before.

"Our choice would be, certainly in my areas, to write on a surplus lines basis, but in some cases we cannot. When you have states like California putting in rules and regulations making it harder to do business on a surplus lines basis, what you end up doing is filing programs on an admitted basis that used to be surplus lines."

Mr. Way said that, in general, "we're not cutting prices." However, he added that "we don't have a walkway price. We don't set walkway prices because of the type of business we're insuring. The specialty nature really doesn't lend itself to that."

"In all the areas we write surplus business, in every department,

we have a fairly low policy in force count." As an example, the insurer might have 200 architects and engineers liability insurance policies in force and would "expect to retain on renewal maybe 75% or 80%

Pennington Way pointed out that the slow economy has meant that many clients are cutting back their workforces, which in turn impacts pricing.



of them," he said.

Mr. Way also pointed out that the slow economy has meant that many clients are cutting back their workforces, which in turn impacts pricing. "If they reduce the number of lawyers or they reduce the num-

ber of employees or if their fees go down, it could well be that the premium we receive is reduced, but the rate may very well go up."

"We're just not giving big rate decreases, period. We'd rather lose the renewal than give a big premium or rate decrease," he pointed out.

Mr. Way said that lawyers professional liability insurance is one of the areas where Reliance of Illinois is getting rate increases in the "modest 5% to 10% range for risks that have had no losses."

He said the new employment practices liability program is doing "extremely well" and generating "tremendous interest" on the part of both brokers and buyers.

The demands of the Americans with Disabilities Act alone has helped focus interest on employment practices problems, he said. But without a manuscripted policy,

most companies don't have adequate cover under their directors and officers liability and E&O policies, Mr. Way said.

"Some people are predicting that employment practices might be the next D&O," the new product that takes the insurance market by storm, Mr. Way said. But, he added, "Right now, it's a new product and it's a harder sell," especially with the current state of the economy.

Reliance of Illinois also continues to stress specialty products like "tough general liability" and product liability coverages written above self-insured retentions, he said.

Miscellaneous professional liability coverages also hold a prominent spot in Reliance of Illinois' book of business, Mr. Way said. This includes coverage for real estate professionals, title agents, communications professionals, actuarial science professionals and pension consultants of all kinds.

"There really is no line that's verboten; it's just that we're very careful with accountants, insurance agents and brokers," said Mr. Way.

Mr. Way said that Reliance of Illinois' book of architects and engineers liability was shrinking because of competition.

"It seems to be a line of business that companies—as they become specialty underwriters as opposed to Main Street underwriters—tend to focus on," he said.

Mr. Way said that Reliance of Illinois is in the process of reviewing its relationships with producers. "It has not accelerated with any great pace. What we're trying to do is focus on key producers in key markets. We don't feel it makes much sense to have too many representatives in a given marketplace because your representation is not of value," he said.

The insurer has not undergone any significant changes in its reinsurance program, he said. "We continue to stay with the same people and they stay with us." According to its annual statement, Reliance of Illinois took no penalty for overdue authorized reinsurance and a charge of \$97,319 for unauthorized reinsurance, down from \$324,453 in 1991.

One of Mr. Way's biggest disappointments of 1992 is that Reliance of Illinois still has not received approval to operate on a non-admitted basis in New Jersey.

"It's one of my great frustrations because New Jersey is a big industrial state where we could write a lot of business on a non-admitted basis," he said without elaborating.

But that could change soon. "The last I heard from our general counsel was the way seemed to be clear to have that happen in the relatively near future," Mr. Way said.

Reliance of Illinois reported net income of slightly more than \$1 million last year, up from \$932,456 in 1991. Surplus increased to \$16.9 million on Dec. 31 from \$12.2 million a year earlier through both retained earnings and a \$3 million contribution from the parent company.

Reliance of Illinois' chief officers are Robert M. Steinberg, chairman, president and chief executive officer; Jerome H. Carr, senior vp and chief financial officer; Dennis A. Busti, Dean W. Case, Kenneth R. Frohlich, Robert J. Joyce, Edward J. Muhl and James E. Yacobucci, senior vps.

Reliance of Illinois was assigned an A- rating from A.M. Best Co. in both 1992 and 1991.

—By Mark A. Hofmann

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Home Insurance Co. of Illinois

10 S. Riverside Plaza, Chicago, Ill.
60606; 312-559-9500

	1992	1991
Gross premiums...	\$154,235,523	\$128,246,653
Non-admitted...	\$124,561,476	\$91,003,000
Commercial risks...	100%	100%
Net premiums...	\$15,141,783	\$17,338,280
Paid-in capital...	\$4,100,000	\$4,100,000
Capital & surplus...	\$16,388,623	\$15,011,637
Employees...	90	90
Combined ratio...	111.9%	108.1%
Rating agency...	112.4%	108.4%
Net income...	\$1,989,746	\$1,576,496
Best's rating...	A-	A-
S&P rating...	A-	A-

A nearly 37% increase in surplus lines premiums has propelled Home Insurance Co. of Illinois into the ranks of the 10 largest U.S.-based surplus lines insurers.

Not bad, but not good enough for Chairman and President Arthur Phillips. "Within a few years, we want to be in the top three," he said.

For now, Home of Illinois places eighth in the *Business Insurance* ranking of surplus lines insurers.

But, with significant capacity increases, a nationwide expansion of offices, some new product lines and 11 years' experience in the market, the company is well-placed to meet his goal, Mr. Phillips said.

The insurer, a unit of The Home Insurance Co. in New York, is licensed in both Illinois, its state of

domicile, and New York, where its executive offices are located.

Gross premiums at Home of Illinois shot up 20.3% in 1992 to \$154.2 million from \$128.2 million the previous year. When Illinois and New York volume is excluded, premiums written on a direct, non-admitted basis leaped 36.9% to \$124.6 million from about \$91 million.

The growth is partially attributed to Home of Illinois' track record.

"We have been in the business for more than 10 years now and we have come of age. There is a certain volume of business which we are seeing without lifting a finger because we are now known as a professional market," Mr. Phillips said.

Home of Illinois' premium volume growth continued in 1993. First-half premiums were up 15%, compared with the same 1992 period, he said.

Growth in 1992 and so far this year has been fueled by increases in capacity in some of the insurer's five main areas of business:

- General and product liability insurance, which includes buffer layers and lead umbrella coverages. Up to \$15 million in capacity is now available, up from \$5 million.

- The company writes general and product liability coverage for tough risks like drug companies and gun manufacturers.

- Directors and officers liability coverage, written on both a primary

basis and for first excess layers. Home of Illinois now offers \$10 million in capacity, up from \$5 million.

Mr. Phillips said the insurer focuses on emerging companies, such as companies that are just going public, though it also writes excess D&O coverage for Fortune 500 companies.



'We have been in the business for more than 10 years now, and we have come of age,' says Home of Illinois' Arthur Phillips.

- Excess casualty coverage in mid and high layers. The company can offer up to \$50 million in capacity, which is unchanged.

- Policyholders include some Fortune 500 companies as well as mid-size companies, Mr. Phillips said.

- Miscellaneous errors and omissions coverage for businesses like consulting firms. Capacity has doubled to \$2 million.

- Trucking liability coverage. Up to \$5 million capacity is available for fleets, which average 50 vehicles. The limit is unchanged.

New products will also boost premium volume, he said.

A new program for landfill operators is written on a claims-made

basis and offers \$5 million capacity for general liability, pollution liability and professional liability risks. The company is targeting landfills with non-hazardous waste that qualify under Subsection D of the Resource Conservation and Recovery Act.

Home of Illinois takes a flexible approach to landfill risks. For example, Mr. Phillips said, "We will accept the engineering reports of other insurance companies until it is clear that we are going to write the risk, and then only if we are unhappy with the report will we insist on our own report."

Home of Illinois also is developing some niche products for the health care market, he said.

Home of Illinois uses two basic criteria when it is assessing risks: Is it charging the right price and is the policyholder financially solid, Mr. Phillips said. The insurer has turned down a lot of business because it does not meet these criteria, he said.

"We are not dogmatic and on a case-by-case basis we can be as commercial as anyone, but on an overall basis we resist cutting rates. . . We are constantly walking away from business," he said.

However, the increased capacity the company now offers has helped attract good new business, Mr. Phillips said. "We are offering very substantial capacity for difficult-to-place insurance."

The main producing brokers for Home of Illinois are: Alexander Howden North America Inc.; Stewart Smith Group Inc.; Sweet & Crawford Group; Repath Associates Inc.; ARC Excess & Surplus Inc.; Cooney Richert & Curtin; Langan & Co.; Kelly & Elliott; and Major Surplus Lines Inc.

While Home of Illinois writes on an admitted basis in New York and Illinois, it also specializes in hard-to-place risks in those two states. And, that admitted business has had an adverse affect on the company's combined ratio, Mr. Phillips said.

Its combined ratio climbed to 111.9% in 1992 from 108.1% in 1991. Excluding the admitted business would bring the 1992 figure close to 100%, he said, attributing the high combined ratio to fierce rate competition in the admitted market.

Net income rose 26.2% last year to nearly \$2 million from \$1.6 million in 1991. Policyholder surplus likewise rose to \$16.4 million from \$15 million, despite a \$1 million dividend paid to the parent insurer.

The Home Insurance Co. is Home of Illinois' sole reinsurer through a pooling arrangement. All direct business is ceded to The Home, with Home of Illinois then assuming \$15.1 million in reinsurance from affiliated insurers.

During the next two years, Home of Illinois intends to expand its office network beyond Atlanta and New York. Branches will be opened in Dallas, Houston, Los Angeles and San Francisco by the end of 1995, Mr. Phillips said. Also on tap is a Chicago branch office; the company lacks a presence there even though it is domiciled in Illinois and its official mailing address is in Chicago.

Home of Illinois also has a contact office in London that handles U.S. risks that are placed by London brokers with Home of Illinois rather than London underwriters.

"If the volume there grows enough, we may want to convert that into a branch office," Mr. Phillips said.

In addition to Mr. Phillips, senior officers at Home of Illinois are: Michael Conroy, John Schroeder and John Tetro, executive vps; and Irwin Goldfarb, senior vp.

Home of Illinois carries an A- rating from A.M. Best Co.

—By Gavin Souter

St. Paul Surplus Lines Insurance Co. Inc.

385 Washington St., St. Paul, Minn.
55102-1396; 612-221-7066;
fax: 612-292-8315

	1992	1991
Gross premiums...	\$124,921,747	\$124,251,979
Non-admitted...	\$97,694,688	\$95,286,469
Commercial risks...	100%	100%
Net premiums...	\$27,227,059	\$28,965,510
Paid-in capital...	\$4,100,000	\$4,100,100
Capital & Surplus...	\$41,317,513	\$37,838,719
Employees...	214	231
Combined ratio...	117.9%	104.1%
Net income...	\$3,694,233	\$6,843,307
Best's rating...	A+	A+
S&P rating...	AAA	AAA

The numbers don't tell the whole story. That's what St. Paul Surplus Lines Insurance Co. Inc. executives are saying about the company's weak 1992 results.

Net income dropped 46% to \$3.7 million from \$6.8 million, reflecting the \$334 million operating loss suffered by parent company The St. Paul Cos. Inc., including \$200 million from Hurricane Andrew. The parent's loss flowed down to St. Paul Surplus Lines through an intracompany pooling arrangement.

The pooling arrangement produced a 117.9% statutory combined ratio for the surplus lines insurer, up sharply from 104.1% in 1991.

Despite those results, "1992 was a good year for us," maintained Janet R. Nelson, president and chief operating officer of St. Paul Surplus Lines. "What you're really seeing there is more characteristic of what is going on in The St. Paul Cos. than specific to St. Paul Surplus Lines."

The fallout from the losses of 1992 generally also did not affect St. Paul Surplus Lines' capacity, said Robert J. Cecconi, senior vp. "We are fortunate and grateful that we have good reinsurance."

The surplus lines insurer posted small increases in both gross premium volume and gross premiums written on a direct, non-admitted basis last year.

Gross premiums written on a direct, non-admitted basis increased 2.5% to \$97.7 million in 1992 from \$95.3 million, boosting St. Paul one notch to the No. 9 spot in *BI's* ranking of the 10 largest U.S.-based surplus lines insurers.

Gross premiums rose only 0.5% to \$124.9 million last year, compared with \$124.3 million in 1991.

In both categories, St. Paul was among the weakest performers in the Top 10.

All of the officers of St. Paul Surplus Lines say the insurer is charting a course for steady growth.

"In any business you're only as good as how you meet customer needs," Ms. Nelson said. "Surplus lines continues to be a vital part of the entire insurance industry. But we also do not expect the future is going to be like the past."

"Part of the surplus lines market is to do unique and unusual coverages," Mr. Cecconi said. "We maintain flexibility that way. There is nothing stale about what we do."

Premium volume was up considerably in the first six months of 1993, the executives say.

The hardening of some parts of the market brought about by a record year of catastrophes has created some new opportunities for the insurer, particularly in property lines.

"The admitted market has been relatively aggressive in the past two or three years," said Mr. Cecconi. "They have been eating into our book. But now more business is coming out of the admitted market than going towards it."

St. Paul Surplus Lines' business is written by three key divisions of underwriting manager St. Paul Spe-

Continued on next page

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Continued from previous page
cialty. Underwriting Inc.: the Surplus Lines Division, which writes a variety of property and casualty coverages; the Athena Division, which specializes in primary and excess casualty business and energy and dramshop business; and the Professional Liability Underwriting Division, which writes professional liability coverages. The divisions also write some admitted business on behalf of other St. Paul units.

Within the surplus lines division, property volume grew 75% in the first half, compared with only 5% for casualty, Mr. Cecconi said.

"There are more opportunities and more successes for surplus lines in property, but casualty still represents a bigger portion" of the division's business, Mr. Cecconi said.

And not all property accounts are flocking to the surplus lines market, he noted.



'Risks that are catastrophe-focused are seeing significant increases but other casualty and non-cat property is still very risk-driven,' says Richard Gustafson.

While accounts with windstorm exposure are experiencing rate increases of 200% or even 1,000% depending on the starting rate, other accounts are still competitive, Mr. Cecconi said.

"Risks that are catastrophe-focused are seeing significant increases but other casualty and non-cat property is still very risk-driven," said Richard G. Gustafson, vp of the Athena Division, which also is writing more property coverage than a year ago.

"Historically it has been about 20% of our book," Mr. Gustafson said. "It's grown to 25% to 27% of our business today and it may continue to increase."

"With the market disruption in London, buyers are looking for coverage domestically," he added.

St. Paul Surplus Lines is not pursuing any new property business at the expense of its current customers, officials stress.

"We are focusing on our existing clients and doing a good job with them," Mr. Cecconi said. "Our renewal book is as or more important (than new business)."

In 1992, the Surplus Lines Division wrote \$56 million in direct, non-admitted premiums, which accounted for 57% of St. Paul Surplus Lines' \$97.7 million of gross, non-admitted premiums.

Property constituted about 20% of the division's 1992 writings, and Mr. Cecconi expects it to grow to 25% in 1993.

The division's property business includes small to medium-size manufacturers and trucking firms.

"A significant portion is vacant properties," Mr. Cecconi added.

Casualty accounts encompass coverages written for medical product manufacturers, chemical firms, municipalities and smaller contractors, Mr. Cecconi said.

The Surplus Lines Division writes through a network of wholesale brokers. Key brokers for the division include: CRC; Castle Insurance Associates; PCM Excess; Travis Pedersen; Wood & Co. Inc.; McAlear Associates; Sherwood Insurance Services; Tri-City Insurance Brokers Inc.; Swett & Crawford; and Alexander Howden North America Inc.

The Athena Division and the Professional Liability Division write business produced exclusively through Swett & Crawford Group, a wholesale brokerage unit of The St.

Paul Cos. Inc. (see story, page 39).

The Athena Division wrote \$27 million in direct, non-admitted premiums last year, or 28% of St. Paul Surplus Lines' total gross premiums written on a direct, non-admitted basis, Mr. Gustafson said.

About 20% of Athena's gross premium volume is written on an admitted basis by other St. Paul units.

Energy accounts for about a quarter of Athena's business, all of which is written on a non-admitted basis. Athena writes both primary and excess liability, owners or contractors protective liability, operators extra expense and rig physical damage/oil lease property for energy risks.

Contraction in the London reinsurance market led the insurer to reduce the limits available on its energy operators extra expense coverage to \$20 million from \$25 million, Mr. Gustafson noted.

Monoline liquor liability represents about 15% of Athena's business.

Miscellaneous business like umbrella and excess coverages, railroad protective coverage and the National Club Assn. accounts for the remaining 60%.

The Professional Liability Underwriting Division wrote \$11 million in direct, non-admitted premiums in 1992, or 11% of the total St. Paul Surplus Lines direct non-admitted volume, said Steve Brady, vp of the division.

Surplus lines account for 70% of the division's overall business, a figure which has decreased somewhat in the past three years as more professional lines risks have moved into

For some classes of professional liability business there is a 'slow general movement away from the admitted market into surplus lines, but it is not a headlong rush,' says Steve Brady.



the competitive admitted market, Mr. Brady said.

For other classes of professional liability business, like directors and officers of technological companies, there is a "slow general movement away from the admitted market into surplus lines, but it is not a headlong rush," Mr. Brady said.

To attract business, the Professional Lines Division is offering risk management services for directors and officers and is pursuing miscellaneous errors and omissions accounts like large industrial real estate agents, for example.

"We want to improve service and expand (in D&O)", Mr. Brady said. In addition, "miscellaneous E&O is a fairly new focus."

St. Paul Surplus Lines' net written premium volume, which includes intercompany pooling among St. Paul Cos. units, decreased 6% to \$27.2 million from \$29 million in 1991.

Policyholder surplus grew 9.2% to \$41.3 million at year-end from \$37.8 million the previous year.

The number of employees decreased to 214 from 231.

St. Paul Surplus Lines reported a charge in 1992 of \$666,304 for unauthorized insurance—an increase from \$410,776 in 1991—and a penalty of \$3,997 for overdue authorized reinsurance. It reported a penalty of \$14,375 for overdue authorized reinsurance in 1991.

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

It carries a pooled A+ rating from A.M. Best Co. and an AAA claims-paying ability rating from Standard & Poor's Corp.

—By Sara Marley

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(708) 445-8776

London:
America House
2 America Square
London EC3N 2LU
Robert Barclay
011 44 071 265 1688

Amsterdam:
World Trade Center
Strawinskylaan 517
1077XX-Amsterdam
The Netherlands
Diderik Molhuysen
011 31 20 5753170

S S L S S L

Immunity Is No Guarantee for Directors, Trustees and Officers.

Many states have enacted statutes granting immunity to directors, trustees and officers of non-profit organizations. But don't be lulled into a false sense of security. Directors, trustees and officers can be held liable under federal law placing their personal assets at risk.

The Great American Insurance Group offers limits up to \$5 million for non-profit organizations facing exposures such as wrongful termination, sexual harassment and discrimination. We can offer entity coverage, and our programs are affordable, flexible and tailored to meet the organization's needs.

Call the Executive Liability Division to find out more about our Directors', Trustees' and Officers' Liability policy for non-profit organizations.

The Great American Insurance Groupsm
Executive Liability Division
Phone (708) 330-6750
FAX (708) 619-6457



Evanston Insurance Co.

Shand Morahan Plaza, 1007 Church St., Evanston, Ill. 60201; 708-866-2800; fax: 708-866-0794

	1992	1991
Gross premiums	\$130,178,224	\$140,200,609
Non-admitted	\$95,035,021	\$97,981,583
Commercial risks	95.5%	98.3%
Net premiums	\$84,495,702	\$96,458,628
Paid-in-capital	\$8,251,229	\$8,251,229
Capital & surplus	\$88,096,666	\$86,302,998
Employees	186	198
Combined ratio	106.0%	116.9%
Net income	\$32,146,603	\$2,582,556
Best's rating	A-	B++
S&P rating	A-	A-

Despite a 3% drop in premiums written on a direct, non-admitted basis, Evanston Insurance Co. President Paul W. Springman says he is satisfied with 1992.

Most notable, Mr. Springman said, is the "extraordinary income that we produced": some \$32 million, up a whopping 1,144% from \$2.6 million in 1991.

Almost half that total is attributed to a cash dividend Evanston received associated with a swap of subsidiaries with another Markel Corp. unit. Stock market gains account for much of the rest, while better underwriting results played a small role, he said. "We're proud of the fact that we've been able to maintain pricing integrity."

And higher ratings—A.M. Best Co. raised Evanston to A- from B++—are "going to open a whole new window of opportunities" among small to midsize firms that insist on A-rated insurers, he said.

Evanston's premiums written on a surplus lines basis fell 3% to \$95 million in 1992 from \$98 million in 1991. Evanston is the 10th-largest U.S. based surplus lines insurers ranked by *Business Insurance*, down from ninth place in the 1992 ranking.

Mr. Springman attributes much of the drop to dwindling architects and engineers professional liability business as building slackened and competition increases.

In response, Evanston will take a "more entrepreneurial attitude" toward the A&E market, Mr. Springman said. Evanston is interested in insuring high-risk firms like design/build firms and structural engineers for bridges and tunnels. And, it will write stand-alone project policies, he said.

Increased competition also hurt product liability business.

Evanston was the only surplus insurer among the Top 10 to report a drop in gross premium volume in 1992. Evanston attributes the 7% drop—to \$130.2 million from \$140.2 million in 1991—to the discontinuation in mid-1992 of an association motorcycle liability program produced by American Underwriting Managers Inc., a Waukesha, Wis.-based Markel unit.

Evanston's net written premium volume dropped 12.4% to \$84.5 million in 1992 from \$96.5 million in 1991.

Underwriting results, though, improved dramatically last year: Evanston's statutory combined ratio dropped to 106% from 116.9% in 1993.

"Expense control has been one of our major goals through 1992," Mr. Springman said. For instance, the company didn't replace 12 employees lost through attrition. Evanston now employs 186 people.

Because of the increase in net income, Evanston's policyholder surplus rose 2% to \$88.1 million in 1992 from \$86.3 million at year-end 1991, even though it reported a \$19.9 million unrealized capital loss and paid Markel an \$8.6 million dividend.

In the first half of 1993, premiums

written on a direct, non-admitted basis rose 7% from first-half 1992 to \$55 million, Mr. Springman said.

About 75% of Evanston's business is produced by Markel-owned Shand, Morahan & Co., which manages Evanston and provides underwriting and claims handling services, among other functions. Shand reported premium volume of \$153.5 million in 1992, down 4% from 1991.

Evanston is looking to streamline its distribution system this year by concentrating on building and maintaining relationships with wholesale brokers and only a few, specialized retail brokers, Mr. Springman said. "Because Evanston is not a price-driven market, we need to create value in our products by means other than price. And one way you can do that is by limiting access to your product."

Evanston last year wrote liability

coverages for more than 300 professions. Among its programs are:

- Architects and engineers professional liability coverage, with limits of up to \$5 million per claim/\$5 million aggregate.



"Because Evanston is not a price-driven market, we need to create value in our products by means other than price," says Paul Springman.

- Medical malpractice insurance, which is written under two different programs.

"Specified" medical professional liability coverage is written for specialized medical facilities like out-patient surgical centers, mobile

chemotherapy or kidney dialysis units, and visiting nurse associations. Evanston also insures health care professionals like psychologists and X-ray technicians under this program. Evanston offers limits of \$2 million per claim/\$2 million aggregate for most of these classes.

Evanston also writes professional liability coverage for individual physicians, surgeons and dentists. Individuals can obtain limits of \$1 million per claim/\$3 million aggregate, while policies written on a corporate, association or partnership basis can be written with limits of \$2 million per claim/\$6 million aggregate.

Evanston also offers a program that provides professional liability insurance to physicians with "special needs." This includes doctors who have had previous problems such as substance-abuse, bankruptcy, or Medicare fraud convictions,

or have a poor claims history.

After these doctors have taken specific steps to solve their problem, such as going through a rehabilitation program, Evanston insures them. Program limits are the same as the regular individual malpractice program.

- "Specified professions" errors and omissions liability coverage for firms like third-party administrators, environmental consultants, and tour operators. Evanston writes limits of \$5 million per claim/\$5 million aggregate in most cases.

- Attorneys professional liability insurance, with limits of \$5 million per claim/\$5 million aggregate.

- Insurance agents and brokers E&O coverage, with limits of \$5 million per claim/\$5 million aggregate.

- Insurance company and other risk financing organization E&O

Continued on next page

THE Business Insurance WORKERS COMPENSATION CONFERENCE

PRESENTED BY
Business Insurance, and IBF • International Business Forum

October 17-19, 1993
Loews Coronado Bay Hotel
San Diego, California

HOW TO REGISTER:

The registration fee is \$795 (\$595 for risk, employee benefit and safety managers). Early Bird registration fee is \$695 (\$495 for risk, employee benefit and safety managers), if you register before August 15. To register or receive exhibit information, please complete the form below and mail or fax to:

IBF • International Business Forum
50 Charles Lindbergh Blvd., Suite 400 • Uniondale, N.Y. 11553
Tel (516) 229-2375 • Fax (516) 229-2386

THE BUSINESS INSURANCE WORKERS COMPENSATION CONFERENCE

- PLEASE REGISTER THE FOLLOWING DELEGATE.
 PLEASE SEND ME EXHIBIT INFORMATION.
 PLEASE KEEP ME INFORMED.

Name _____

Title _____

Company _____

Street _____

City _____ State _____ Zip _____

Telephone () _____

Fax () _____

CONFERENCE AGENDA

SUNDAY, OCTOBER 17

- 6:00 – EARLY REGISTRATION & WELCOME RECEPTION
7:30 p.m. Hosted by Commonwealth Risk Services, Inc. and General Rehabilitation Services, Inc.

MONDAY, OCTOBER 18

- 7:45 a.m. Registration & Continental Breakfast
- 9:00 a.m. OPENING REMARKS FROM THE CHAIR
Kathryn J. McIntyre
Vice President, Publisher & Editorial Director
Business Insurance
- 9:15 a.m. SHOULD THE WORKERS COMPENSATION AND GROUP HEALTH CARE SYSTEMS BE COMBINED?
Panel Moderator:
James M. Burcke, Editor
Business Insurance
Keith T. Bateman, Vice President
Policy & Development
Workers Compensation
& Commercial Lines Division
Alliance of American Insurers
Harry Neer, President & Chief Operating Officer
USA Health Network Company, Inc.
Thomas E. Rankin, Director of Research
California Labor Federation, AFL-CIO
- 10:15 a.m. Mid-Morning Refreshments
& Table-Top Exhibits
- 10:45 a.m. ESTABLISHING AND IMPLEMENTING A SUCCESSFUL ERGONOMICS PROGRAM
Michelle Robertson, Ph.D.
Assistant Professor of Human Factors
Institute of Safety and Systems Management
University of Southern California
Marie Robinson, M.S.
Corporate Ergonomist, Safety Staff
Pacific Bell
Neal Taslitz, JD, President
The Backcare Corporation
Steven C. Turner, Safety Consultant
Marsh & McLennan, Inc.
- 12:15 p.m. LUNCHEON FOR SPEAKERS AND ATTENDEES
Hosted by William M. Mercer, Inc. and Marsh & McLennan, Inc.
- 1:15 p.m. KEYNOTE LUNCHEON SPEAKER
Brent A. Winans, Vice President, Risk Management
Concord Services, Inc.

Continued from previous page and directors and officers liability coverage, with limits of \$5 million per claim/\$5 million aggregate.

Under this program, Evanston writes coverage for: start-up insurers, companies with loss problems, companies with no Best's rating, risk retention groups and captives. Mr. Springman noted that Evanston specializes in insuring companies with between \$25 million and \$100 million of direct written premium.

• Mutual fund and investment adviser E&O and D&O liability coverage, with limits of \$5 million per claim/\$5 million aggregate.

• Corporate and non-profit D&O liability, with limits of \$1 million per claim/\$1 million aggregate, is available for small companies with assets of \$25 million or less or revenues of \$50 million or less.

Evanston also writes high-risk product liability insurance for com-

panies that make products ranging from computer equipment to pharmaceuticals. Evanston specializes in insuring companies involved in new and emerging medical technologies, Mr. Springman noted. Limits are \$2 million per claim/\$2 million aggregate for most accounts.

Evanston also operates what is known as the "K facility," a kind of clearinghouse for liability risks that do not fall into other categories. Evanston offers limits of \$1 million per claim/\$1 million aggregate.

Medical malpractice insurance accounts for about 20% of Evanston's direct, non-admitted premium volume. Architects and engineers professional liability, product liability, insurance company E&O and D&O liability, "K facility liability," and "specified professions" liability coverage each account for between 10% and 15% of premium volume. Agents and brokers E&O, corpo-

rate and non-profit D&O, mutual funds E&O and D&O and attorneys professional liability coverage each account for between 5% and 10% of premium volume.

Evanston retains a maximum of \$1.5 million per risk, Mr. Springman said. Evanston last year took a \$249,546 charge for unauthorized reinsurance but had no charges for overdue authorized reinsurance.

Besides Mr. Springman, Evanston's other principal officers include: Anthony F. Markel, chairman and chief executive officer, and Richard A. Adler and Michael A. Rozenberg, executive vps.

Evanston is admitted only in Illinois. It operates two subsidiaries: Insurance Co. of Evanston, an admitted company in Illinois, and Markel Rhulen Insurance Co., which Evanston uses as a surplus lines insurer in Illinois.

—By Deborah Shalowitz

BI's annual directory of excess/surplus insurers

A

Acceptance Insurance Co.

222 S. 15th St., Suite 600 N.,
Omaha, Neb. 68102; 402-344-8800;
fax: 402-341-0792

	1992	1991
Gross premiums...	\$92,724,986	\$65,690,789
Non-admitted...	\$65,445,554	\$45,277,495
Commercial risks...	80%	71%
Net premiums...	\$52,277,735	\$43,071,580
Paid-in capital...	\$2,809,760	\$2,809,760
Capital & surplus...	\$33,324,036	\$26,708,123
Employees...	125	105
Combined ratio 1...	106.8%	103.3%
Combined ratio 2...	106.8%	103.3%
Net income...	\$896,809	\$2,904,935
Best's rating...	A-	A-
S&P's rating...	BBBq	BBBq

Founded: 1979.

Parent company: Acceptance Insurance Cos.

Specialties: Small contractors, liquor legal liability.

Subsidiaries: Acceptance Indemnity Co., Omaha, Neb.; Phoenix Indemnity Co., Omaha, Neb.

Approved non-admitted in: California, Florida, Georgia, Hawaii, Indiana, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nevada, New Mexico, North Carolina, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Texas, Utah, Washington, West Virginia, Wyoming.

Admitted in: Alabama, Arizona, Arkansas, Colorado, Illinois, Iowa, Kentucky, Michigan, Nebraska, North Dakota, Ohio, Tennessee, Virginia, Wisconsin.

Principal officers: Kenneth C. Coon, president; Georgia Mace, treasurer; Greg Ewald, vp-underwriting; John R. Svoboda, vp-regulatory affairs; Charles A. McCarron, director-agencies/marketing.

Contact: Charles A. McCarron.

Admiral Insurance Co.

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

	1992	1991
Gross premiums...	\$82,586,574	\$84,958,766
Non-admitted...	\$75,597,358	\$74,566,169
Commercial risks...	91.5%	87.8%
Net premiums...	\$35,463,750	\$38,669,606
Paid-in capital...	\$3,000,000	\$3,000,000
Capital & surplus...	\$111,994,214	\$95,771,492
Employees...	128	128
Combined ratio 1...	97.1%	108.4%
Combined ratio 2...	94.9%	98.8%
Net income...	\$19,766,899	\$20,405,183
Best's rating...	A++	A+

Founded: 1952.

Parent company: W.R. Berkley Corp.

Specialties: Hard-to-place manufacturing, retail and product liability lines; miscellaneous errors and omissions and self-insured retention charged for first-party accounts.

Subsidiaries: Armada Insurance Services Inc., Los Angeles; Nautilus Insurance Co., Scottsdale, Ariz.

Approved non-admitted in: District of Columbia, Puerto Rico, Virgin Islands and all states except Delaware and New Jersey.

Principal officers: Michael J. Sneed, chairman/CEO; John J. Kinsella, executive vp/COO; Herbert L. Ruffer, senior vp/secretary; Keven P. Hannon, senior vp-claims; Kathleen Crawford, vp/treasurer; Charles L. Barnard Jr., Armin W. Blumberg, Harold M. Mork, regional vps.

Contact: Herbert L. Ruffer.

Adriatic Insurance Co.

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

	1992	1991
Gross premiums...	\$13,823,183	\$16,331,958
Non-admitted...	\$13,663,429	\$15,763,282
Commercial risks...	100%	100%
Net premiums...	\$11,321,360	\$13,382,068
Paid-in capital...	\$1,500,000	\$1,500,000
Capital & surplus...	\$15,148,520	\$13,738,282
Employees...	18	18
Combined ratio 1...	93.0%	87.1%
Combined ratio 2...	92.8%	85.6%
Net income...	\$1,207,515	\$2,493,551
Best's rating...	A-	A-

Founded: 1979.

Parent company: Anglesey Corp.

Specialties: Physical damage to long-haul fleet and individually owned trucks, limousines, taxis and motor vehicle cargo.

Approved non-admitted in: Alaska, Arizona, Arkansas, California, District of Columbia, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Missouri, Montana, Nebraska, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, Wyoming.

Admitted in: Delaware, Mississippi, Nevada, New Mexico, North Dakota.

Principal officers: Joseph E. Taylor, president; Anthony Cervo Jr., secretary; Steven M. Harris, treasurer.

Contact: Joseph E. Taylor.

Agricultural Excess & Surplus Insurance Co.

49 E. Fourth St., Dixie Terminal
Building, Suite 923, Cincinnati, Ohio
45202-3803; 513-579-6300;
fax: 513-579-6314

Continued on next page

MID-MORNING CONCURRENT SESSIONS

11:00 a.m. Concurrent Session A: HOW TO EVALUATE AND SELECT A THIRD-PARTY ADMINISTRATOR

Carl Shogren, ARM
Vice President, Risk Management Services
Crawford & Company

Susan M. Werner, ARM
Director of Risk Management
Hardee's Food Systems Inc.

11:00 a.m. Concurrent Session B: HOW TO SELF-ADMINISTER YOUR CLAIMS

Arnold Davenport, Vice President, Risk Management
Marriott Corporation

12:00 p.m. LUNCHEON FOR SPEAKERS AND ATTENDEES Hosted by Liberty Mutual Insurance Group

1:00 p.m. KEYNOTE LUNCHEON SPEAKER

Bill Kizorek, President
InPhoto Surveillance

1:30 p.m. Break

2:00 p.m. FINANCING ALTERNATIVES FOR WORKERS COMPENSATION

Panel Moderator:
Kathryn J. McIntyre, Vice President, Publisher & Editorial Director
Business Insurance

Arnold Davenport, Vice President
Risk Management
Marriott Corporation

John Kessock, Jr., Chairman
Commonwealth Risk Services, Inc.

Vince Sanguinet, Executive Director
Inland Empire Schools Insurance Authority

Millicent W. Workman, Director of
Corporate Risk Management
Belz Enterprises

3:30 p.m. CONFERENCE ADJOURNS

CORPORATE SPONSORS

Commonwealth Risk Services, Inc.

General Rehabilitation Services, Inc.

William M. Mercer, Inc.

Marsh & McLennan, Inc.

Liberty Mutual Insurance Group

USA Workers' Insurance Network

1:45 p.m. Break

2:15 p.m. HOW TO INTEGRATE CASE MANAGEMENT INTO A WORKERS COMPENSATION PROGRAM

Peter C. Madeja, Vice President
General Rehabilitation Services, Inc.

3:30 p.m. Mid-Afternoon Refreshments & Table-Top Exhibits

4:00 p.m. MINIMIZING FRAUD AND ABUSE IN THE WORKERS COMPENSATION SYSTEM

Panel Moderator:
Joanne Wojcik, Los Angeles Bureau Chief
Business Insurance

Gregory L. Johnson, Principal
William M. Mercer, Inc.

Hank Krizl, Vice President - Claims
Fremont Compensation Insurance Group

J. William Strickland
Manager - Special Investigations Unit
Liberty Mutual Insurance Group

5:15 p.m. COCKTAIL RECEPTION

Hosted by USA Workers' Insurance Network

TUESDAY, OCTOBER 19

7:45 a.m. Continental Breakfast & Table-Top Exhibits

9:00 a.m. OPENING REMARKS FROM THE CHAIR

9:15 a.m. INNOVATIVE STRATEGIES TO CUT WORKERS COMPENSATION COSTS

Case Study #1
BECHTEL CORPORATION

Lucy Gallagher, Risk Management Representative
for Bechtel Corporation
Alexander & Alexander

Thomas W. Manley, Labor Relations Supervisor
Bechtel Corporation

Case Study #2
WALT DISNEY COMPANY

Stephen M. Wilder, Assistant Treasurer
Risk Management
Walt Disney Company

Case Study #3
MERVYN'S

Michelle Patton, Director - Risk Management
MERVYN'S

10:30 a.m. Mid-Morning Refreshments & Table-Top Exhibits

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. However, to be listed, more than 50% or \$10 million 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, either on an admitted or non-admitted basis.

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.

Guide to E/S insurers

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 the company's ratio of losses and loss expenses incurred to premiums earned added to the ratio of underwriting expenses to net premiums written.

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

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

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

which is given to some companies not assigned a rating, is listed if provided.

Standard & Poor's claims paying or solvency rating was also requested.

The number of employees (and for excess insurers, the number involved in excess liability underwriting) is given in full-time equivalents.

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

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

Principal officers, as well as a **contact person** at the company for those wishing more information, complete the listings.

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

(e) is the rating of the parent company; (q) is a qualified rating; (p) is a pooled rating; (NA-3) is insufficient operating experience.

Continued from previous page

	1992	1991
Gross premiums...	\$55,453,477	\$53,295,944
Non-admitted...	\$54,355,446	\$52,258,842
Commercial risks...	100%	100%
Net premiums...	\$1,098,030	\$1,037,102
Paid-in capital...	\$4,100,000	\$4,100,000
Capital & surplus...	\$15,204,225	\$10,726,063
Employees...	38	35
Combined ratio 1...	105.7%	105.8%
Combined ratio 2...	NA	106%
Net income...	\$834,842	\$686,823
Best's rating...	A	A

Founded: 1980.

Parent company: Great American Insurance Co.

Specialties: Pollution coverage for owners/operators of underground storage tanks; asbestos removal contractors.

Approved non-admitted in: All states except Delaware and New Hampshire.

Admitted in: Delaware.

Principal officers: Richard Koscielak, president; Alan Jaeger, Gayle Christen, Michael Ryan, vps.

Contact: Alan Jaeger.

Alliance General Insurance Co.

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

	1992	1991
Gross premiums...	\$15,749,546	\$11,588,661
Non-admitted...	\$14,949,033	\$10,672,393
Commercial risks...	95%	92%
Net premiums...	\$8,205,233	\$3,989,464
Paid-in capital...	\$2,000,000	\$1,500,000
Capital & surplus...	\$10,190,506	\$8,244,977
Combined ratio 1...	99.4%	99.3%
Combined ratio 2...	99.4%	99.3%
Net income...	\$810,984	\$1,467,079
Best's rating...	B++	B+

Founded: 1984.

Specialties: Product liability.

Approved non-admitted in: Alaska, Arizona, California, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Minnesota, Mississippi, Missouri, Nebraska, Nevada, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin.

Admitted in: Illinois.

Principal officers: Donald V. McCann, Eric W. Rahn, Jeffrey M. Josephs, Denise M. LeBeau.

Contact: Eric W. Rahn.

Alpine Insurance Co.

311 S. Wacker Drive, Suite 500,
 Chicago, Ill. 60606; 312-922-8800;
 fax: 312-347-1403

	1992	1991
Gross premiums...	\$5,495,588	\$2,247,277
Non-admitted...	\$5,179,076	\$1,981,665
Commercial risks...	94%	88%
Net premiums...	\$4,963,721	\$3,747,257
Paid-in capital...	\$1,800,000	\$1,800,000
Capital & surplus...	\$20,387,941	\$9,488,868
Combined ratio 1...	54.3%	61.1%
Combined ratio 2...	54.3%	61.1%
Net income...	\$628,067	\$2,020,053
Best's rating...	A	A-

Founded: 1986.

Parent company: Exstar Financial Corp.

Specialties: Architects and engineers professional liability; commercial casualty, including products liability and contractors liability.

Subsidiaries: Alpine Premium Finance.

Approved non-admitted in: Alabama, Alaska, Arizona, California, Colorado, District of Columbia, Florida, Georgia, Hawaii, Idaho, Indiana, Iowa, Kansas, Kentucky, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, New York, North Carolina, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, Wyoming.

Admitted in: Illinois.

Principal officers: John T. Clark, president; Richard P. Shemitis, senior vp; Daniel J. O'Shaughnessy, secretary.

Contact: John T. Clark.

American Empire Surplus Lines Insurance Co.

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

	1992	1991
Gross premiums...	\$50,738,087	\$62,113,522
Non-admitted...	\$35,695,373	\$51,966,678
Commercial risks...	100%	100%
Net premiums...	\$23,360,210	\$36,742,901
Paid-in capital...	\$4,100,000	\$4,100,000
Capital & surplus...	\$107,852,944	\$134,630,571
Employees...	73	82
Combined ratio 1...	47.3%	37.5%
Combined ratio 2...	NA	37.3%
Net income...	\$16,225,311	\$445,162
Best's rating...	A	A

Founded: 1977.

Continued on page 34

A Global Perspective...



Aon Reinsurance Agency, Inc. Service Beyond the Treaty

123 North Wacker Drive • Chicago, Illinois • 60606

312-781-7900

San Francisco
 Aon Reinsurance Agency, Inc.

Philadelphia
 Aon Reinsurance Agency, Inc.

New York
 Aon Re Inc.

Seattle
 Aon Reinsurance Agency, Inc.



A LOOK AT HURRICANE RISK.

Our analysis of industrial property losses following Hurricane Andrew revealed that a full 80% of property damage incurred can be prevented in the event of another hurricane of the same magnitude.

Furthermore, we've established that many improvements can be incorporated during new construction at minimal cost; and, more important, they can easily be worked into existing facilities.

One Allendale customer with over one dozen facilities in Andrew's path reported that windstorm improvements incorporated into their design cost less than \$2,500 per building. The result:

damage from Andrew at all facilities was slight.

Recent inspections by our windstorm specialists of the twenty largest facilities we insure in Puerto Rico identified

\$1.1 billion in exposures that could be eliminated for less than \$2.5 million, a reduction of \$400 of exposure for every \$1 spent.

For a more complete discussion of our findings from Hurricane Andrew and of

the actions you can take, write to us for a copy of our latest brochure. Allendale Insurance, P.O. Box 7500, Johnston, Rhode Island 02919.

THERE ARE THINGS YOU CAN DO RIGHT NOW. HERE ARE JUST TWO EXAMPLES:

Inspect your roof's perimeter flashing. It should sit over a firmly secured, continuous hook strip. The hook strip should be secured to the wood nailer or similar device at 12- to 16-inch intervals. For an easy test, tug on it. It should feel secure. The average repair cost is \$2.00 per linear foot of flashing. Average exposures with this type of deficiency typically exceed \$500,000. This one deficiency accounted for over 20% of the industrial property damage losses incurred from Andrew.

For steel deck roofs, examine the underside of the steel deck. A greater number of fasteners should penetrate the deck in the 8- to 10-foot strip closest to each wall. If the roof lacks additional fasteners, focus repair efforts on the 100 square foot corner areas of the roof covering for each building. Providing additional fasteners and patching the penetrations will cost less than \$500 per corner. Average exposures with this type of deficiency typically range from \$500,000 to \$1.5 million.

Allendale Insurance/Factory Mutual System

World leaders in property risk management since 1835.

Continued from page 32

Parent company: Great American Insurance Co.
Subsidiaries: American Empire and Stonewall Surplus Lines, Cincinnati; Fidelity Environmental, Princeton, N.J.
Approved non-admitted in: All states except Delaware.
Admitted in: Delaware.
Principal officers: Joseph Walsh, chairman; Walter Snyder, president; Robert Nelson, senior vp-underwriting; Chester Nalepa, senior vp-claims.
Contact: Walter E. Snyder.

American Excess Insurance Assn.

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

	1992	1991
Gross premiums...	\$40,000,000	\$40,000,000
Excess liability...	100%	100%
Admitted.....	100%	100%
Employees.....	18	17
Excess liability.	9	9

Founded: 1986.
Specialties: All lines except air-

lines, water transportation and railroads.

Admitted in: All states except North Dakota, Texas and Wyoming.
Principal officers: Richard C. Barbieri, president; C.N. Greene, vp; N. Colgan, secretary.
 American Excess Insurance Assn. is a voluntary, non-profit, unincorporated organization of 14 insurance companies.

American International Specialty Lines Insurance Co.

P.O. Box 196999, Anchorage, Alaska 99519-6999; 907-274-4100

See profile on page 18.

Associated International Insurance Co.

21860 Burbank Blvd., Suite 380, Woodland Hills, Calif. 91367; 818-595-0600; fax: 818-595-0651

	1992	1991
Gross premiums...	\$68,662,147	\$80,248,502
Non-admitted..	\$22,703,590	\$26,591,882
Commercial risks.	33%	33%
Net premiums....	\$39,333,857	\$40,029,155
Paid-in capital...	\$2,500,000	\$2,500,000

Capital & surplus.	\$44,443,822	\$36,967,557
Employees.....	41	41
Combined ratio 1.	89.8%	87.7%
Combined ratio 2.	89.8%	87.6%
Net income.....	\$9,918,989	\$8,845,366
Best's rating.....	A	A-

Founded: 1972.
Parent company: Willis Corroon Group P.L.C.

Specialties: Self-insured retentions, excess or buffer layers, umbrella, special programs, architects and engineers errors & omissions, California DIC, excess property, including utilities and railroads, vacant building package.

Subsidiaries: Associated International Intermediaries Inc., Woodland Hills, Calif.

Approved non-admitted in: All states except California, Maine and Rhode Island.

Admitted in: California.
Principal officers: John F. Iannucci, president; Matthew T. Peller, senior vp-property; Kathryn W. Suchomel, senior vp-casualty; Jack Craig McFarlane, senior vp-claims; Sunil L. Hingorani, vp/treasurer.
Contact: Kathryn W. Suchomel.

C

Century Surety Co.

2400 Corporate Exchange Drive, Suite 290, Columbus, Ohio 43231; 614-895-2000; fax: 614-895-7036

	1992	1991
Gross premiums...	\$17,740,549	\$17,744,949
Non-admitted..	\$5,173,374	\$6,787,456
Commercial risks.	50.2%	38.3%
Net premiums....	\$12,043,749	\$12,080,076
Paid-in capital...	\$2,000,000	\$2,000,000
Capital & surplus.	\$11,446,734	\$7,227,806
Employees.....	47	44
Combined ratio 1.	95.7%	98.9%
Combined ratio 2.	95.8%	99.7%
Net income.....	\$1,568,661	\$1,359,502
Best's rating.....	B++	B++

Founded: 1978.
Parent company: Alliance Holding Corp.

Specialties: Asbestos abatement contractors, beauty/barber shops, day care or preschools, exercise and health studios, oil & gas, restaurant/taverns, nightclubs and bars, security

guards, suntanning, special events.
Subsidiaries: Continental Heritage Insurance Co.
Approved non-admitted in: Alabama, California, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Michigan, Mississippi, Missouri, Montana, Nebraska, North Dakota, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Virginia, Washington, Wyoming.

Admitted in: Arizona, Indiana, Ohio, West Virginia, Wisconsin.
Principal officers: Roswell P. Ellis, president; Glenn D. Southwick, treasurer; Anne L. Meyers, secretary; Norman D. Amick, vp; John G. Wilcox, vp.
Contact: Jane Thompson.

Colony Insurance Co.

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

	1992	1991
Gross premiums...	\$25,002,042	\$23,805,928
Non-admitted..	\$24,685,686	\$21,909,251
Commercial risks.	98.7%	92.0%
Net premiums....	\$15,225,803	\$15,681,206
Paid-in capital...	\$2,000,000	\$2,000,000
Capital & surplus.	\$16,167,711	\$5,247,040
Employees.....	89	83
Combined ratio 1.	93.7%	98.6%
Combined ratio 2.	93.5%	98.6%
Net income.....	\$2,374,954	\$164,294
Best's rating.....	B+ V	NA-3
S&P's rating.....	NA	Bq

Founded: 1962.
Parent company: Figgie International.

Specialties: Bars, restaurants, taverns, convenience stores, contractors, daycare centers, pest control, security guards, product liability for manufacturers.

Subsidiaries: Cardinal Casualty, Glen Allen, Va.

Approved non-admitted in: Alabama, Arizona, Arkansas, California, Colorado, District of Columbia, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Mississippi, Missouri, Nebraska, Nevada, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, South Dakota, Tennessee, Texas, Utah, West Virginia, Wisconsin, Wyoming.
Admitted in: Virginia, Washington.

Principal officers: John Latham, president; Geoff Cahill, vp-marketing; Ed Desch, vp/controller; Grace Cashman, vp-MIS; F. Doug Wall, vp-claims.
Contact: Geoff Cahill.

E

Empire Indemnity Insurance Co.

1624 Douglas St., Omaha, Neb. 68102; 402-341-0135; fax: 402-271-2510

	1992	1991
Gross premiums...	\$13,188,369	\$15,210,995
Non-admitted..	\$11,074,727	\$13,561,481
Commercial risks.	100%	95.7%
Paid-in capital...	\$2,500,000	\$2,500,000
Capital & surplus.	\$17,685,752	\$16,394,872
Employees.....	216	199
Net income.....	\$1,290,880	\$1,105,631
Best's rating.....	A+	A

Founded: 1957.
Parent company: Empire Fire & Marine Insurance Co.

Specialties: Hazardous transports, monoline commercial auto, excess private passenger, liquefied petroleum gas, garbage trucks.

Approved non-admitted in: All states except Connecticut, Maine, Massachusetts, New Hampshire and Oklahoma.

Admitted in: Oklahoma.
Principal officers: Richard F. Williams, Charles B. Ralph, John W. Paulsen, Kevin H. Purcell, Steven R. Sell.
Contact: John W. Paulsen.

Essex Insurance Co.

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

	1992	1991
Gross premiums...	\$56,485,471	\$42,977,355
Non-admitted..	\$56,359,850	\$43,336,097
Commercial risks.	87%	100%
Net premiums....	\$43,506,694	\$25,183,256
Paid-in capital...	\$4,500,000	\$4,500,000
Capital & surplus.	\$34,583,799	\$26,814,170
Combined ratio 1.	76.2%	72.9%
Combined ratio 2.	76.3%	72.9%
Net income.....	\$6,889,816	\$9,408,808

Continued on next page

PERFORMANCE
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DIFFERENCE.

JOE TANKERSLY ALLIGATOR WRESTLER



WHEN YOU HANDLE RISK, IT'S TOUGH TO HOLD ON TO SUCCESS. THE DIFFERENCE IS IN THE SKILL OF THE PERFORMER. AT CRC, WE'RE EXPERTS IN HANDLING RISK. WE PERFORM AS INSURANCE BROKERS

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TOP FIVE INDEPENDENT WHOLE-SALE BROKERAGES. WHEN EVEN THE MOST ORDINARY RISK DESERVES AN EXTRAORDINARY SOLUTION, CALL CRC. PERFORMANCE IS THE DIFFERENCE.



Continued from previous page

Best's rating A
S&P's rating NA A-

Founded: 1980.
Parent company: Markel Corp.
Specialties: Manufacturers and contractors; owners, landlords and tenants; liability to medium hazards; products liability; special events; restaurants, bars and taverns; care facilities; vacant property; motor truck cargo; commercial auto physical damage.

Approved non-admitted in: All states except Connecticut and Delaware.

Admitted in: Delaware.
Principal officers: Anthony F. Markel, Britton L. Glisson, Raymond A. Johnson, Steven A. Markel, Alan I. Kirshner.
Contact: John G. Clarke.

Evanston Insurance Co.

1007 Church St., Evanston, Ill.
60062; 708-866-2800;
fax: 708-866-0794

See profile on page 30.

F

Fireman's Fund Insurance Co.

777 San Marin Drive, Novato, Calif.
94998; 415-899-2000

	1992	1991
Gross premiums...	\$3,274,749,815	\$3,243,628,882
Excess liability...	10%	10%
Admitted.....	99%	99%
Net premiums...	\$2,537,296,954	\$2,587,193,393
Paid-in capital...	\$3,000,000	\$3,000,000
Capital & surplus...	\$1,666,886,070	\$1,536,986,089
Employees.....	8,900	9,842
Excess liability...	430	440
Combined ratio 1...	121.6%	121.0%
Combined ratio 2...	122.3%	122.7%
Net income.....	\$116,534,334	\$126,297,401
Best's rating.....	A	A
S&P's rating.....	AA	AA+

Founded: 1863.
Parent company: Allianz A.G. Holding.

Specialties: First layer and excess layer umbrellas; advertising agency liability; broadcasters errors and omissions; publishers liability; hole-in-one insurance; tougher, larger casualty risks in umbrella/excess; alternative market excess liability; primary and excess directors and officers liability (non-financial institution risks); public officials liability and miscellaneous professional liability; specialty risks; high-deductible and layered property coverages for municipalities, schools and universities; mass transit systems, construction projects, bridges, utilities, high technology and onshore petrochemical risks.

Subsidiaries: American Automobile Insurance Co., The American Insurance Co., Associated Indemnity Corp., Chicago Insurance Co., Fireman's Fund Indemnity Corp., Fireman's Fund Insurance Co. of Georgia, Fireman's Fund Insurance Co. of Hawaii, Fireman's Fund Insurance Co. of Iowa, Fireman's Fund Insurance Co. of Louisiana, Fireman's Fund Insurance Co. of New Jersey, Fireman's Fund Insurance Co. of Ohio, Fireman's Fund Insurance Co. of Texas, Fireman's Fund Insurance Co. of Wisconsin, Interstate Fire & Casualty Co., Interstate Indemnity Co., Midway Insurance Co. of Illinois, National Surety Corp., San Francisco Automobile Insurance Co., San Francisco Reinsurance Co., Southern Fund Insurance Corp., Warner Insurance Co.

Admitted in: All states.
Non-admitted in: All states except California, Maine, Massachusetts, New Hampshire, New Jersey, Ohio, Vermont.

Principal officers: Herbert F. Hansmeyer, chairman/president/CEO; Raymond Barrette, president-personal insurance division; Gary E. Black, executive vp-claims; Timothy T.M. Koo, president-specialty insurance division; John F. Meyer, executive vp/chief financial officer; Thomas E. Rowe, president-commercial insurance division; Joe L. Stinnette Jr., executive vp/chief administrative officer.

First Specialty Insurance Corp.

237 E. High St., Jefferson City, Mo.
65102; 913-676-5800;
fax: 913-676-5880

	1992	1991
Gross premiums...	\$16,563,260	\$15,178,024
Non-admitted...	\$12,439,916	\$10,871,968
Commercial risks...	75%	72%
Net premiums...	\$4,197,890	\$3,341,176
Paid-in capital...	\$5,000,000	\$5,000,000
Capital & surplus...	\$18,490,338	\$17,270,832
Employees.....	10	9
Combined ratio 1...	88.7%	84.6%
Combined ratio 2...	NA	84.6
Net income.....	\$1,262,739	\$1,110,554
Best's rating.....	NA	A++

Founded: 1989.
Parent company: Employers Reinsurance Corp.
Specialties: Excess casualty/umbrella, hospital medical malpractice.
Approved non-admitted in: District of Columbia and all states except Delaware, New Hampshire and Oklahoma.

Admitted in: Missouri.
Principal officers: Thomas S. Case, Denis J. deBaroncelli, John M. Connelly, Gary R. Teaney, Sharon L. Butler.
Contact: Sharon Butler.

Front Royal Insurance Co.

45615 Willow Pond Plaza, Sterling, Va. 20164; 703-318-0100;
fax: 703-318-0323

	1992	1991
Gross premiums...	\$527,835	\$329,395
Non-admitted...	\$452,112	\$259,937
Commercial risks...	85.7%	78.9%
Net premiums...	\$414,467	\$182,276
Paid-in capital...	\$1,500,000	\$1,500,000
Capital & surplus...	\$5,028,061	\$5,676,349
Employees.....	8	7
Combined ratio 1...	81.6%	125.1%
Combined ratio 2...	81.6%	125.1%
Net income.....	\$170,501	\$131,098
Best's rating.....	NA-3	NA-1

Founded: 1988.
Parent company: Front Royal Inc.

Specialties: Environmental Impairment liability.

Subsidiaries: Edgerton Environmental Services Inc, Carry, N.C.; Environmental Insurance Management Inc., Sterling, Va.

Admitted in: Virginia, Arizona.
Principal officers: John J. Metelski, president; J. Adam Abram, CEO; Michael E. Sommer vp-underwriting; Judy D. Young, secretary; Sara K. Gosnell, treasurer.
Contact: Barbara Reilly, administrator.

G

General Star Indemnity Co.

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

See profile on page 20.

General Star National Insurance Co.

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

	1992	1991
Gross premiums...	\$54,063,940	\$59,094,823
Excess liability...	86%	83%
Admitted.....	100%	100%
Net premiums...	\$26,071,843	\$26,267,406
Paid-in capital...	\$4,000,000	\$4,000,000
Capital & surplus...	\$67,976,898	\$55,144,760
Combined ratio 1...	91.8%	94.9%
Combined ratio 2...	93.1%	95.1%
Net income.....	\$11,527,471	\$7,139,950
Best's rating.....	A++	A++

Founded: 1985.
Parent company: General Re Corp.

Specialties: Day care; entertainment risks; sub-standard/high hazard property, excess auto, buffer layers.

Admitted in: All states.
Principal officers: Kevin P. Brooks, chairman/president.
Contact: Mary Ann Brown.
Continued on next page

UNIQUE

Ancient Oriental lore describes Tourmaline as one of a kind, yet many in one. And it's true. It possesses more hues and tints than any other gem. This diversity is what makes it so adaptable to changing conditions and prized for its unique qualities.

Associated International Insurance Company also has many different facets to meet many different needs. And in a shifting climate of soft and hard markets, it's reassuring to know at least one company continues to stay solid, providing a proven line of specialty products and expertise unique among others.

With a staff dedicated to responsiveness and professionalism, you can feel confident in turning to AIIC for any of your specialty product needs. Because when it comes to uniqueness, AIIC, like the gem Tourmaline, is a true jewel in the insurance industry.

Let AIIC help create a product unique to your needs, including:

- Architects' & Engineers' E&O
- Binding Authorities
- Capacity Property Accounts
- Difference in Conditions
- Engineered Builder's Risks
- Excess Buffer Layers
- Railroads
- Self-insured Retentions
- Special Programs
- Umbrellas
- Vacant Building Packages



ASSOCIATED INTERNATIONAL INSURANCE COMPANY

21860 Burbank Blvd., Suite 380
Woodland Hills, CA 91367
818 595-0600 □ FAX 818 595-0651

A.M. BEST RATING
A (Excellent)
Class VI



Continued from previous page

H

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

	1992	1991
Gross premiums	\$16,542,077	\$13,609,588
Non-admitted	\$2,676,956	\$3,477,831
Commercial risks	16%	26%
Net premiums	\$14,977,116	\$12,844,023
Paid-in capital	\$2,700,000	\$2,700,000
Capital & surplus	\$29,192,525	\$28,058,943
Employees	24	24
Combined ratio 1	112.9%	119.9%
Combined ratio 2	112.9%	119.9%
Net income	\$4,056,381	\$4,813,314
Best's rating	A-	A-

Founded: 1979.
Parent company: American Hospital Assn. Services Inc.
Specialties: Medical malpractice and general liability.
Subsidiaries: Health Providers Insur-

ance Co. of Vermont, Montpelier, Vt.
Approved non-admitted in: Alabama, Arizona, California, District of Columbia, Florida, Georgia, Hawaii, Idaho, Indiana, Kansas, Kentucky, Maryland, Michigan, Mississippi, Missouri, Montana, Nebraska, Nevada, New York, North Carolina, North Dakota, Ohio, Oregon, Texas, Washington, West Virginia, Wisconsin, Wyoming.
Admitted in: Illinois.
Principal officers: Dennis W. Olsen, president; Gerald M. Olney, executive vp; R. John Evans, James A. Smith, vps; James A. Henderson, secretary.
Contact: R. John Evans.

The Home Insurance Co. (Consolidated)
 3000 Goffs Falls Road, Manchester, N.H. 03108; 212-530-7000

	1992	1991
Gross premiums	\$2,373,823,961	\$2,399,890,863
Excess liability	4.6%	3.9%
Admitted	99%	99%
Net premiums	\$1,521,441,187	\$1,751,178,974
Paid-in capital	\$11,050,000	\$11,050,000
Capital & surplus	\$951,163,569	\$901,191,986
Employees	4,100	4,400
Excess liability	80	72

	116.0%	110.1%
Combined ratio 1	NA	109.6%
Combined ratio 2	\$16,746,620	\$76,240,448
Net income	A-	A-
Best's rating	A-	A-
S&P's rating	A-	A-

Founded: 1852.
Parent company: Home Holdings Inc.
Subsidiaries: City Insurance Co., City International Insurance Co. Ltd., Cityvest International Ltd., Cityvest Reinsurance Ltd., Gruntal Financial Corp., Gruntal & Co. Inc., Home Group Funding Corp., The Home Insurance Co., The Home Insurance Co. of Illinois, The Home Insurance Co. of Indiana, The Home Insurance Co. of Wisconsin, Home International Services Inc., Home International Services (H.K.) Ltd., Home Lloyd's Insurance Co. of Texas, Settlement Designs Inc., The Home Indemnity Co., Sterling Forest Corp., U.S. International Re Inc., U.S. International Reinsurance Co.
Admitted in: All states.
Non-admitted in: All states.
Principal officers: Lars-Goran Nilsson, president; Michael J. Conroy, Fouad A. Mina, Arthur S. Phillips, John M. Tetro, executive vps.
Contact: David Cohen, 59 Maiden

Lane, New York, N.Y. 10038; 212-530-7120.

Home Insurance Co. of Illinois
 10 S. Riverside Plaza, Chicago, Ill. 60606; 312-559-9500

See profile on page 28.

Houston Casualty Co.
 13403 Northwest Freeway,
 Houston, Texas 77040;
 713-462-1000; fax: 713-462-4210

	1992	1991
Gross premiums	\$74,941,560	\$74,416,931
Non-admitted	\$36,132,040	\$32,030,308
Commercial risks	100%	100%
Net premiums	\$25,443,678	\$24,286,075
Capital & surplus	\$38,553,997	\$24,819,990
Employees	74	70
Combined ratio 1	88.5%	98.0%
Combined ratio 2	90.8%	99.3%
Net income	\$3,624,036	\$1,258,086
Best's rating	A-	A-

Founded: 1981.
Parent company: HCC Insurance Holdings Inc.

Specialties: Property, marine, offshore energy, aviation.
Subsidiaries: HCC Underwriters-A Texas Corp., Houston, Texas.
Approved non-admitted in: District of Columbia; Guam; Puerto Rico; and all states except Alaska, Maine, Montana, New Jersey, New York, South Carolina, Tennessee, Texas and Vermont.
Admitted in: Texas and Alaska.
Principal officers: Stephen L. Way, chairman/president/CFO; Frank J. Bramanti, executive vp/CFO; Peter B. Smith, executive vp; Timothy J. Collier, Martin J. Taylor, senior vps.
Contact: Peter B. Smith.

I

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

See profile on page 24.

JIM NIHAN, VP
 Professional Liability
 (212) 530-7350

DAVID WHITING, VP
 Energy
 (312) 559-9501

JOHN SHEERAN, VP
 D&O/E&O Liability
 (212) 530-6949

DAVID COHEN, VP
 Excess & Umbrella
 (212) 530-7120

CHARLES ABRUZZO, VP
 E&S Casualty
 (212) 530-7110

International Surplus Lines Insurance Co.
 181 W. Madison Ave., Chicago, Ill. 60602; 312-849-5000;
 fax: 312-840-5289

	1992	1991
Gross premiums	\$30,105,260	\$44,244,757
Non-admitted	\$28,765,414	\$42,284,790
Commercial risks	100%	100%
Net premiums	\$17,873,208	\$25,441,179
Paid-in capital	\$5,000,000	\$5,000,000
Capital & surplus	\$45,358,770	\$39,435,171
Combined ratio 1	117.0%	113.6%
Combined ratio 2	NA	113.5%
Net income	\$4,868,262	\$3,361,495
Best's rating	NA	A-
S&P's rating	A+	A+

Founded: 1971.
Parent company: Industrial Indemnity Co., a wholly owned subsidiary of Crum & Forster Inc.
Specialties: Professional/errors and omissions liability, directors and officers liability, public entity property and specialty coverages.
Approved non-admitted in: All states except Alaska and Illinois.
Admitted in: Illinois.
Principal officers: Michael Coutu, president/chairman; John Igoe, senior vp/treasurer/CFO; Bruce Shulan, senior vp/secretary/general counsel; Robert Gossett, Dennis Gibbs, senior vps.
Contact: Barbara Hamlin.

"These Home Professionals Make Our Group a Specialty Insurance Powerhouse."

ART PHILLIPS
 Executive Vice President
 Specialty Insurance Group
 (212) 530-7202



ROBERT SPIRO, VP
 E&S Casualty
 (404) 984-6606

ROGER ABLETT, VP
 Ocean Marine
 (212) 530-6677

DON BROMBERK, VP
 Transportation
 (404) 240-5312

FRANK D'ALESSANDRO, VP
 Group Accident
 (212) 530-7273

FRED FONTEIN, VP
 Professional Liability
 (212) 530-6324

Interstate Fire & Casualty
 55 E. Monroe, Chicago, Ill. 60603;
 312-346-6400; fax: 312-346-5748

	1992	1991
Gross premiums	\$149,559,016	\$117,691,960
Non-admitted	\$70,915,323	\$53,576,345
Commercial risks	73.1%	78.5%
Net premiums	\$94,684,650	\$69,599,204
Paid-in capital	\$4,200,000	\$4,200,000
Capital & surplus	\$127,360,642	\$112,588,239
Combined ratio 1	106.9%	114.4%
Combined ratio 2	106.8%	114.3%
Net income	\$8,412,377	\$10,322,254
Best's rating	A-	A-

Founded: 1950.
Parent company: Interstate National Corp.
Specialties: Non-standard commercial automobile, excess and umbrella, property, general liability, medical malpractice.
Approved non-admitted in: All states except Illinois, Michigan and New Hampshire.
Admitted in: Illinois, Michigan.
Principal officers: Patrick O'Flynn, chairman/CFO; Douglas Boyce, Carol Newman, Jerry Shanks, Michael Sullivan, senior vps.
Contact: Douglas E. Boyce.

The phrase "Professionals Serving Professionals" is not just a slogan at The Home's Specialty Insurance Group—it's a fact. The people who head up our major lines of business are leading experts in their fields, and they recruit only the brightest and best people to work under them.

We seek out tougher markets and risks — because our people have the expertise and skills it takes to handle them efficiently and effectively. And we

settle for nothing less than excellence in meeting your Specialty coverage needs, whether simple or complex.

We invite you to find out what our Specialty Insurance leadership can do for you. Call the numbers above or any Home Insurance field office.

HOME INSURANCE SPECIALTY INSURANCE GROUP
 PROFESSIONALS SERVING PROFESSIONALS



Investors Insurance Co. of America
 200 Schulz Drive, Red Bank, N.J. 07701; 908-224-0500;
 fax: 908-741-2266

	1992	1991
Gross premiums	\$30,849,980	\$17,919,081
Non-admitted	\$25,247,390	\$12,725,362
Commercial risks	90.7%	75.1%
Net premiums	\$18,245,504	\$9,018,027
Paid-in capital	\$2,500,000	\$2,500,000
Capital & surplus	\$43,364,871	\$40,083,529
Employees	49	54
Combined ratio 1	95.7%	77.0%
Combined ratio 2	96.0%	73.9%
Net income	\$3,539,084	\$7,801,450
Best's rating	A-	A-

Founded: 1961.
Parent company: Investors Insurance Holding Corp.
Specialties: Variety of liability and

Continued on next page

Insurer Topics

A special editorial section
sent exclusively
to insurers and reinsurers

By JUDY GREENWALD

Outsourcing, contracting with outside vendors for specialty functions, is increasingly becoming the rule rather than the exception among insurers.

Among the benefits of outsourcing is its ability to lower costs and bring specialized expertise to particular functions. This permits insurers to focus more closely on their basic strengths. Outsourcing's primary disadvantage, observers say, is insurers' feeling—whether real or perceived—that they give up some control in the areas affected.

Outsourcing probably is most frequently used for information services, particularly among small to medium-size insurers. But insurers of all sizes find several uses for outsource services.

For instance, Prudential Insurance Co. of America since 1984 has introduced outside vendors for food operations, security, printing, travel and some of its mailroom operations, said Robert Brownlie, vp-corporate services.

Other areas outsourced by insurers include investments, marketing, surveillance, actuarial work and even underwriting.

"I think more and more insurance companies are examining it," said John Freeland, partner in charge of consultant Arthur Andersen & Co.'s Northeast region insurance practice.

Himanshu Patel, vp-marketing support for Chicago-based CNA Insurance Cos., said that while the insurer is not outsourcing now, "We are at the stage where we think we ought to be looking at it more carefully."

"If someone can do something cheaper, better or faster, then we ought to take a good look at it," he added.

While the outsourcing itself is often done by firms specializing in that area, in some cases insurers themselves are beginning to perform these functions on behalf of other insurance companies.

For instance, Liberty Corp., the parent company of Liberty Life Insurance Co. in Greenville, S.C., has established a separate subsidiary, Liberty Insurance Services, that offers administrative services to other insurers, said Liberty Services President Ken Hunt.

Outsourcing permits insurers to concentrate on what they do best, executives say.

"From our perspective, it seemed to make more sense to let an expert do those things so we could concentrate on our primary business, which is insurance," said Jim Jones, president of the Kansas City, Mo.-based Dodson Group, which now outsources 80% to 90% of its information services.

Philip Dressler, senior vp for information

Outside vendors are more than just along for the ride

for
services
CONTRACTING

technology services at Schaumburg, Ill.-based Zurich Insurance Group, said the insurer is considering having an outside firm perform administrative functions in connection with its personal computers, including equipment installation and maintenance. "I'm seriously looking at that because it's become so critical to our operation, and we don't seem to be able to do an effective job."

Insurers can save substantially by outsourcing. "I think the fundamental reason (to outsource) is the expense-savings perception," said Mark Savory, national director of insurance industry consulting services for Ernst & Young in New York. "I think in many cases an outside specialist firm can be more efficient and effective in providing that service."

Bill Shenton, senior vp at Conning & Co. in Hartford, Conn., which provides investment management services on behalf of insurers, said: "A manager that may be managing a larger number of assets has and sees more in the marketplace, and therefore may very well be able to do better than smaller insurance companies."

In the information systems area, "one of the most important advantages to doing an outsource is that you convert a lot of your fixed costs to variable costs, because the utilization of your computer system is based on premium volume," Mr. Jones said.

With an owned mainframe computer, an insurer has a certain amount of overhead, regardless of how much it uses the computer, which can be a particular problem if the company is in a downsizing mode, pointed out Mr. Jones, who added that his company's premium volume is fairly stable.

By outsourcing, an insurer can also eliminate the "stair-step approach." Normally, an insurer would have a mainframe, with set costs that will stay stable for some period of time. But there comes a certain point when the insurer must buy a bigger computer, with a consequent big increase in fixed costs. With outsourcing, "You level out that increase in costs."

Outsourcing can also cut down on personnel costs. More people are contracting for these services as a way of "getting the work done with less people," said Kimberly Paterson, president of Creative Insurance Marketing Co. in Red Bank, N.J., which provides marketing services.

Specifically, in tough economic times, advertising, marketing and public
Continued on next page



Outsourcing

Continued from previous page
relations departments tend to be the first to have their budgets trimmed, she said. Therefore, market research, press relations, design of promotional material and telemarketing are popular targets for outsourcing.

And Royal Insurance Co. currently finds it more cost-effective to hire temporary help from outside temp agencies than from an in-house temp pool, said Steve Frey, human resources consultant for the Charlotte, N.C.-based insurer.

Royal plans to eventually set up its own temp pool to accommodate workers requiring more flexible schedules, among other reasons.

Prudential's Mr. Brownlie noted that "there's always been a more significant issue besides cost" for outsourcing.

For instance, Prudential has sold its printing plant and outsourced its business forms distribution because it recognizes the trend toward "paperless" electronic documents, he said.

Outsourcing can also provide greater flexibility. For instance, Mr. Jones said that with the software available through its vendor—Columbia, S.C.-based Policy Management Systems Corp.—when the Dodson Group decides to expand, "we have the software there. We can bring up the state fairly quickly, much more quickly in this environment than when we were on our own with our own program."

'You've transferred the responsibility for remaining on the technological cutting edge,' says Bill Cash.

Outsourcing is also a good way to handle small books of business.

"People are now weighing the cost-effectiveness of internal solutions to relatively small books of business," said Robert Jenkins, executive vp of the Insurance Processing Center in Andover, Mass.

He noted that while the processing center was originally focused on processing claims for re-

sidual markets, it is now being asked by insurers to handle specialty lines as well. "It really allows the company to focus on their primary markets."

It can also be effective when an insurer is leaving a line of business. For instance, Home Insurance Group is using the data-processing facilities of CIGNA Information Services, based in Voorhees, N.J., for its personal lines business, which is now in runoff, said Vic Guyan, Home's vp of business systems.

When you are not in a "growth mode" in a line of business, said Mr. Guyan, "you're trying to restrict all your expenses, and outsourcing in that case is a way to share the expense of mandated or regulated changes that are required by the various jurisdic-

tions." Under the circumstances, the desire to absorb the entire cost by yourself for strategic purposes no longer exists, he said.

Another advantage to outsourcing, said Mr. Jones, is "you keep up with the technology." A good outsourcing company will take advantage of the most current technology, "and that advantage is passed on to you as you move forward in time, so you don't have to be continually educating your people and trying to stay up in an area where you don't really have the specialty. We're not computer people, we're insurance people," he said.

"You've transferred the risk and the responsibility for remaining on the technological cutting edge to someone else," said Bill Cash, vp for Towers Perrin's insurance general management consulting group in New York. "The vendor does that."

Outsourcing, however, has disadvantages as well, observers point out.

There can be a certain loss of flexibility, said Mr. Jones. "If you want to do something very special or in a highly customized way, it's very expensive," he said. "You can do some customization and some modification, but you can't get carried away on that or the costs get out of line."

"You really need to be careful that the costs don't start to run away," agreed John Johnsen, managing director of Technology Consultants Inc. in Fort Lee, N.J., who specializes in information services.

Insurers should also be careful how they write their outsourcing contracts, Mr. Johnsen said. While they could save 15% the first year, there are usually escalation clauses in the contract, and an insurer could wind up in two or three years spending more than it planned to.

Another issue is control, he said. If a vendor has 10 or 15 clients, the biggest clients are likely to get the most attention. Vendors, however, for the most part do a good job of making sure they pay attention to all their clients, he said.

Another possible disadvantage, said Ernst & Young's Mr. Savory, is that "typically you become very dependent on one vendor" in the area in which functions are being outsourced.

As a result, if the vendor gets into trouble or if service deteriorates, "it has the potential for adverse impact on the insurance company's operations," Mr. Savory said. "You've lost control over some of your critical resources, and your ability to change in the future is dependent on the ability of that vendor to keep up with technology."

"You are a bit of a hostage to the vendor," said Towers Perrin's Mr. Cash. "You can always change the vendor, but you don't do that overnight. So, if something goes wrong, there's not a whole lot you can do about it in the near term."

To make the best use of outsourcing, have a clear business strategy, experts advise.

"The best way of dealing with outsourcing is to have a crisply defined business and technology strategy that the outsourcing vendor can achieve, as opposed to having a more amorphous set of requirements that will be difficult to monitor success," suggested Fred Amoroso, a principal in Price Waterhouse's insurance practice in New York. **[E]**



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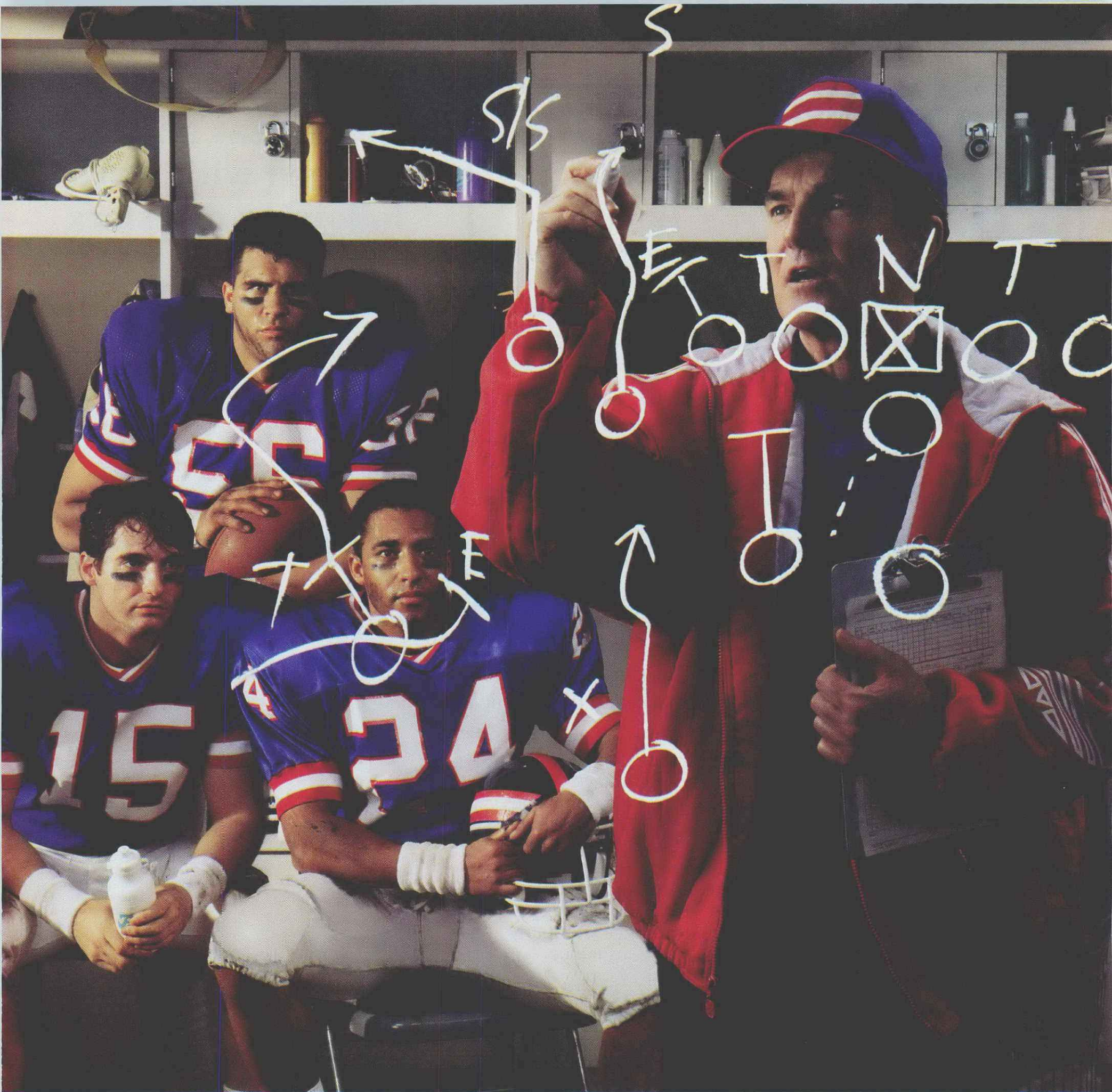
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Insurer Topics

Independent adjusters deluged with work following disasters

By MARY E. PFLUM

For many insurance companies, 1992 could be remembered as the year of a resurgence in the use of independent claims adjusters.

With last year's onslaught of such hard-hitting disasters as Hurricanes Andrew and Iniki, insurers turned to independent claims adjusters in record numbers for assistance.

One independent claims adjuster's story sums it up.

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"Traditionally, we want the insurance company's business and have always gone after it. But when Andrew hit, it was quite a different experience. You had to shake your head at people you'd been begging for business and say 'I'm sorry—I don't have the manpower.' It was an unpleasant experience for both sides," said Bud Trice, vp of catastrophe services at Atlanta-based Crawford & Co.

Although burdened, independent adjusters sufficiently lightened the heavy load following big losses, throughout 1992, according to several insurers.

Insurers were reminded not only of the benefits and drawbacks involved in soliciting outside adjusting services during desperate times, but also of the importance of maintaining good relationships with independent adjusters at all times.

"We used more independents in 1992 than we ever had before. We had to if we wanted to maintain some level of customer satisfaction (in the wake of the disasters)," said Thomas P. Morrison, director of catastrophic response for Allstate Insurance Co. in Northbrook, Ill. Allstate employed more than 400 independent claims adjusters last year.

Mr. Morrison was far from alone in his solicitation of outside claims adjusters.

Kenneth J. Enscoe, superintendent of property claims for Columbus, Ohio-based Nationwide Mutual Insurance Co., said this past year prompted them to hire 50 outside adjusters—a record for Nationwide.

And Mark Odland, vp of claims for State Farm Fire & Casualty Co. in Bloomington, Ill., reported that over the course of the past 12 months, independent adjusters have handled about 30,000 of State Farm's 3 million claims, of which 22,500 were disaster-related claims.

Mr. Odland, like several other insurers, said he does not usually like to solicit so much outside help, but he readily acknowledged that sometimes additional manpower is absolutely necessary.

"Many times you have no alternative but to bring in outside help—particularly with Hurricane Andrew and Commissioner (Tom) Gallagher's Oct. 15 deadline," he said, referring to the early-fall claims-paying deadline established by Florida's insurance commissioner in the wake of Hurricane Andrew. This deadline, Mr. Odland insists, could not have been met without the help of independent adjusters.

Outside claims adjusters also prove helpful in taking on the small-claims work when the in-house staff is swamped with catastrophe claims.

"Normally, we do not use independents for the catastrophe itself, but we do call upon them to 'pick up the slack' on smaller claims while our own claims staff is called in to handle the actual catastrophe," said Leroy Batten, vp of property claims for Novato, Calif.-based Fireman's Fund Insurance Cos.

And independent claims adjusters
 Continued on page 36F

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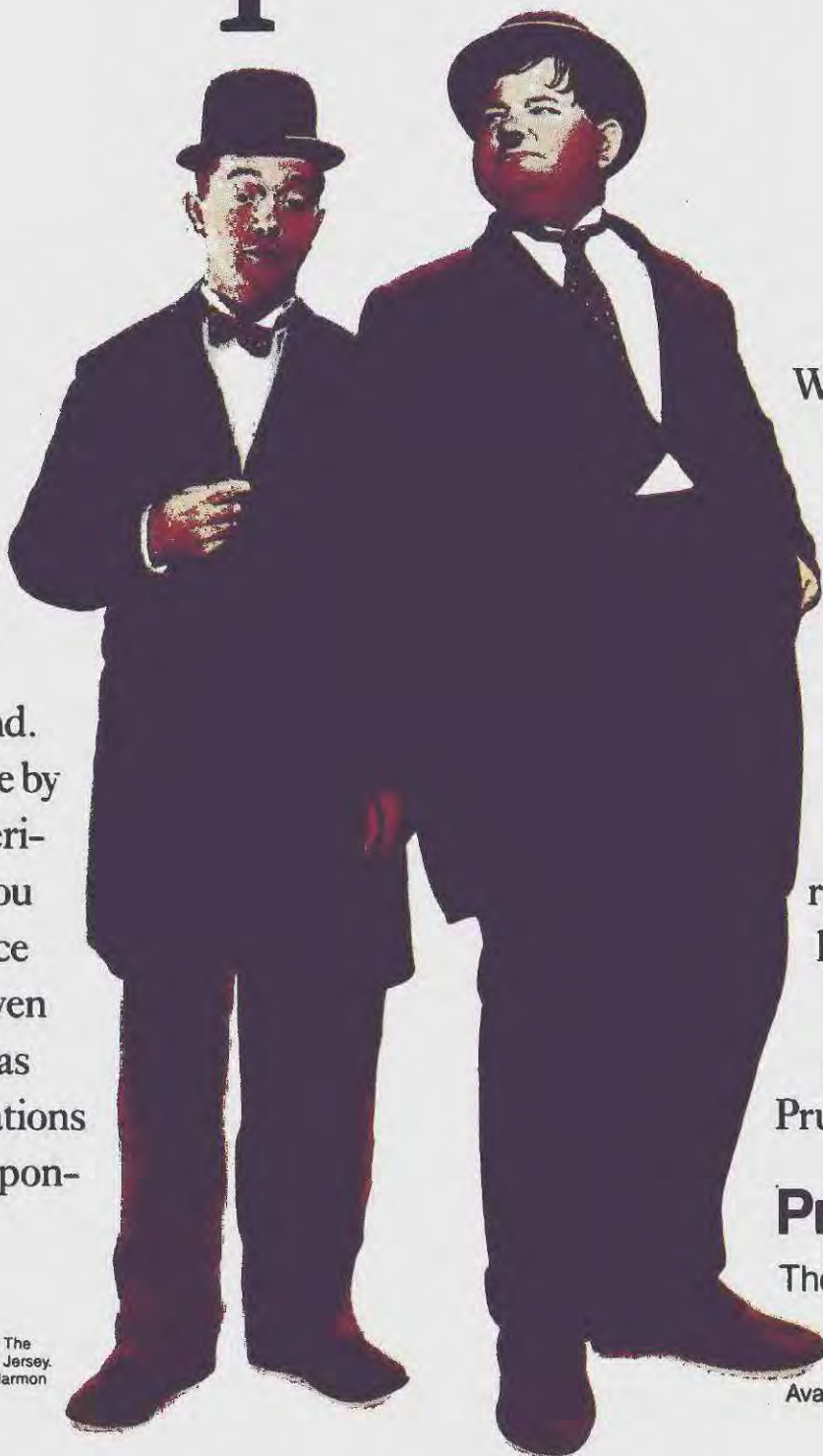
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Insurers didn't let flood submerge customer service

Forced to evacuate their high-rise offices, companies put their disaster plans to the test

By NANCY P. JOHNSON

DES MOINES, Iowa—It's tough for an insurer to pay claims and mail out annuity checks without an office.

But insurers in flood-ravaged Des Moines fulfilled their customer obligations despite some considerable obstacles, like no water, electricity or functioning bathrooms.

On July 28, the Raccoon River

rose to 28 feet above its normal level at Des Moines, forcing the city to shut off water and electricity to homes and businesses. And, when the city ordered tenants to vacate the higher floors of high-rises—to minimize the risks from possible fires on higher floors—many companies had to find a way to do business elsewhere.

While none of the insurers contacted actually suffered flood dam-

age, the evacuation of their buildings created plenty of challenges.

Des Moines-based Principal Financial Group took several steps to keep essential client services—like hospital precertification, 401(k) plan emergency disbursements and payment of disability claims—uninterrupted during the flooding. First, the insurer redistributed some functions to branch offices around the country, and set up a toll-free phone line to take customer calls.

With the company's corporate headquarters spanning five high-rises, The Principal began moving departments located on higher floors to lower floors or to leased office spaces in Ames, 27 miles north of Des Moines. "Employees were playing the world's biggest game of musical desks," a spokesman for the insurer said.

The city imposed strict limits on the number of employees a business could retain to keep essential operations going. The Principal responded by setting up shifts, each with about 1,300 of the company's 6,800 local employees.

Working in shifts at night also helped alleviate another inconvenience caused by the flooding: no air conditioning. While stalwart employees worked in sweltering offices with no running water, the mainframe computer required more delicate care—namely water to keep it cool. Because no city water was available, Principal hooked up a children's swimming pool to the building's water system to keep the mainframe in good order.

Another Des Moines insurer relocated to the suburbs during the worst of the flood threat.

Allied Group, which includes Allied Life Insurance Co., moved its executives, underwriters and some claims handlers to its nearby Urbandale office, where its mainframe computer is located. At its main office in Des Moines, access to higher floors was restricted, but about 100 of its 900-employee workforce kept working.

"Downtown Des Moines looked like a war zone, with all the sandbags, but Allied employees really pulled together to keep the company going," said a spokeswoman.

The company parking lot was an unusual sight, as it was filled with 40 portable bathrooms for em-



The drone of helicopters used in sandbagging was another irritation for insurer employees.

ployee use, she added.

Another local insurer also is proud of its disaster recovery record during the flooding.

The Equitable Life Insurance Co. of Iowa was up and running at full speed less than three days after the loss of water and electricity in Des Moines. The company jumped into action by opening a satellite office in West Des Moines, hiring trucks to move computers there and setting up a modem link to the mainframe in the insurer's main office, said a spokesman.

"I have been talking over the last several months about wanting a good test of our disaster recovery plans and methods," said Fred S. Hubbell, president and chief executive officer. "Never did I imagine that we would be provided such a serious opportunity to test those plans," he said in a letter to employees.

One local insurer found itself the center for National Guard operations during the crisis.

Because the Des Moines offices of Farmland Insurance Cos.—a Nationwide Insurance Co. unit—are on high ground, the city used its parking lot to conduct sandbagging operations. Farmland employees joined other volunteers in filling sandbags, which were airlifted by Iowa National Guard helicopters around the clock to a levee surrounding a nearby city water treat-

ment plant.

The constant loud noise from the helicopters "made for *deja vu*" for employees who are Vietnam veterans, said Bob Green, communications manager. Working in the hot, darkened offices and hearing the constant drone from the helicopters reminded them of the "dreary, rain-soaked atmosphere of Vietnam."

While insurers have focused on keeping their operations running, they—and their employees—have found time to help flood victims.

A pair of employees at Seattle-based SAFECO Insurance Cos. came up with their own flood relief brainstorm: to send flood victims the company's 1,000 surplus telephones, which were recently taken out of service when a new phone system was installed. The phones were delivered to the American Red Cross last week for distribution to needy recipients.

SAFECO offices in Portland, Ore., and Chicago have already assembled one semitrailer load of donations, including baby food and formula, diapers, cleaning supplies, personal hygiene products and insect repellent, said a spokeswoman. And, SAFECO matches employee donations to the Salvation Army and the American Red Cross for flood relief programs, she said, noting that the company expects to raise about \$75,000, the same amount it raised for Hurricane Andrew victims.

The Principal Financial Group contributed \$750,000 to the Iowa chapter of the American Red Cross and \$250,000 to the United Way Relief Fund. The company also released some employees for community volunteer work, while other employees were kept on call. All received full pay.

And, some insurers decided the flood crisis called for giving policyholders a break.

SAFECO announced it would allow policyholders affected by the flood to arrange for premium payments to be delayed up to three months without any interruption in their coverage, said Tim Mullen, branch vp in St. Louis.

Allied Group also is giving policyholders more time to make premium payments "on an individual basis," said the insurer's spokesman. **BI**

CNA expert guards against fraud

DES MOINES, Iowa—While some insurers came to the aid of flood victims with food, water and money, CNA Insurance Cos. sent an expert to help fight fraud.

At the request of the Florida and Iowa attorneys general, Mike Maloy of CNA's special investigation unit in Plantation, Fla., went to Des Moines to help establish an office to fight consumer fraud in the aftermath of the disaster.

"The scams won't begin until people start contracting for cleanup," Mr. Maloy said. "When people get their insurance and FEMA money, con artists swarm like flies."

Mr. Maloy has experience with the swarms. When Hurricane Andrew struck in 1992, he was chief insurance investigator for the Florida attorney general.

His former boss recommended him to help in Iowa, and CNA consented to "loan" him to the state for two weeks.

His activities included setting up a "war room" and programming a computer system to track complaints, categorize them and disperse them for investigation.

The flood "was like the hurricane, which came and went in eight hours. The flood was coming for three weeks and it will probably be three weeks before people are back in their homes and businesses," Mr. Maloy said in an interview last month.

Iowa officials used the time wisely to educate consumers about fraud.

The lag time between the flood and recovery also gave Iowa companies a longer time to bring in supplies from elsewhere, reducing the scarcity and therefore the price-gouging.

Pressure cleaners and sump pumps were expected to be in high demand in Des Moines, but they were brought in before many people had use for them.

"No one is buying them now because they don't need them," Mr. Maloy said. "When they do get into their houses, there will be enough of them."

In the wake of Hurricane Andrew, the items in greatest demand were generators, ice and chainsaws, he said.

"Companies were trucking (generators) in from Atlanta, and even then paying \$5,000 when normally they would go for \$500 or \$600."

Fighting consumer fraud is similar to fighting insurance fraud, Mr. Maloy said.

"It's the same principle we use at CNA," he said. "We educate our adjusters about insurance fraud to make them more alert. The more you look for fraud, the less likely it is to happen to you."

—By Sara Marley

Claims adjusters

Continued from page 36D

that specialize in specific types of claims often prove to be an asset after a disaster. For example, independents who specialize in adjusting boat damage claims can be invaluable following a hurricane.

But many insurers were quick to point out that there can be several disadvantages to using independent adjusters.

Chief among them is the independents' lack of experience in working with a particular company's procedures.

"Sometimes, the independents are not familiar with State Farm policy and with the idea that the customer comes first. That can be worrisome," said Mr. Odland, noting that a special orientation program is used to introduce independents to State Farm procedures and to weed out potentially unsuitable claims adjusters.

Agreeing that there are definite worries involved in using independents, Richard A. Harrington, assistant director of the claims depart-

ment for Hartford, Conn.-based ITT/Hartford Insurance Group, said numerous factors are considered before an independent is permitted to represent the company.

"We evaluate what training they have, the licensing, their flexibility. We want to make sure they understand the policy forms and that they understand the things that should trigger more involvement from the company," he said.

And, of course, the cost and billing procedures of the independent must be considered as well, said Robert Orr, field division vp of the Northeast region of Hartford, Conn.-based Travelers Corp.

In the past, a chief concern of insurers involved the tendency of independent adjusters working on a commission basis to inflate claims for personal gain.

While numerous insurers were quick to point out that the quality of independents' work has improved through better billing procedures, the opportunity still exists for deceit.

To avoid such problems, Mr. Orr does not hire independents on a

commission basis. Travelers' method of payment is determined by a price scale constructed on a per-file basis.

Allstate's Mr. Morrison alleviates such cost concerns through a series of reinspections of claims adjusted by independent firms and by conducting and studying customer satisfaction surveys.

Fireman's Fund's Mr. Batten uses a reinspection and audit program in addition to a full-time supervisor, whose sole function is to oversee the work of independent claims adjusters.

But the key to avoiding potential problems with outside adjusters lies in the nurturing of relationships with independents prior to a catastrophe.

According to Mr. Orr, such relationships in today's disaster-prone world are nothing short of imperative.

"It's imperative that you have a relationship in place with an independent prior to a catastrophe. The whole purpose in the case of an emergency is that you have to be able to act quickly. It's an inter-

active relationship that you develop and that pays off with trust and respect," he said, noting that Travelers has "solid" relationships with two independent firms in particular.

Independent adjusters also look favorably upon such relationships.

"Our pre-catastrophe agreement gives a commitment to the insurer and to the customer to support manpower claims," said Richard A. McKinley, national manager of GAB Business Services Inc.'s fire and allied lines division in Parsippany, N.J.

Crawford's Mr. Trice also encourages pre-disaster arrangements with insurers.

"I heartily recommend partnering with an independent company in advance. An insurance company should not call upon an independent in a time of need and expect to get the service that he wants if there's no pre-established relationship. Both sides need to get used to each other—to have some early test runs with small storms," he said.

Crawford runs through mock disasters and orientation procedures

with insurers to familiarize them with a catastrophe scenario.

Insurers and independent adjusters that fail to establish relationships, including compensation methods and claims-handling procedures, in advance of a disaster may be in for an unpleasant surprise, Mr. Trice warned.

With some projections showing that 1992 may have marked only the beginning of a disaster-filled future, heavy use of independent adjusters is expected to continue.

"Andrew has stretched our capacity and awareness without question. For the future, we're going to be using independents more and more and more," said Ray Stone, catastrophe coordinator for Travelers.

The use of independent adjusters is no longer a mere option, said Mr. Batten of Fireman's Fund.

"For insurers, independents will always be a necessary player in order to supply service. We need 24-hour coverage, and to do that, we need an independent. There's no question about it. Independents will be needed as long as there are disasters," he said. **BI**

Mortgage-backed bonds raising eyebrows

Life insurers' CMO investments attracting regulator scrutiny

By JUDY GREENWALD

Collateralized mortgage obligations have become an integral part of many life insurance companies' investment portfolios, but their use is drawing increased attention from regulators and rating agencies.

In fact, concern about heavy investment in certain esoteric types of CMOs prompted regulators in one state to seize control of a small life insurer.

Georgia regulators last December took over Atlanta-based Coastal States Life Insurance Co. In June, the company and the Georgia Insurance Department agreed on a voluntary rehabilitation plan, in which Coastal States agreed to divest virtually all of its CMO assets, said a spokesman for the insurer.

While most insurers are more cautious than Coastal States in their investment strategies, regulators and rating agencies remain wary of other insurers running into trouble with CMO investments.

"I think from our standpoint scrutiny is called for," said Chester Murray, associate director of Moody's Investors Service Inc. in New York.

"We are spending a considerable amount of time analyzing CMOs and CMO risk," said Larry Mayewski, an analyst with A.M. Best Co. in Oldwick, N.J.

First introduced about 10 years ago, CMOs are a type of mortgage-backed bond that separates the cash flow from pools of mortgages into different maturity classes and prepayment characteristics called tranches.

CMOs are generally issued by federal agencies, including the Federal Home Loan Mortgage Corp., the Government National Mortgage Assn. and the Federal National Mortgage Assn. They carry a triple-A credit rating.

There are a myriad of types of tranches:

- One of the more common, "plain vanilla" types frequently invested in by insurers are planned amortization class bonds, or PACs, which guarantee payments so long as prepayment rates stay within the bounds described in their prospectuses.

- Other, more exotic types of CMOs include interest-only strips, or IOs, which pay just interest payments to holders, and principal-only bonds, or POs, which buyers purchase at a discount and which pay only principal.

CMOs, with their triple-A rating, represent virtually no credit risk. Under risk-based capital guidelines developed by the National Assn. of Insurance Commissioners for the life insurance industry, insurers are required to maintain reserves of just 0.3% of their investment in CMOs, compared with 10% to 15% of reserves for real estate investments.

However, these instruments can still pose considerable reinvestment risk. In a low interest-rate environment, prepayments of mortgages mean that CMO buyers might receive their money back sooner than expected and then be faced with the prospect of reinvesting their funds at relatively low interest rates.

Because 1993 is the first year that insurers will be required to report the size of their CMO investments in their statutory reports, there is no precise data available on the extent of insurers' investments in CMOs.

However, according to the Washington-based American Council of Life Insurance, life insurers reported a

total of \$62.5 billion in both CMOs and real estate mortgage investment conduit securities, which is another type of real estate investment, on their books as of Dec. 31, 1992.

While property/casualty insurers do invest to some degree in CMOs, the bulk of CMOs are purchased by life insurers. This is because the duration of CMOs more closely matches the duration of life insurers' policies and annuities.

Most life insurers focus their investments on the more conservative, "plain vanilla" tranches, and are likely to avoid Coastal States' problems.

"Coastal States is an extreme example," said Randy Boushek, vp and portfolio manager for Lutheran Brotherhood, a Minneapolis-based life insurer. "It is not alone. There are other extreme examples, but they are few in number," he said. "The vast majority of life insurers follow a much more conservative strategy with their mortgage-backed securities or their CMO holdings."

For many large insurers, more conservative tranches represent 70% to 85% of their CMO portfolios, with the exotic tranches accounting for the rest, said Best's Mr. Mayewski. Sophisticated investors use these exotic tranches as a means to hedge their risk on the "plain vanilla" tranches, he said.

Coastal States' problem was that it "obviously gambled and guessed wrong" by investing heavily in these more esoteric types, he said.

Coastal States is "pretty unusual," said Kevin Cuervorst, vp with rating agency Duff & Phelps Credit Rating Co. in Chicago. "Most insurance companies are not meaningfully involved in significant risk through IOs and POs."

"I would think that, for the most part, the insurance industry is in the pure vanilla CMOs," said Harris Chorney, national director-insurance practice for KPMG Peat Marwick in New York.

The St. Paul Cos. Inc. has invested in the "more plain vanilla" tranches, said Ed Pendergast, vp-fixed income investments for the St. Paul, Minn.-based insurer.

The insurer analyzes the different tranches to see how they behave in different interest-rate environments. St. Paul does not buy the more esoteric types because they "just don't stand up under those tests," Mr. Pendergast said.

Similarly, only a little more than 2% of Lincoln National Corp.'s CMO investments are IOs, with PACs alone accounting for about 85% of its portfolio, said Dave Fischer, a vp in the Fort Wayne, Ind., insurer's investment area. Referring to IOs, he said, "I think clearly they're riskier, and we don't really have the tools in-house to appropriately analyze those."

"I don't see a dominant theme in what we are investing in," said Dave Hall, senior vp and director of invested assets for the Hartford Life Insurance Co., which has about \$6 billion invested in CMOs. The Hartford, Conn.-based insurer, which has been concentrating on secondary market investments, owns at least some amount of every type of CMO, he said.

"I think it's more security-specific investing," said Mr. Hall. Hartford is "looking for attractive risk-reward characteristics without regard to what the type of security is," he said.

"I don't think any reputable insurance company is out there risking

large amounts of money in a bad way," said Henry Wilson, assistant vp with Fitch Investors Service Inc. in New York, who specializes in the CMO market.

"I have not heard of any significant problems out there," said Larry Gorski, a life actuary with the Illinois Insurance Department. But, he added, that does not mean there aren't any.

Mr. Gorski has been working with the NAIC on four CMO-related projects:

- The first is "simply identifying CMOs as a separate class of investments within the bond section of the annual statement," which will be required beginning with this year's annual statements, he said.

- Second, he said, is the recent introduction of an online reporting system that will permit regulators to call up an insurer's file and identify the tranches in which a company is invested in greater detail than the annual statements will provide.

- A third project is intended to improve statutory accounting affecting CMOs and address some of the issues not previously addressed in this area, Mr. Gorski said.

- Yet another NAIC project is the development of a CMO volatility index, a statistical tool that will allow regulators to judge the potential volatility and cash flows of CMO investments and then work with insurance company's actuaries to make sure the investments are modeled appropriately for cash flow testing purposes. The volatility index is expected to be ready by next June.

The NAIC is no more and no less concerned about CMOs than it is about any other type of investment, said Mr. Gorski. "The companies can make good investments and not good investments in almost any investment plan."

The issue regulators face is that because their information base has "not been brought up to speed" in dealing with CMO issues, they do not have adequate information to either evaluate companies' portfolios, or to know whether the companies themselves are evaluating them properly. "Those kinds of circumstances can cause problems," said Mr. Gorski.

Rating agencies say they are also looking closely at insurers' CMO investments.

Among the factors Moody's looks at is the volume of CMOs in which insurers have invested, how they

model their exposures, their cash flow expectations "and basically what assumptions they use in the pricing of their liabilities where they use CMOs," said Mr. Murray.

"You try to get a sense of what a company is doing, what controls it has in place, how it is monitoring its activities," he said.

While surely all CMOs do not represent excessive risk, "the right questions and answers" must be provided from the regulatory and the agency perspective, said Best's Mr. Mayewski.

"I think you'll see more scrutiny," predicted Laura Gagnon, senior investment analyst with St. Paul. "Whether it turns into more regulation, I can't say. I think there's a heightened awareness that these investments need to be managed."

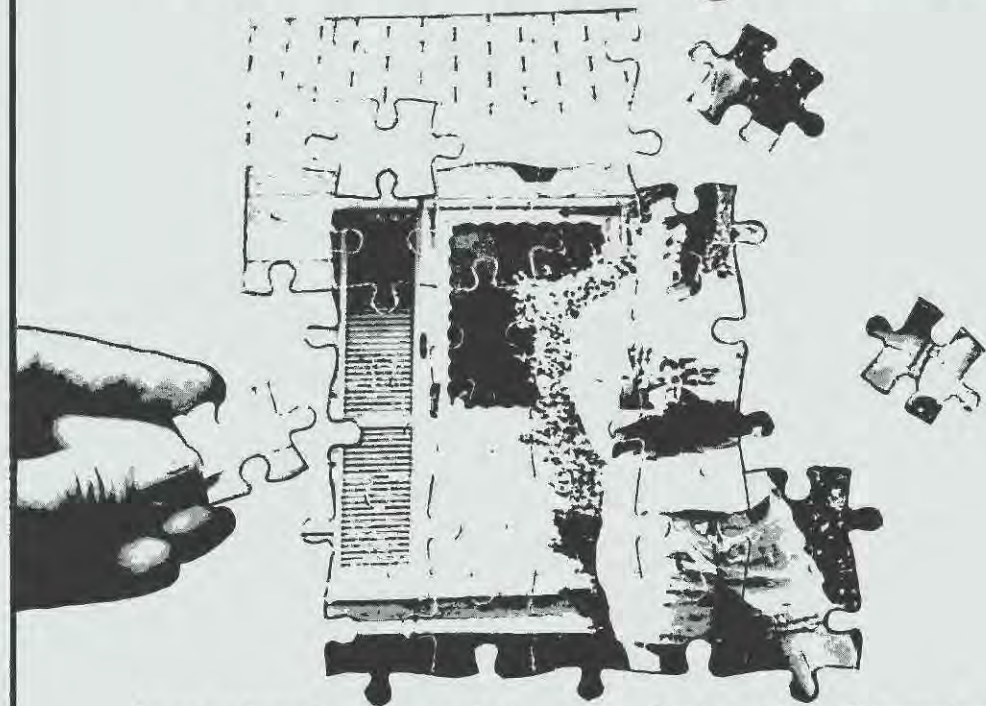
Meanwhile, low interest rates are leading many insurers to rethink their CMO investment strategies.

CMOs have been hit with very high prepayment rates, with old pools of mortgages paying off much faster than insurance companies expected, noted David J. O'Leary, vp with Fidelity Investments Inc.'s institutional insurance division in Boston. "They're having to invest at a lower yield and that puts pressure on profit margins."

"All companies are hurting from a forward-planning point of view because the CMOs are unwinding

Continued on next page

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A case of mutual disagreement

Coalition's ads condemn mutual insurers' 'tax loophole'

By LOUISE KERTESZ

LOS ANGELES—An insurance company says some of its competitors are reaping fortunes at the country's expense.

But the insurer's latest response to the situation has been raising eyebrows.

A coalition including a number of service agencies and Transamerica Occidental Life Insurance Cos., a stock insurance company, placed a full-page advertisement in the Washington Post, Washington Times and Baltimore Sun last month arguing that children's programs like Head Start are underfunded due to a tax loophole enjoyed by mutual life insurers. Radio ads also ran.

It is what observers might consider the latest round in the feud between the mutuals and the stock companies over what the stock companies say is the mutuals' unfair tax advantage.

The ad—which pictured executives who "get a \$1,200,000,000 tax loophole" alongside a group of children who "don't get enough to eat," was roundly condemned in a statement by the American Council of Life Insurance. "The ACLI strongly deprecates the advertising and legislative campaign tying the subject of life insurance company taxation to the social needs of the nation.

"The life insurance industry, including the companies targeted by this effort, have a long and proud record of corporate public involvement in these areas," the group said.

"There is no 'loophole' for life insurance companies," the ACLI asserted.

Because the group represents both stock and mutual companies, the

issue was "too ticklish" for further comment, a spokesman said.

But, breaking ranks, Transamerica says it is not going to take it anymore—and that the issue is bigger than corporate feuding.

"We saw an opportunity to place a spotlight on a dual injustice: funds are being cut for essential child health programs at the same time that a few large insurers continue to benefit from a \$1.2 billion annual tax loophole. We went alone because we didn't want the effort characterized as a stock/mutual confrontation," said James Dederer, executive vp of Transamerica Occidental, in a statement to *Business Insurance*.

The ads did not specifically name Transamerica as a sponsor, instead naming the Coalition to Close the Loophole & Put Our Kids First.

David R. Carpenter, chairman, president and CEO of the Los Angeles-based unit of Transamerica Corp., outlined the problem in a July 23 letter to fellow CEOs of stock life companies.

"I am convinced that since the early '80s, the tax law has contained a loophole which has produced (through highly effective 'tax planning' by large mutual companies) a very skewed, biased and inequitable tax environment in favor of mutuals," Mr. Carpenter wrote.

The loophole will result in the mutuals paying \$2 billion in taxes in 1994 vs. stock insurers' \$4 billion, he alleged.

According to a document provided by Transamerica, the root of the problem is Section 809 of the Internal Revenue Code.

Section 809 "was enacted in 1984 to prevent mutuals from deducting dividends of corporate earnings and

to tax them like stockholder-owned corporations are taxed," the document said.

"However, by creative manipulations (such as realizing massive amounts of capital gains), the 10 to 20 largest mutuals have turned Section 809 into a loophole," the document said.

"The mutuals in the 1990-1991 period paid tax at the same level as they did in 1979, i.e. about \$1.8 billion per year. There is something grossly wrong with a tax formula which produces that effect. Since 1979, their assets and their profits have increased greatly, in many cases doubling or even tripling," Mr. Carpenter wrote.

Transamerica says it was unsuccessful in trying to correct the problem through industry channels, so it had no recourse but to go to the public through advertising and joining the coalition.

"Transamerica has participated actively, energetically, and patiently for years in industry efforts to address this most difficult tax issue. I am more convinced than ever, however, that such efforts are fruitless and futile," Mr. Carpenter's letter said.

"Earlier this year, Transamerica re-

signed from the ACLI Tax Steering Committee. We were completely dissatisfied with the lack of progress and the unconscionable deception being foisted on the stock side of the industry.

"The litany of delay tactics that have been brought into play by the large mutuals over the past 2½ years would bring a wide smile to the face of the famous Italian who wrote so eloquently about the wielding of power several centuries ago," Mr. Carpenter continued, in a reference to Machiavelli, the 16th-century author of "The Prince."

To right the scales, Transamerica is proposing a repeal of Section 809. The insurer recommends changes to replace it, including that a mutual's deduction for dividends to policyholders cannot exceed the lesser of 90% of the company's policyholder dividends paid or accrued, or 30% of the company's taxable income before dividend deductions.

"We planned from the start being the sole insurer to provide support to the coalition. Several have expressed support for our positions and our goals," Mr. Dederer said.

Stock companies and mutual companies that *BI* attempted to contact did not respond.

Other members of the coalition include the Community Nutrition Institute, Just Harvest, the National Student Campaign against Hunger &

They Get a \$1,200,000,000 Tax Loophole.

While separately needed help for children is being cut or severely underfunded... education, health care and family housing programs... the 10 Largest Mutual Life Insurance Companies get a \$1,200,000,000 a year tax loophole.

If the Mutual Life Insurance tax loophole were closed we could give our kids the help they need.

11 of 500... \$6.25 per child for a year... Day care breakfast and lunch... \$3.33 a day for a child... Childhood immunization... \$15 a year per child... Why should giant corporations get a \$1,200,000,000 tax loophole when a hungry child can't get \$2.50 for day care meals?

Propose it... hammering out the new Federal Budget... Trying to decide what to do to raise and set aside... Clear the \$1.2 Billion Mutual Life Insurance Company Loophole.

Put Our Kids First... Please Call or Write Your Congressman.

TransAmerica belongs to a coalition that placed this ad last month alleging a tax break for mutuals.

Homelessness, D.C. Hunger Action, World Relief International, Utahans against Hunger, Second Harvest St. Paul Food Bank, the Assn. on Third World Affairs and the Henry A. Wallace Institute for Alternative Agriculture.

CMOs

Continued from previous page much more rapidly than they anticipated when they purchased them," said Robert Hogue, an analyst with Firemark Consultants in Parsippany, N.J.

From an asset-liability matching perspective, "the various tranches looked ideal" because they could match their high interest rates vs. their long-term liabilities. They therefore looked like a good addition to the portfolio of insurance companies that sold pensions or interest-oriented products.

But now, with interest rates falling, "the prepayment pattern is much higher than anticipated so the plan is falling apart, because those long-term interest guarantees are not materializing," Mr. Hogue said.

"Five or six years ago, people really did not give as much weight to the prepayment risk as they might have, and today they're paying the price," he said.

As a result, CMOs are becoming less popular, "no question about it," Mr. Hogue said.

"It's a complex market because there are a lot of different types of securities that fall under the CMO umbrella," including some that actually do better in falling interest-rate environments, observed Lutheran Brotherhood's Mr. Boushek. At the other extreme, "there are some that have performed extremely poorly" and "there's sort of a vast middle" that has "probably underperformed investors' expectations in the last six to 12 months."

As a result, Mr. Boushek said he believes life insurers are reducing

their allocation of new dollars going to CMOs, though not necessarily the size of their total holdings.

However, several observers believe CMOs still represent a good investment relative to other options.

"My impressions are that companies continue to invest in CMOs because, although the rates have fallen on CMOs, they've fallen on everything else as well," said Doug Doll, a consulting actuary with Tillinghast in Atlanta.

"We'll probably continue to see at least a portion of insurance company investments going into CMOs," he said.

Mr. Boushek noted that about 30% of Lutheran Brotherhood's assets are invested in mortgage-backed securities, of which about 85% are CMOs. This year, the insurer has allocated only about 25% of its new cash flow into CMOs, compared with 35% to 50% in the late 1980s, he said.

Currently, though, "We're looking to increase our allocations. We thought corporate bonds and commercial mortgage bonds both represented an attractive alternative over the past 12 months," he said.

But, as spreads have narrowed, the insurer has now come to believe that mortgage-backed securities, including CMOs, "now represent at least better value than they did."

Jerry Powers, vp-fixed income with Northwestern Mutual Life Insurance Co. in Milwaukee, agrees. In the past few months, the life insurer has increased its CMO investments, which account for about 10% of total invested assets.

"My opinion is they're a better value today than they were a while back," he said.

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Issue of August 16

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Business Insurance

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136	137	138	139	140	141	142	143	144	145	146	147	148	149	150

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Continued from previous page
property coverages; specialized liability including architects and engineers, chiropractors, security guards, lawyers professional liability and employment conditions liability.

Subsidiaries: Investors Special Risk Insurance Co., Red Bank, N.J.

Approved non-admitted in: District of Columbia and all states except New Hampshire, New Jersey, New York and Vermont.

Admitted in: New Jersey, New York.
Principal officers: D. Michael Polizzi, president/CEO; Frank T. Buziak, executive vp/CFO/secretary/treasurer; Edward Ragan, Harvey I. Swartz, senior vps; Douglas A. Hillman, vp.
Contact: D. Michael Polizzi.

Founded: 1979.

Parent company: RLI Corp.

Specialties: Surplus lines and specialty property risks; surplus lines general liability, including special events, manufacturers and distributors of products, manufacturers of difficult products excess of self-insured retention.

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

Admitted in: Delaware.

Principal officers: Gerald Stephens, Jonathan Michael, Gary Bonham, Joseph Dondanville, James Zogby.
Contact: Jerome E. Mershon.

N

National Fire & Marine Insurance Co.

3024 Harney St., Omaha, Neb.
68131; 402-536-3000;
fax: 412-536-3030

	1992	1991
Gross premiums...	\$74,711,066	\$22,086,377
Non-admitted...	\$20,152,536	\$16,974,671
Commercial risks...	21%	76.9%
Net premiums...	\$72,228,638	\$20,412,333
Paid-in capital...	\$2,500,000	\$2,500,000
Capital & surplus...	\$1,261,475,383	\$940,223,026

Combined ratio 1...	120.8%	91.1%
Net income...	\$5,638,827	\$26,138,947
Best's rating...	A++	A++

Founded: 1949.

Parent company: Berkshire Hathaway Inc.

Subsidiaries: Redwood Fire & Casualty Insurance Co., Pasadena, Calif.

Approved non-admitted in: All states except Hawaii, Massachusetts, Nebraska, New Jersey and New York.

Admitted in: Nebraska, New Jersey.
Principal officers: Donald F. Wurster, president; Robert D. O'Connell, vp/treasurer; Betty J. Peterson, secretary; Les Baller, Michael A. Fortune, Forrest N. Krutter, Philip M. Wolf, vps.

Contact: John P. Giandinoto, vp-marketing, 402-536-3220.

Nautilus Insurance Co.

7550 E. Redfield Road, Scottsdale, Ariz. 85260; 602-951-0905; fax: 602-951-9730

	1992	1991
Gross premiums...	\$58,474,403	\$58,524,314
Non-admitted...	\$54,238,174	\$58,062,174
Commercial risks...	90%	90%
Net premiums...	\$26,496,196	\$24,327,212
Paid-in capital...	\$4,900,088	\$4,900,088
Capital & surplus...	\$32,468,811	\$25,626,684
Employees...	81	74
Combined ratio 1...	99.4%	102.8%
Combined ratio 2...	99.1%	102.3%

Continued on next page

Investors Special Risk Insurance Co.

200 Schulz Drive, Red Bank, N.J.
07701; 908-224-0500;
fax: 908-741-2266

	1992	1991
Gross premiums...	\$12,039,459	\$9,273,755
Non-admitted...	\$5,571,240	\$3,976,727
Commercial risks...	100%	100%
Net premiums...	\$7,819,502	\$6,275,794
Paid-in capital...	\$4,100,000	\$4,400,000
Capital & surplus...	\$7,150,179	\$7,758,411
Employees...	49	54
Combined ratio 1...	109.6%	115.1%
Combined ratio 2...	108.8%	115.1%
Net income...	(\$563,431)	(\$721,289)
Best's rating...	A-	A-

Founded: 1990.

Parent company: Investors Insurance Co. of America.

Approved non-admitted in: New Jersey, New York.

Admitted in: Arizona.

Principal officers: D. Michael Polizzi, president/CEO; Frank T. Buziak, executive vp/CFO/secretary/treasurer; Edward Ragan, senior vp; Harvey I. Swartz, senior vp; Douglas A. Hillman, vp.
Contact: D. Michael Polizzi.

L

Lexington Insurance Co.

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

See profile on page 14.

M

Monticello Insurance Co.

30 Vesey St., New York, N.Y.
10007; 212-385-2490;
fax: 212-385-2495

	1992	1991
Gross premiums...	\$71,608,188	\$64,662,551
Non-admitted...	\$58,642,183	\$52,198,664
Commercial risks...	93%	93.2%
Net premiums...	\$12,942,227	\$12,337,622
Paid-in capital...	\$4,100,000	\$4,100,000
Capital & surplus...	\$23,754,492	\$22,850,047
Employees...	131	137
Combined ratio 1...	110.1%	109.8%
Combined ratio 2...	109.2%	109.5%
Net income...	\$1,325,685	\$1,904,626
Best's rating...	A	A

Founded: 1973.

Parent company: Jefferson Insurance Co. of New York.

Specialties: Hot air balloons, day care centers, general contractors, parasails.

Approved non-admitted in: All states except Georgia, Hawaii, Louisiana, Mississippi and New Hampshire.

Admitted in: New York, Delaware.

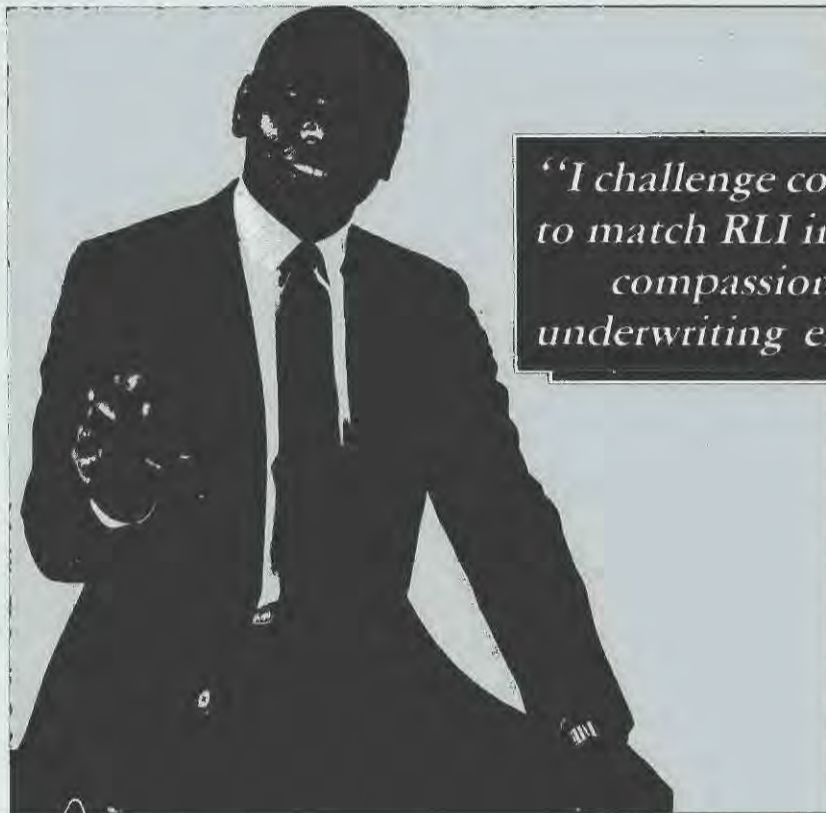
Principal officers: Claus Cardinal, president/CEO; John Curry, executive vp; Vincent Celano, senior vp/secretary; James Hughes, senior vp; Edwin Ghigliotti, vp/treasurer.

Contact: John Curry, Harborside Financial Center, 702 Plaza 3, Jersey City, N.J. 07311-3892; 201-433-7677.

Mt. Hawley Insurance Co.

9025 N. Lindbergh Drive, Peoria, Ill.
61615; 309-692-1000;
fax: 309-692-1068

	1992	1991
Gross premiums...	\$55,792,200	\$52,924,850
Non-admitted...	\$55,792,200	\$52,924,850
Commercial risks...	100%	100%
Net premiums...	\$39,887,280	\$33,298,543
Paid-in capital...	\$4,100,000	\$4,100,000
Capital & surplus...	\$42,235,089	\$35,559,716
Employees...	276	262
Combined ratio 1...	91.2%	90.7%
Combined ratio 2...	NA	91.6%
Net income...	\$6,501,238	\$5,353,790
Best's rating...	A	A-



"I challenge competitors to match RLI in service, compassion and underwriting expertise."

John R. Coleman
Vice President
RLI Northern California
Regional Office

At RLI, service in the field is measured by how promptly we respond to our customers' needs. Our fast quote turnaround and standard 15-day policy issuance are certainly part of this service. But I'm especially proud of RLI's reputation as a caring market that works with customers to help tailor special coverages.

How do I know we're measuring up? I hear it first-hand, from our valued customers. Here's what Jim Barnes, president of Sherwood Insurance Services of Northern California, had to say about RLI:

"Whenever I need a quick response to coverages that are unique and require exceptional creativity, my first call is to RLI. For example, I had a large course of construction risk that included earthquake. The client had several quotes, but none with a satisfactory deductible. I called RLI at 9:00 a.m. By 9:30 a.m. we had worked out a deductible buy-back policy that satisfied everyone."

We can be this responsive, flexible and decisive because the underwriting talent RLI hires is the best in the industry. Regional offices are empowered with full underwriting authority. That's a tremendous advantage, because it gives us a decided edge. We can present solutions to customers and bind coverage while competitors must wait for a decision from the home office.

It is exciting to bring this new benchmark of service to customers, especially in an industry that seems reluctant to shed its old image and change its old ways. I think it's time we as an industry realized that service isn't the only thing; it is everything.

RLI

9025 N. Lindbergh Drive Peoria, IL 61615
800/445-5468

Spotlight report

Continued from previous page

Net income.....	\$5,774,714	\$3,948,039
Best's rating.....	A	A+

* Nautilus received a rating separate and apart from its parent company, Admiral Insurance Co. (a unit of W.R. Berkley Corp.), for the first time in 1992. An "A" rate is the highest attainable on a first-time rating.

Founded: 1985.
Parent company: W.R. Berkley Corp.
Specialties: All property and casualty lines, alarm installation, security guards, exercise and health classes, special events.

Subsidiaries: Great Divide Insurance Co., Scottsdale, Ariz.

Approved non-admitted in: All States except Arizona.

Admitted in: Arizona.

Principal officers: Eugene J. Keating Jr., president/CEO; Kenneth J. Brundage, senior vp/secretary; Kenneth E. Lewin, Douglas Rutherford, Jack Evers, vps.
Contact: Eugene J. Keating Jr.

Northfield Insurance Co.

1295 Northland Drive, St. Paul, Minn. 55120-1146; 612-688-4100; fax: 612-688-4280

	1992	1991
Gross premiums...	\$111,520,338	\$120,077,192
Non-admitted...	\$50,203,737	\$46,770,050
Commercial risks...	100%	99.3%
Net premiums...	\$59,846,644	\$57,988,285
Paid-in capital...	\$2,500,000	\$2,500,000
Capital & surplus...	\$52,301,108	\$46,175,627
Combined ratio 1...	97.6%	94.9%
Combined ratio 2...	97.8%	94.9%
Net income.....	\$6,330,792	\$5,589,007
Best's rating.....	A+	A+

Founded: 1972.
Parent company: Northland Insurance Co.

Specialties: Umbrella and primary self-insured retention coverages for manufacturers, contractors, property owners and public entities; primary coverage for small contractors, property owners, day care operators, special event organizers and lighter medical professional providers.

Approved non-admitted in: All states except Delaware, Massachusetts, New Hampshire and New Jersey.

Admitted in: Missouri.

Principal officers: Gene George Gopon, president; Jerome Bernard Simon, secretary; William Carl Peterson, treasurer; Robert Bruce Spanfeller, David Lee Pickard, executive vps.
Contact: Richard J. Weingartner, assistant vp/controller.

P

Pacific Insurance Co.

4201 Wilshire Blvd., Los Angeles, Calif. 90010; 609-395-2000; fax: 609-395-4818

	1992	1991
Gross premiums...	\$196,483,559	\$196,512,338
Non-admitted...	\$51,079,480	\$50,712,755
Commercial risks...	100%	100%
Net premiums...	\$139,941,197	\$135,377,141
Paid-in capital...	\$4,500,000	\$4,500,000
Capital & surplus...	\$87,952,213	\$101,620,717
Combined ratio 1...	117.1%	114.1%
Net income.....	\$5,332,459	(\$4,022,492)
Best's rating.....	A-	A
S&P's rating.....	AA-	AA

Founded: 1978.
Parent company: Continental Insurance Co.

Subsidiaries: AFCO Acceptance Corp., AFCO Agent Service Corp., AFCO Credit Corp., AFCO Service Inc., Accord Holdings Inc., Bayside Management Co. Inc., Bayside Reinsurance Co. Ltd., Boston Old Colony Insurance Co., The Buckeye Union Insurance Co., Buckshot Inc., The CPI Group Inc., CPI Pension Services Inc., California Central Trust Bank Corp., Casualty Insurance Co., Continental Guaranty & Credit Corp., Continental Holdings Ltd., The Continental Insurance Co., The Continental Insurance Co. of Puerto Rico, Continental International Insurance Ltd., Continental Loss Adjusting Services Inc., Continental Maiden Lane Inc., Continental Pacific Holdings Ltd., Continental Pacific Insurance Co., Continental Re Management Inc., Continental Rehabilitation Resources Inc., Continental Reinsurance Corp. International Ltd., Continental Risk Services Ltd., East River Insurance Co. Ltd., First Fire & Casualty Insurance of Hawaii Inc., First Indemnity Insurance of Hawaii Inc., First Insurance Co. of Hawaii Ltd., The Maiden Lane Syndicate Inc., The Mayflower Insurance Co. Ltd., Niagara Fire Insurance Co., Settlement Options Inc., The South Place Syndicate Inc., UAC Rehabilitation International Inc., Underwriters Adjusting Co., Workers Compensation and Indemnity Co. of Calif.

Approved non-admitted in: All states except California and New York.

Admitted in: California, New York.

Principal officers: John Pierre Mascotte, chairman; Fred Gregg Marziano, president; Roger Alan Graham, Charles Anderson Parker, Steven James Smith,

executive vps.
Contact: Perry Eugene Defontaine, One Continental Drive, Cranbury, N.J. 08570; 609-395-2000.

Paradigm Insurance Co.

9000 Wessex Place, Suite 300, Louisville, Ky. 40222; 502-429-5585; fax: 502-423-0941

	1992	1991
Gross premiums...	\$12,421,230	\$6,531,928
Non-admitted...	\$11,023,304	\$6,299,128
Net premiums...	\$8,936,230	\$4,747,982
Paid-in capital...	\$1,900,000	\$1,500,000
Capital & surplus...	\$6,212,844	\$5,047,697
Employees.....	19	13
Combined ratio 1...	86.8%	79.6%
Combined ratio 2...	NA	80.0%
Net income.....	\$783,350	\$700,763
Best's rating.....	NA-3	NA-3

Founded: 1987.
Specialties: Medical professional liability, restaurants and bars.

Approved non-admitted in: Alabama, Arizona, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Kentucky, Louisiana, Mississippi, Missouri, North Dakota, Oregon, South Dakota, Texas, Virginia, West Virginia, Wyoming.

Admitted in: Indiana.

Principal officers: Dr. Michael D. O'Leary, president; Janet R. Hock, secretary; Dave Sahni, treasurer.

Contact: Richard W. Woolridge, director-marketing.

Penn-America Insurance Co.

420 S. York Road, Hatboro, Pa. 19040; 215-443-3600; fax: 800-882-8569

	1992	1991
Gross premiums...	\$27,539,417	\$23,606,612
Non-admitted...	\$14,992,791	\$10,917,554
Commercial risks...	53%	75%
Net premiums...	\$22,615,717	\$19,327,247
Paid-in capital...	\$2,600,000	\$2,600,000
Capital & surplus...	\$14,044,668	\$12,088,850
Employees.....	44	43
Combined ratio 1...	99.5%	101.1%
Combined ratio 2...	99.8%	101.3%
Net income.....	\$2,012,607	\$1,491,432
Best's rating.....	A-	A-

Founded: 1975.
Parent company: Penn Independent Corp.

Specialties: Roofers, daycare centers, building contractors, apartments, hotels, motels, restaurants, taverns, special events, property, miscellaneous professional.

Approved non-admitted in: District

of Columbia; all states excluding California, Delaware, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New Mexico, New York, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota, Washington.

Admitted in: California, Delaware, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota, Washington.

Principal officers: Jon S. Saltzman, president; John M. DiBiasi, vp-underwriting/marketing; Thomas J. Reed, vp-claims; Wesley M. Bobbie, treasurer.

Contact: John M. DiBiasi.

R

Reliance Insurance Co. of Illinois

233 S. Wacker Drive, Chicago, Ill. 60606; 312-876-0886; fax: 312-554-3223

See profile on page 25.

S

Safety National Casualty Corp.

8151 Clayton Road, St. Louis, Mo. 63117; 314-862-4500; fax: 314-862-2030

	1992	1991
Gross premiums...	\$88,709,020	\$80,068,790
Excess liability....	100%	100%
Admitted.....	99%	98%
Net premiums...	\$84,498,776	\$76,203,054
Paid-in capital...	\$5,000,000	\$5,000,000
Capital & surplus...	\$79,027,280	\$73,336,469
Employees.....	79	75
Excess liability....	24	20
Combined ratio 1...	109.0%	114.9%
Combined ratio 2...	105.2%	108.5%
Net income.....	\$11,707,819	\$10,534,029
Best's rating.....	A-	A-
S&P's rating.....	NA	BBBq

Founded: 1942.
Parent company: SIG Holdings Inc.
Specialties: Excess workers compensation for self-insurers.

Admitted in: District of Columbia and all states except California, Hawaii, Maine, Michigan, New Hampshire and New York.

Non-admitted in: California, Maine, Michigan.

Principal officers: B.K. Werner, chairman/CEO; Harold F. Ilg, vice chairman; Edmond A.B. Garesche III, president; C. Donald Ainsworth, executive vp; Terrence T. Schoeninger, senior vp/general counsel/secretary.

St. Paul Surplus Lines Insurance Co. Inc.

385 Washington St., St. Paul, Minn. 55102-1396; 612-221-7066; fax: 612-292-8315

See profile on page 28.

Scottsdale Insurance Co.

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

See profile on page 16.

T

Tudor Insurance Co.

48 S. Franklin Turnpike, Ramsey, N.J. 07446; 201-825-3300; fax: 201-825-1052

	1992	1991
Gross premiums...	\$24,466,904	\$19,781,464
Non-admitted...	\$19,226,194	\$14,738,507
Commercial risks...	98.8%	98.3%
Net premiums...	\$8,073,388	\$7,496,189
Paid-in capital...	\$4,100,250	\$4,100,250
Capital & surplus...	\$18,727,162	\$15,784,103
Employees.....	140	140
Combined ratio 1...	115.1%	112.3%
Combined ratio 2...	106.1%	100.9%
Net income.....	\$2,896,861	\$2,878,642
Best's rating.....	A+	A+
S&P's rating.....	BBq	Bq

Founded: 1979.
Parent company: Western World Insurance Group.

Specialties: Directors and officers liability, architects and engineers liability, school board errors and omissions, public officials liability, miscellaneous professional liability.

Approved non-admitted in: All states except New Hampshire.

Admitted in: New Hampshire.

Principal officers: Andrew Frazier, president; Stephen Gerstman, Robert Livingston, senior vps; Nick Hudson, assistant secretary.

Contact: Nick Hudson.

U

United Capitol Insurance Co.

1400 Lake Hearn Drive, Atlanta, Ga. 30319; 404-843-5599; fax: 404-843-5598

	1992	1991
Gross premiums...	\$27,066,374	\$23,143,591
Non-admitted...	\$26,499,874	\$22,429,934
Commercial risks...	98.3%	96.9%
Net premiums...	\$17,639,822	\$15,729,135
Paid-in capital...	\$4,100,000	\$4,100,000
Capital & surplus...	\$62,386,533	\$66,882,146
Employees.....	42	42
Combined ratio 1...	63.0%	84.9%
Combined ratio 2...	62.9%	84.9%
Net income.....	\$12,378,613	\$9,484,216
Best's rating.....	A	A-

Founded: 1986.
Parent company: Capsure Holdings Corp. (formerly NUCORP Inc.).

Specialties: Difficult products liability, contracting and servicing operations of unique or unusual nature, general liability insurance for asbestos abatement contractors, commercial property and surety.

Approved non-admitted in: All states except Arizona and Wisconsin.

Admitted in: Arizona, Wisconsin.

Principal officers: Bruce A. Esselborn, chairman/president/CEO; Mary Jane Robertson, executive vp/CFO; Steven S. Zeitman, executive vp/chief underwriter-specialty lines; Gary S. Resman, vp-primary casualty; Peggy H. Brown, vp-property.

Contact: Edward L. Rand Jr.

United National Insurance Co.

3 Bala Plaza E., Suite 300, Bala Cynwyd, Pa. 19004; 215-664-1500; fax: 215-660-8887

See profile on page 22.

W

Western World Insurance Co.

48 S. Franklin Turnpike, Ramsey, N.J. 07446; 201-825-3300; fax: 201-825-1052

	1992	1991
Gross premiums...	\$70,079,575	\$69,475,062
Non-admitted...	\$53,523,701	\$56,352,469
Commercial risks...	96.6%	96.9%
Net premiums...	\$50,182,112	\$45,518,108
Paid-in capital...	\$4,100,000	\$4,100,000
Capital & surplus...	\$89,186,078	\$77,649,328
Employees.....	140	140
Combined ratio 1...	100.4%	96.9%
Combined ratio 2...	101.5%	97.9%
Net income.....	\$11,011,983	\$12,590,475
Best's rating.....	A+	A+
S&P's rating.....	BBBq	BBq

Founded: 1964.
Parent company: Western World Insurance Group.

Specialties: General liability, professional liability, miscellaneous malpractice.

Subsidiaries: Stratford Insurance Co., Keene, N.H.; Tudor Insurance Co., Keene, N.H.

Approved non-admitted in: All states except New Hampshire and New York.

Admitted in: New Hampshire, New York.

Principal officers: Andrew Frazier, president; Robert Livingston, Thomas Mulligan, Stephen Gerstman, senior vps.
Contact: Thomas Mulligan.



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Swett & Crawford maintains top wholesaler spot

Company moves away from large retail brokers toward smaller independents

Swett & Crawford Group

3699 Wilshire Blvd., Suite 1200,
Los Angeles, Calif. 90010;
213-251-1200; fax: 213-387-7505

	1992	1991
Premium volume	\$522,406,000	\$527,018,000
Gross revenues	\$51,200,000	\$51,050,000
Employees	561	580
Commercial lines	100%	100%
Admitted business	40%	35%
Non-admitted	60%	65%

The venerable Swett & Crawford Group is "hanging tough" during the down market despite reduced business from the large retail brokers and continued competitive liability coverage pricing.

Over the last 24 to 36 months, the percentage of Swett & Crawford's income derived from the alphabet retail brokers has declined. And retail broker-generated business is expected to drop again this year to constitute just 13% of Swett & Crawford's business, down from 28% three years ago.

But firming in the property market coupled with new opportunities in the domestic energy market have enabled the Los An-

geles-based surplus lines broker to maintain its No. 1 spot among wholesalers.

Swett & Crawford's 1992 premium volume dropped to \$522.4 million in 1992 from \$527 million the year before.

The broker's gross revenues also dropped slightly to \$51.2 million in 1992 from \$51.1 million in 1991.

The decline in premium volume is partly attributable to the lingering soft market, which has prompted many retail brokers to place business in the admitted market, according to Warren Stanley, president and chief executive officer.

And in some states, like California, regulators have pressured brokers to use admitted insurers more, he added.

Also to blame is the fact that the larger retail brokers are increasingly using their own in-house resources, Mr. Stanley noted.

But Swett & Crawford has more than made up for the decline in alphabet retail brokers' business by tapping independent agents and brokers, Mr. Stanley pointed out.

"We perceive our vulnerability approaching an insignificant amount," he said. "The business has been more than made up

with revenue from the solid independent agents and brokers that we have associated with," as well as from producers in the "Top Brass" program, which is composed of the top 250 agents of St. Paul Fire & Marine Insurance Co. Swett & Crawford is a unit of The St. Paul Cos. Inc.

As part of an effort to reduce its reliance on large retail brokers, Swett & Crawford is severing relationships with those producers that haven't been using the wholesale brokerage regularly during the prolonged soft market.

"We feel we owe it to our customers who have supported us

over the last few years to provide as fine of a support as we can," Mr. Stanley explained. "The priority will be given to those organizations that have sustained established relationships with us."

"Admittedly, this will be difficult to execute," Mr. Stanley continued. "But we want the message both internally and externally to be understood."

Emphasizing that the intent is to reduce administrative overhead rather than punish brokers, Swett & Crawford has been "politely advising" some brokers that there is no need to keep their accounts open if they have

Continued on next page

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Continued from previous page produced less than \$20,000 to \$40,000 in premium volume over an 18-month period, he said.

Mr. Stanley explained that "the amount of energy expended to service an account that comes out of the blue is disproportionate to the money gained."

"In fact, our advertising campaign, in effect, tries to (crystallize) that message—focus, stability and access—to portray what we think a retailer should look for in a wholesaler," Mr. Stanley said.

In addition to its "generic" regional and national media advertising, Swett & Crawford has launched a slick new direct-mail campaign to reinforce this corporate message while at the same time introducing new products to producers.

The direct-mail campaign is targeted to reach "those retail brokers we have the best capability of having a sustained relationship with," Mr. Stanley explained.

"But that's just one of many things. It's just a support leg to reinforce everything else we're doing. The best way to build business is still person-to-person contact," he said.

Now that Swett & Crawford has completed its three-year reorganization, Robert A. Scott, executive vp and chief financial officer, has taken on additional backroom responsibilities, mostly on a project basis, concentrating on reducing overhead costs by moving toward automated policy issuance.

The wholesaler can now electronically issue policies for its

binding authority business in eight locations. The first insurer to go on line was Western World Insurance Co. of Ramsey, N.J., followed by Jefferson Insurance Co. of New York and Northland Insurance Co. of Mendota Heights, Minn.

"Our singular major project under way is to automate single-policy issuance," Mr. Scott explained.

Because the wholesaler always has between 26,000 and 28,000 policies in force from its binding-authority business, automation should make a significant dent in its operational costs, Mr. Scott said.

"It's also looked on very favorably by insurers who also are having overhead problems," he pointed out.

The increased use of technology by both brokers and insurers "ultimately should reduce the cost of insurance," Mr. Stanley added.

Both Swett & Crawford executives believe that the wholesaler's leaner, more automated backroom is the primary reason three insurers increased its binding-authority business over the last 12 months. Guaranty National Corp. of Englewood, Colo., Northland and Jefferson all have increased the binding-authority business they grant to Swett & Crawford.

"Those are all companies who have initiated a desire to do more with our organization after having seen our capabilities in action," Mr. Stanley said.

Swett & Crawford's reputation for reliability also has helped improve company relations, ac-

ording to Mr. Stanley.

"Quality attracts quality, and I believe this is one of the reasons for renewed interest by many carriers in expanding their relationship with Swett & Crawford," he said.

Swett & Crawford's energy business has been growing in the Southwestern United States, primarily in response to reduced capacity in the London market for

'Quality attracts quality, and I believe this is one of the reasons for renewed interest by many carriers in expanding their relationship with Swett & Crawford,' says President and Chief Executive Officer Warren Stanley.

this business, Mr. Stanley said.

Swett & Crawford places coverage for oil and gas drilling operators, mostly onshore.

"With our domestic product, we've been there to capture some of the business" that had been written by Lloyd's of London and other London market underwriters, he said, adding that energy business is up about 30%.

To better support the increased business, Swett & Crawford has merged its four-person Houston office into its Dallas office, which now has 35 staff members.

Swett & Crawford also has increased its short- and intermediate-haul trucking business under an expanded contract with Northland, which will allow the wholesaler to place business from upper New England.

An expanded relationship with

Guaranty National in Florida has increased Swett & Crawford's transportation capabilities there as well.

These two expanded markets—coupled with Swett & Crawford's long-term relationships with Canal Insurance Co. of Greenville, S.C., and National Indemnity Co. of Omaha, Neb.—have enabled the wholesale broker to increase its revenues from

this particular class of business by about 10%, Mr. Stanley said.

But while energy and transportation have proved lucrative, revenues from general liability business have been falling between 5% and 15% per year over the last few years.

"About the only disappointing area in the market is the continual softness of casualty business in general," Mr. Stanley said. "As a result, our mix of property business is a little higher percentage of our total."

While he could not provide exact figures for the business mix, Mr. Stanley estimated that "if 18% of our business came from property last year, this year it may be 25%."

One property line in which Swett & Crawford has seen an increase in both movement toward surplus lines market as well as higher pricing is earthquake difference-in-conditions coverage.

"We have run into capacity restrictions in earthquake, and that has driven pricing up," said Mr. Stanley, who believes the property market has firmed.

Among the reasons for the firming property market are last year's hurricanes, which reduced the availability of catastrophe reinsurance, as well as insurers' increasing reliance on sophisticated management information systems.

These systems, which include computer models that identify insurers' earthquake and hurricane exposures in given regions, enable insurers to identify their more profitable lines and price less profitable lines more accurately.

"It's a significantly more sophisticated business than it was a decade ago," Mr. Stanley said. "As a result, more commercial property business is going to the surplus lines market."

The recession also has played a role in pushing property coverage into the surplus lines market, according to Mr. Stanley.

"Due to the prolonged recession, which has been accentuated in California and New England, we're certainly seeing insurers pass on coverage that might be considered marginal or expendable. Earthquake coverage might be one of these."

Swett & Crawford is placing more of its business in the admitted market, with admitted business constituting 40% of premiums in 1992, up from 35% in 1991.

"Our admitted business has increased a bit, mainly in casualty," Mr. Stanley said.

The increased admitted market placements can mostly be attributed to regulatory pressure pri-

marily in California, where the Insurance Department is black-listing an increasing number of surplus lines insurers.

In response to an invasion of unscrupulous non-admitted insurers, mostly from offshore domiciles, the department has passed a regulation requiring surplus lines insurers to have a minimum capital and surplus of \$15 million (BI, Dec. 7, 1992). Non-U.S. insurers also must maintain a \$5.4 million trust account.

"Compliance (with the regulation) is having an effect," Mr. Stanley said.

Swett & Crawford's new products this year include:

- A pest control insurance program for the commercial agriculture industry with limits of \$1 million per occurrence and \$1 million aggregate.

- Liquor law liability coverage in upper New England and the upper Midwest where it had been scarce. Limits range from \$100,000 to \$5 million.

- A scenic railroad insurance program nationwide, with up to \$10 million in property coverage limits.

- Employment practices liability coverage, with varying limits.

Mr. Stanley declined to identify the markets where these coverages are being placed.

All of Swett & Crawford's business is commercial lines.

The broker's top markets are: Admiral/Nautilus; American International Group Inc. units; Associated International Insurance Co.; W.R. Berkley Corp. units; Canal Insurance Co.; Chubb Corp. units; CIGNA Corp. units; CHA Insurance Cos.; Colonia Group and Continental Corp. units.

Also, Crum & Forster Inc. units; First State Insurance Co.; General Star Indemnity Co.; Hartford Group; The Home Insurance Co.; Lexington Insurance Co.; Lloyd's of London syndicates; Northland Insurance Co.; RLI Insurance Co.; Reliance Insurance Co.; Royal Specialty Insurance Co.; Scottsdale Insurance Co.; St. Paul Surplus Lines Insurance Co.; and Western World.

Swett & Crawford did not complete any mergers or acquisitions in 1992 and none are anticipated in 1993.

In addition to merging its Houston and Dallas offices, the wholesale broker also consolidated a satellite office in South Windsor, Conn., that had just one employee, with its Boston office. Swett & Crawford now has 27 offices, including its Stockton, Calif., premium processing center.

At year-end 1992, the wholesaler had 561 employees, down from 580 at year-end 1991. Employment continued to drop this year, primarily due to natural attrition, to bring its workforce tally to 544 at the end of June.

"But we may be employing a few more people by next year to strengthen specific areas," Mr. Stanley said.

In addition to Mr. Stanley and Mr. Scott, other principal Swett & Crawford officers are: Daniel V. Colacurcio, executive vp and western division manager; Ronald D. Wartick, executive vp and central division manager; and Herbert F. Moulton, senior vp and eastern division manager.

Swett & Crawford is a member of both the AAMGA and NAPSLO.

—By Joanne Wojcik



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Price Forbes North America

7557 Rambler Road, Dallas, Texas
75231; 214-265-2660;
fax: 214-265-2661

	1992	1991
Premium volume	\$440,000,000	\$424,000,000
Gross revenues	\$43,700,000	\$38,000,000
Employees	359	360
Commercial lines	100%	100%
Admitted business	35%	35%
Non-admitted	65%	65%

Continued steady growth in the face of a tough market is the game plan for Price Forbes North America.

Price Forbes' premium volume rose 3.8% to \$440 million from \$424 million in 1991, lifting the Dallas-based firm to second place overall among the 10 largest U.S. insurance wholesalers ranked by *Business Insurance* and second place among surplus lines brokers.

"Our premium volume has doubled over the last five years, and our goal is to double it again in the next five years," said Orville D. Jones, chairman and chief executive officer of Crump Insurance Services Inc., a Price Forbes unit.

Price Forbes is a holding company created by ultimate parent, Sedgwick Group P.L.C., when Sedgwick restructured its global operations several years ago. Price Forbes has two major operating units: Dallas-based



"Our premium volume has doubled over the last five years, and our goal is to double it again in the next five years," says Orville Jones.

Crump E&S Group Inc., which was renamed Crump Insurance Services Inc. on Jan. 1; and New Orleans-based Southern Marine & Aviation Underwriters Inc., a managing general agent.

SMAU has other activities as well: It acts as an underwriting manager of subsidiary Americas Insurance Co. of New Orleans. And an SMAU operating division, New York-based Sedgwick International Marketing Services Inc., handles "reverse-flow" energy-related business that is placed in the U.S. market by Sedgwick brokers in London.

The name change to Crump Insurance Services from Crump E&S "more accurately depicts what we do—we won't just do that type of business," said Marcus Payne, president and chief operating officer of Crump Insurance Services.

Under a restructuring, local Crump offices, which used to report directly to Mr. Payne, now report to three regional directors. The new structure "strengthens ties" with the local offices, he explained.

Crump Insurance Services specializes in directors and officers liability, errors and omissions, commercial automobile, underground petroleum storage tanks, financial services, municipal liability and excess liability coverages.

SMAU specializes in energy, marine and aviation insurance.

Premium volume was a mixed bag at Price Forbes in 1992. Crump Insurance Services' premium volume grew by a whopping 29.3% to \$291 million from \$225 million in 1991. Last year,

Mr. Payne had projected the figure could go as high as \$300 million.

He attributes the gain to several factors:

- A group of brokers hired in an expansion move three years ago are now hitting their stride with new business.

- Special programs—like a "real estate-owned" program, which provides savings and loans with coverage for repossessed properties—are doing well.

- Property insurance rates have increased.

- Last year's acquisition of London Brokers Ltd. of Atlanta strengthened the company's presence in the Southeast.

In contrast, SMAU posted a 23.7% drop in premium volume to \$119 million from \$156 million in 1991. Likewise, Sedgwick In-

Continued on next page

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Spotlight report

Continued from previous page
International Marketing Services' volume slumped to \$30 million in 1992, down 30.2% from \$43 million in 1991.

Mr. Danton attributed the drop to contraction in the London and Scandinavian markets.

But the two units are making a turnaround. SMAU's first-half 1993 premium volume rose 10.3% from 1992 levels to \$64 million and SIMS' rose 15.8% to \$22 million.

Meanwhile, first-half premium volume for Crump Insurance Services rose 16.1% to \$166 million from \$143 million last year.

Overall, Price Forbes' first-half 1993 premium volume totaled \$252 million, up 14.5% from \$220 million in 1992.

Mr. Payne believes the factors that led to Crump's healthy 1992 results will continue through 1993. He projected that premium volume would rise 23.7% to \$360 million in 1993 from \$291 million.

And a tightening energy market will boost SMAU's performance this year, predicted James A. Danton, executive vp-energy of SMAU. "I expect to see a \$135 million to \$140 million year from SMAU," he said, adding that he expects energy insurance rates to go up "but not overboard."

Capacity in London for marine, aviation and energy risks is not as plentiful as it was several years ago, "but it is still significant, and we haven't seen a lot of shortfalls in the structure of programs," said Mr. Danton.

The overall London market still has "adequate capacity, especially with domestic markets in the United States, but London has increased its pricing compared to the U.S. market," added Mr. Jones.

"Usually when results are bad, (London underwriters) either quit writing business or raise rates. It appears that, as good businesspeople, they are doing both," he continued.

While rates for other lines of coverage likely will increase on a moderate basis someday, "I don't see a great deal of change in pricing or availability of insurance" in the near future, said Mr. Jones.

Casualty rates are flat or decreasing between 10% and 35%, depend-

ing on the risk," said Mr. Payne. Property rates are increasing, depending on location, he added, noting there have been "big increases in the Southeast, Florida and coastal areas," where there is a wind or earthquake exposure, while property rates are still fairly stable in the Northwest.

In fact, property rates tend to reflect the result of experience in the market rather than a lack of capacity, said Mr. Jones.

And the ongoing weak economy—especially in the Western states—



Marcus Payne says the factors that led to Crump Insurance Service's healthy 1992 results will continue through 1993.

has had a chilling effect on Price Forbes' business, said Mr. Jones. "We receive a lot of business from start-up companies nationwide, especially in contracting, which has been slow," he explained.

Since Mr. Jones and Mr. Payne see no end in sight for the overall soft market, they have geared Crump Insurance Services to continue doing business amid the existing market conditions.

"We think the excess liability market is still extremely soft," said Mr. Jones, adding that the property market is soft in certain areas, while the primary casualty market is still fairly flat. "There is talk about increasing rates in the D&O and E&O markets, but we are not seeing that actually happen.

Competition from admitted insurers remains stiff, Mr. Jones said. "Certainly some (surplus lines insurers) have cut rates, but not anywhere near as much as the admitted market has."

Price Forbes is responding with new products, a new marketing strategy and new trainees.

This year, Crump Insurance Services introduced employment practices liability insurance with limits up to \$5 million. The policy provides coverage for discrimination, sexual harassment and wrongful termina-

tion suits.

And Crump's newest product, introduced only two months ago, is excess insurance for financial institution accounts insured under the Federal Deposit Insurance Corp. The policy, which is sold to depositors, insures accounts up to \$5 million per financial institution, above the FDIC's own maximum coverage of \$100,000.

To gain a marketing edge, Price Forbes this year began to cross-market different units' products. For example, agents who do business with SMAU are sent information about the other Price Forbes units' products and services. "We see a lot of interest and enthusiasm" about this program, said Mr. Danton.

The company recently hired a producer trainee in its Dallas office, the first hire out of a broker training program introduced last year. Through the program, Crump recruits trainees from universities that have strong insurance programs, like the University of Alabama, the University of Georgia and the University of Texas.

Price Forbes aims to hire two or three people from the training program a year, said Mr. Jones. "We feel that with the three companies, we can give trainees the broadest training available in the industry."

While Price Forbes made no acquisitions this year, Crump Insurance Services sold one office—Crump of Wisconsin in Waukesha—to Minneapolis-based JHC Insurance Group.

Price Forbes' employee count fell by one to 359 at year-end 1992.

Sixty-five percent of Price Forbes' business is handled on a brokerage basis, with 20% written as a managing general agent and 15% as an underwriting manager.

In addition to Mr. Jones and Mr. Payne, the other principal officer at Crump Insurance Services is Patrick R. O'Brien, executive vp and chief financial officer.

Besides Mr. Danton, principal officers at SMAU are Stephen P. Dinsdale, president; Hunter B. McFadden, executive vp-Americas Insurance Co.; and Roy R. LeBlanc, executive vp-administration.

Crump Insurance Services is a member of AAMGA and NAPSLO.

—By Nancy P. Johnson

Tri-City Insurance Brokerage Inc.

50 California St., Suite 2955,
San Francisco, Calif. 94111;
415-986-5050; fax: 415-986-5004

	1992	1991
Premium volume	\$358,080,808	\$318,888,888
Gross revenues*	\$21,500,000	\$19,500,000
Employees	110	99
Commercial lines	100%	100%
Admitted business	85%	90%
Non-admitted	15%	10%

* BI estimate.

The streak is still alive at Tri-City Insurance Brokerage Inc., which reported increased premium volume for the seventh consecutive year, thanks this time to sizable growth in its property and financial services business.

Consistent with previous years, Tri-City's premium volume increased more than the competition's as the company secured substantial new business, posted satisfactory renewal rates and placed an increased volume of business in lines of business, like property, where rates are firming.

Last year, Tri-City's premium volume increased 12.3% to \$358.1 million from \$318.8 million in 1991.

It marked the third year that Tri-City's growth outpaced that of other wholesale brokers.

"We were very pleased with our results last year," said John G. Hahn, Tri-City's new San Francisco-based president. "High-risk property pricing is on the rise, and the lines separating the non-admitted market from the admitted one are blurring. It makes for a better market for us to work in."

Mr. Hahn, one of 10 Tri-City partners, took over as president of the firm in May. He replaced Kieran Burke, who had headed the company from New York since it began operating and is now an executive vp. Along with the management change, Tri-City moved its headquarters to San Francisco from New York.

But Mr. Hahn is quick to point out that Tri-City is still the same company with which brokers and agents have grown accustomed to dealing.

"Our professional staff here is very stable. In eight years, I believe we have lost only five professionals. But in trying to figure out a way to continue growing and to keep our spirit and culture alive, we decided a change might do some good. We just didn't want to wait for something to go wrong before making a change. Change can be good when communicated well," he said.

Tri-City may have a new president and the privately held wholesale broker may have a new home office address, but most everything else about the company remains the same.

"First and foremost, we're an E&S broker. But within that classification, we're really a specialist in accessing markets. To do that well, you have to be agile and flexible enough to dive on the opportunities that present themselves," Mr. Hahn said.

One area in which Tri-City is seizing the moment is property business.

Mr. Hahn pointed out that the massive catastrophe losses that have plagued property insurers have increased Tri-City's workload and, in turn, the broker's property-related premium

volume.

"Our property commissions right now are up 50% over this time last year, and we had a good property year last year. It's taking a lot of work to renew wind-storm coverage. Piecemeal programs with onerous deductibles have become the norm," Mr. Hahn said.

In addition, Tri-City experienced significant growth within its financial services book of business, mostly in the areas of directors and officers liability and errors and omissions coverage for banks, savings and loans, and the high-tech and computer-related industries.

Mr. Hahn acknowledged that the softness of the casualty market forced Tri-City to concentrate more on property and specialty lines.

"Our renewal retention for casualty, while acceptable and still above industry standards, was our worst ever. Fortunately, new business was able to offset that. I



"First and foremost, we're an E&S broker. But within that classification, we're really a specialist in accessing markets," says John Hahn.

would estimate that 30% of our premium growth last year was attributable to new business," he said.

As a result of its busy but solid year in 1992, Tri-City remained the third-largest U.S. wholesale broker. The company also moved up one spot in the *Business Insurance* rankings of top wholesalers to become the No. 5 wholesaler of any type.

While the company does not report its gross revenues, BI estimates that Tri-City's revenues totaled approximately \$21.5 million in 1992, up nearly 10.3% from an estimated \$19.5 million in revenues in 1991.

Premium volume so far this year for Tri-City, which now has offices in four cities—Chicago, Los Angeles, New York and San Francisco—are again on the rise. Through the first six months, premium volume totaled \$193 million, up 8.4% from \$178 million for the same period last year.

Higher rates for property coverage are primarily responsible for the improved results.

"Through July 1, property was tough enough to place. Now it's worse with the flooding in Middle America," said Mr. Hahn. "It's requiring toothpicks and glue and a lot of time to get programs together, but we're doing it."

Although casualty business as a percentage of overall business dropped in 1992, casualty remained Tri-City's leading product. Last year, it accounted for 69%, or about \$246 million, of the broker's premium volume, down from 72% in 1991.

"If there's one area of the market that's still soft, it's casualty. Pricing is still falling for umbrella business and the competition to write the business is more intense," Mr. Hahn said.

Within Tri-City's casualty book of business, umbrella and excess liability accounted for the lion's share—about \$186 million last year, or about 75%.

Other liability products Tri-City specializes in placing in-

Continued on next page

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clude primary product liability, comprehensive general liability and some excess auto liability as well as miscellaneous liability coverages.

"We don't have a casualty specialty per se," Mr. Hahn said. "We'll find markets for any class of casualty business imaginable, from products to (owners, landlords and tenants liability) to simple CGL."

Property business placed by Tri-City grew to \$75 million last year, up 30.7% from \$57.4 million in 1991. Property placements accounted for 21% of the company's premium volume in 1992, up from 18% the previous year.

So far this year, Tri-City has already placed more than \$45 million in property business, leading Mr. Hahn to project more than \$100 million in total property volume by year end.

"Due to the difficulty brokers and agents are having accessing property markets, our expertise in this area has never been needed more. Unfortunately, we have never had to search this

'Due to the difficulty brokers and agents are having accessing property markets, our expertise in this area has never been needed more. Unfortunately, we have never had to search this hard for property coverage before,' says Tri-City's John G. Hahn.

hard for property coverage before, considering we entered this business in 1985 after the last hard market was over. We could probably use a couple more skilled property brokers to help us out," he said.

Within the property market, Tri-City is being called upon primarily to place West Coast earthquake coverage, windstorm coverage along the East Coast and Caribbean property coverage.

"They're all tough lines, but they're producing excellent commissions," said Mr. Hahn.

Financial services business accounted for about 10.3% of the company's 1992 business, or about \$37 million in premium volume, up 16% from \$31.9 million in 1991. Some lines in which Tri-City specializes include D&O and E&O for architects, engineers, lawyers, insurers, and the computer and software industries.

"But our biggest financial line is the banking industry," Mr. Hahn said. "Several markets have pulled out of this area, so pricing is up and markets are fewer."

Last year, Tri-City stepped up its marketing of package policies for associations of homogeneous businesses. For example, the company began placing a primary general liability, property and umbrella liability package for gas stations and is willing to look into most types of association business.

Another new product the company began marketing through its Chicago office is general liability coverage for medical-equipment manufacturers. And, its San Francisco office has started placing patent and copyright infringement protection.

For now, Tri-City is not underwriting on behalf of any of its insurers, but Mr. Hahn said that could eventually change. "We're open to change. I've said that many times. While we're not an

MGA today, we are looking to diversify. The thought process is there because we like to fill niches. But you have to have the right people on staff before making any decisions like that."

Tri-City's client base is about 60% independent, regional agents and brokers, with the remainder of customers being the large alphabet houses.

"We're catering more to the independent broker or agent because most of the alphabet houses have their own wholesale arm. While the big brokers are still critical customers for us, we'd prefer not to fight them when possible. The more we can shift our focus to the independent broker, the more business we can generate," he said.

Tri-City maintains about 700 to 800 open client relationships with brokers and agents, but no single client accounts for more than 11% of Tri-City's business. It handles some reverse-flow business from international brokers, primarily London-based brokers stymied by capacity problems at Lloyd's of London.

Tri-City has access to more

than 60 admitted and non-admitted markets. Last year, the company placed about 85% of its business with the admitted marketplace, down from 90% the previous year.

"We're weaving in and out of both markets. It's hard to distinguish them these days. They're each doing the other's business," said Mr. Hahn.

Some of Tri-City's leading markets include: Admiral Insurance Co., a unit of W.R. Berkley Corp.; Chubb Custom Insurance Co., a Chubb Corp. unit; Fireman's Fund Insurance Co., an Allianz A.G. Holdings unit; General Star Indemnity Co., a unit of General Re Corp.; Lexington Insurance Co., a unit of American International Group Inc.; The London Agency Inc. and Industrial Underwriters Insurance Co., both units of Crum & Forster Inc.; Lloyd's of London underwriters; St. Paul Surplus Lines Insurance Co.; Scottsdale Insurance Co., a unit of Nationwide Mutual Insurance Co.; and Travelers Specialty Insurance Co., a unit of Travelers Corp.

To meet the growing demands of clients, Tri-City last year increased its workforce to 110 employees from 99 in 1991. Mr. Hahn said the company strives to operate as a nationwide team.

"We realize that no independent broker has all the answers. We'd like to provide them with answers when we can. It's important that we do as well or better than they could on their own, or else there's no point in us being part of the transaction," he said.

Besides Messrs. Hahn and Burke, other Tri-City principal officers are: Leo O'Reilly, chief financial officer, and Executive Vps Dan Real, Edward Ulshafer, Alex Kullman, George Pagoumian, Tom Spinner, Mike Tilton, George Hilditch and Scott Gunnison.

Tri-City is a member of NAPSLO.

—By Michael Schachner

Alexander Howden North America Inc.

200 Northcreek, Suite 800; 3715
Northside Parkway N.W., Atlanta,
Ga. 30327; 404-240-5200;
fax: 404-240-5393

	1992	1991
Premium volume	\$303,407,000	\$277,979,212
Gross revenues	\$19,663,500	\$17,184,397
Employees	201	192
Commercial lines	100%	100%
Admitted business	69%	80%
Non-admitted	31%	20%

Shopping risks worldwide and tightening its retail broker network has carried Alexander Howden North America Inc. to another strong year in a soft market.

And, repackaging smaller accounts into program business will buoy the wholesale broker in future soft markets, say executives of the Alexander & Alexander Services Inc. subsidiary.

But with admitted insurers continuing to slash casualty rates and Howden North America still putting the finishing touches on its new package program marketing efforts, 1993 results will likely be flat.

"We're very happy with the '92 results vs. '91. We have no complaints," said Ross McKenzie, president and chief executive officer of Howden North America and chief executive-non-marine of London affiliate Alexander Howden Ltd.

For the second consecutive year, Howden North America ranked as the fourth-largest U.S. wholesale broker and No. 6 among all U.S. wholesalers.

Premium volume last year increased 9.1% to \$303.4 million from \$278 million in 1991, which represented an 8.8% increase from \$255.6 million in 1990. It retained about 70% of its 1991 business in 1992.

Gross revenues increased 14.4% in 1992 to nearly \$19.7 million from about \$17.2 million in 1991, when gross revenues were basically flat compared with year-earlier results.

Howden North America's new global approach to its business—which Mr. McKenzie considered a priority when he took charge of the wholesaler at year-end 1991—is one of two major reasons for its success

last year in the face of a soft market.

The approach is key to placing coverage for property risks located in hurricane- and earthquake-prone areas like Florida and California, respectively.

Few admitted and surplus lines insurers want to entertain such risks. And, those that do want rate hikes ranging from 100% to 200%, Mr. McKenzie said.

Bruce E. Harrell, executive vp and chief operating officer of Howden North America, said he has seen South Florida risks hit with property rate increases as high as 300% as well as higher deductibles.

Rates for inland property risks have increased about 10% to 25% so far this year, Mr. McKenzie said.

To place coverage for the tougher property risks, Howden North



'Understanding the risk in far more detail is critical to getting underwriters to look at the risk,' says Ross McKenzie.

America has concentrated on pulling together available capacity from London as well as domestic surplus lines markets rather than looking to new products.

"That's one of the market leverage things we're trying to use with our retail agents," Mr. McKenzie said.

In 1992, the wholesaler's global approach was reflected in its 55% increase in premium volume placed with non-admitted markets. Howden North America last year placed 31% of its premium volume with non-admitted markets, compared with 20% the year before. Lloyd's of London underwriters and London company markets account for most of the increase, Mr. McKenzie said.

And, so far this year, "We're finding that the property surplus lines market is active and buoyant," Mr. McKenzie said. "Our only concern is whether there is sufficient capacity to keep the buoyancy rolling throughout the year."

To place coverage for those risks,

"We've got to be a little more creative" now, said Mr. McKenzie, who splits his time equally between his Atlanta and London offices.

That means Howden North America brokers have to present underwriters more detailed analyses of clients' risks and their past losses. "Understanding the risk in far more detail is critical to getting underwriters to look at the risk," Mr. McKenzie said.

Wholesale brokers no longer can place these risks "just by broking the thing in a quick fashion," he said.

"Our property department is working mind-blowing hours," including the travel time to meet with underwriters and retail brokers in person, he said.

Insurers with which Howden North America places the most business are: American International Group Inc.; Crum & Forster Inc.; The Home Insurance Co.; ITT/Hartford Group Inc.; Nationwide Mutual Insurance Co.; RLI Insurance Co.; Royal Group Inc.; Scottsdale Insurance Co.; underwriters at Lloyd's; and Zurich American Insurance Group.

The wholesaler's premium volume also was boosted as a result of Howden North America's continuing efforts to pare its retail broker network so it can work more closely with key retailers, according to Mr. McKenzie.

The wholesaler expects to wrap up this two-year effort by year end, though it will continually evaluate members of its retail network.

The wholesaler will close 1993 with a retail agency base about 50% smaller than last year, according to Mr. Harrell.

The streamlined retail agency network will allow Howden North America brokers "to spend more quality time with an agent," Mr. McKenzie said.

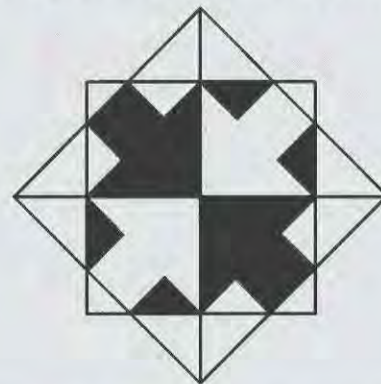
And, "We'll be able to penetrate their book of business more," he said.

"We're trying to become an integral part of their success—not just for them to pick up the phone when they have a problem."

Alphabet brokers account for about 40% to 45% of Howden North America's business, while smaller

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Continued from previous page
 retailers account for the rest. While A&A generates more business for Howden North America than any other retailer, A&A does not generate anywhere near the majority of the wholesaler's business, Mr. McKenzie said.

In 1993, Howden North America does not expect that it can pull off a "three-peat" of 9% premium volume growth. Competition for casualty risks is too great, Messrs. McKenzie and Harrell say.

"Medium to large accounts are under fierce competition," Mr. Harrell said.

"It's not infrequent to see umbrella costs cut by one-third to one-half," Mr. McKenzie said.

Admitted insurers continue to compete for casualty business to maintain or increase market share or cash flow, he speculated.

"It's quite ridiculous," he said.

"Our expectations for this year are very modest," Mr. McKenzie said. "We'll be doing well to finish at about the same numbers" the wholesaler reported for 1992.

Through June 30, the wholesaler reported \$157.8 million of premium volume, a scant 1.1% increase from about \$156.1 million for 1992's first half. Its retention level remained relatively flat at 73%.

Figuring that the casualty market will remain soft for three to five more years, Howden North America executives are counting on

a new business strategy to shore up premium volume in future years.

Howden North America has created Alexander Howden Facility Managers to focus on "this MGA-style business," Mr. McKenzie said.

The Chicago-based facility will put together programs covering various types of risks for many types of insurance buyers. The facility also will be responsible for handling Howden North America's existing architects and engineers errors and omissions program, which offers \$1 million of coverage.

Howden North America started its package or program business as "an add-on business," Mr. McKenzie said. But, with the pressure the continuing soft market will place on premium volume, "we've stepped this up as a major stream of business." He hopes that premium volume growth in this area will outpace growth from more traditional surplus lines accounts during soft-market years.

The internal realignment also will free up time for senior brokers to work on placing coverage for bigger accounts, Mr. McKenzie said. Previously, senior brokers were spending part of their time on "minor package business."

Because senior brokers had to work on this business, it has been considered brokerage rather than managing general agent business. In 1992, Howden North America re-

ported that it acted as a broker in placing 82% of its premium volume in the market and as a general managing agent in placing 18%.

In 1993, the figures will be closer to 75% and 25%, respectively, though the wholesaler expects that premium volume from its package business will remain relatively flat at \$75 million as Howden Facility Managers gears up. Underwriters for which Howden North America holds binding authority are The Home, Scottsdale and Lloyd's syndicates.

The new facility will be helped by a "fairly major upgrade" of a computer system, Mr. McKenzie said. He would not reveal the cost of the system because the wholesaler was in the midst of preparing its budget for its parent company. But, he said the new personal computer network will allow the new facility to swap information much more efficiently with its brokers in its retail network, markets and other Howden offices in the United States and London.

The facility is headed by Executive Vp John Hanna, who is scheduled to retire at year end. Senior Vp Tom Finlinson will succeed Mr. Hanna.

Among other programs that Howden North America offers is \$1 million of primary liability limits for marine and energy risks written by Lloyd's underwriters and London companies. The coverage is available through the wholesaler's Dallas-based Alexander Howden Marine & Energy division. Additional limits are available.

Howden also can place property coverage for marine and energy risks.

The wholesaler's risk purchasing group for midsize utilities, which the marine and energy division established in 1991, is going well, according to the executives.

"The risk purchasing group is receiving good attention in '93," Mr. Harrell said. The Risk Purchasing Group Inc., which now consists of about 15 members, provides \$25 million of umbrella limits written by Steadfast Insurance Co., a Zurich American unit, and Agricultural Excess & Surplus Insurance Co., an American Financial Corp. unit.

Outside of the risk purchasing arrangement, the wholesaler also can place for members of this group up to \$75 million of additional excess limits, depending on the risk, written on the open market.

Other coverages the division can obtain for utilities include:

- \$25 million of directors and officers liability coverage written by Great American Insurance Co., another American Financial unit.
- \$10 million of fiduciary liability coverage, written by Great American.

Other programs also include:

- \$1 million of comprehensive general liability coverage for small commercial and residential contractors as well as property and inland marine coverage written by United National Insurance Co.
- \$5 million of long-haul trucking liability coverage, written by The Home. Howden North America serves as a managing general agent for this business.

Howden North America has offices in: Atlanta; Boston; Chicago; Cleveland; Dallas; Newport Beach, San Francisco and Pasadena, Calif.; and New York City.

In addition to Messrs. McKenzie, Harrell and Hanna, principal officers at Howden North America are: Charles Hollingsworth, senior vp-national property; and Jim Sce, senior vp-national casualty.

Howden North America is a member of AAMGA.

—By Dave Lenckus

Stewart Smith Group Inc.

26 Century Blvd., Nashville, Tenn. 37214; 615-872-3641; fax: 615-872-3092

	1992	1991
Premium volume	\$248,000,000	\$260,000,000
Gross revenues	\$18,240,000	\$20,797,000
Employees	190	212
Commercial lines	100%	100%
Admitted business	40%	37%
Non-admitted	60%	63%

Stewart Smith Group Inc.'s headquarters have been transplanted once again—taking root in Nashville, Tenn., after little more than one year in Los Angeles.

"Nashville is so much more centrally located to the majority of Stewart Smith offices," points out Edward F. Casey, president and chief executive officer, who made the move to Nashville May 1.

The other reason for relocating headquarters is that "our chairman, Ken (Kenneth H.) Pinkston is located here. I report to him, and this makes reporting and communications a lot easier," Mr. Casey added.

Nashville is also the U.S. headquarters for Stewart Smith's parent, Willis Corroon Group P.L.C. Besides serving as Stewart Smith's chairman, Mr. Pinkston is president and CEO of Willis Corroon Group's U.S. property and casualty programs division (BI, July 5).

The headquarters move wasn't the only location change for Stewart Smith: The wholesaler last year closed offices in Atlanta, Houston and Overland Park, Kan.

Those closures are cited for the 4.6% decline in premium volume to \$248 million in 1992 from \$260 million in 1991. Gross revenues fell 12.3% to \$18.2 million from \$20.8 million in 1991.

However, Stewart Smith remains the fifth-largest surplus lines broker and the eighth-largest wholesaler overall ranked by *Business Insurance*.

Thanks to a new office in Eugene, Ore., and the efforts of "good producers," Mr. Casey noted that Stewart Smith reported a 3.1% increase in gross premium volume for the first six months of 1993 to \$133.2 million from \$129.2 million for the same period last year. Gross revenues also inched up in the first six months of this year to \$9.4 million from \$9.1 million in the first half of 1992.

"Our brokers are more productive and doing a much better job than last year," Mr. Casey asserted. "We did project the increase and budgeted for it. We're right on target."

The brokerage currently is operating with a leaner staff of 194 currently, up from 190 at year-end 1992 but down from 212 at year-end 1991. There are 77 brokers on staff, Mr. Casey noted.

As has been true for the past several years, about 90% of Stewart Smith's business is brokerage, with the remaining 10% generated as a managing general agency.

The wholesaler's clients are large regional brokers, independent agents and the alphabet brokers. In 1992, 28% of Stewart Smith's business came from alphabet brokers, up from 24% in 1991.

"We of course would include Willis Corroon" among the alphabet brokers. Willis Corroon

accounted for 17% of Stewart Smith's business in 1992, a big jump from 6% in 1991, Mr. Casey noted.

Stewart Smith placed 40% of its business with admitted markets and 60% with surplus lines insurers in 1992 and in the first six months of 1993. That compares with 37% and 63%, respectively, in 1991, a proportion that has remained relatively unchanged since 1988.

Stewart Smith's major markets during the past year include underwriters in the London market; Admiral Insurance Co.; First State Insurance Co.; General Star Indemnity Co., a unit of General Re Corp.; units of The Home Insurance Co.; Industrial Underwriters Inc., a Crum & Forster unit; Lexington Insurance Co., a unit of American International Group Inc.; The London Agency Inc., a Crum & Forster Inc. subsidiary; Northfield Insurance Co., a unit of Northland Insurance Co.; Royal Specialty Underwriting Inc.; and St. Paul Surplus Lines Insurance Co.

Among its major markets, Stewart Smith is placing more casualty business than a year ago with Transamerica Insurance Co. and more casualty and D&O coverage with RLI Insurance Co., Mr. Casey said.

But he observed that it is difficult to single out just a handful of major markets, since Stewart Smith places business with more than 100 surplus lines and specialty insurance companies.

Stewart Smith Group units serve as an MGA for American Empire Surplus Lines Insurance Co.; Burlington Insurance Group Inc.; Columbia Casualty Co., a unit of CNA Financial Corp.; Essex Insurance Co., a unit of Markel Corp.; General Star Indemnity; Gulf Insurance Co.; Nautilus Insurance Co., a unit of W.R. Berkley Co.; Northfield Insurance and Western World Insurance Co.

Although Stewart Smith has been doing business with Interstate Fire & Casualty Co. for some time, the wholesaler now also has binding authority with the Fireman's Fund Insurance Cos. unit.

The wholesaler retained 65% of its accounts in 1992, a 5% improvement from the previous year.

Setting Stewart Smith apart from its competition are "our people," Mr. Casey asserted. Rather than specializing in specific coverages, "I'd rather think that Stewart Smith specializes in meeting and fulfilling the needs of retail insurance agents and brokers within our core products. That's really what we're doing when we place a piece of business on behalf of a retail broker—we're providing a service."

"It's the people that do it—hard-working, experienced marketing professionals."

The wholesaler's "core product areas are property, casualty, D&O, E&O, aviation and medical stop-loss," Mr. Casey said. Although "we're always looking for new opportunities, there are no new products on the drawing board."

Premium volume for directors and officers liability is growing, mainly because of an increase in initial public offerings, he said.

Although the mix of Stewart Smith's business is "roughly the same as it was last year," property business has been growing

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faster so far this year than in the past, he said.

"Supply and demand" is driving a considerable amount of property business into the surplus lines market, Mr. Casey observed.

As for property rates, "there are places in the Midwest where there are no increases at all. But in earthquake zones and coastal areas, increases of 20% to 30% in some cases are not that unusual," Mr. Casey said.

Property rate increases have not moderated since the beginning of the year.

"I would expect you would continue to see them increase as the demand surpasses supply" for coverage in windstorm- and earthquake-prone zones, Mr. Casey said.

Although surplus lines insurers are "certainly increasing their property writing," they are not doing so "at the expense of casualty" coverages, Mr. Casey asserted.

Prices continue to go down for casualty coverages, he observed, noting that insurers still are competing for primary casualty coverages and umbrella coverages, with umbrellas the target of the most fierce competition, Mr. Casey said.

Marketwide, capacity is basically unchanged, he said, though "there are fewer markets" for D&O coverages for certain troubled institutions.

However, capacity for property insurance will become more scarce in the next 12 months, and "I think that property prices are going to continue to go up," he said.

"As for when the market is going to change in casualty, maybe it's never going to change," Mr. Casey remarked.

Nevertheless, despite the soft market and no specific plans for acquisitions or new products, "I think we're going to continue to grow," Mr. Casey said.

"I see kind of a steady growth over the next couple of years, regardless of whether the market changes. The market has been soft for so many years now, maybe this is the way it's going to be for the rest of our insurance lives," he said.

"We're not planning our future around a turn in the market," he said.

Stewart Smith's subsidiaries are: McAlear Associates Inc. in Grand Rapids, Mich.; Stewart Smith East Inc., in New York; Stewart Smith Mid-America Inc. in Chicago; Stewart Smith Southeast Inc. in Nashville; Stewart Smith Southwest Inc. in Dallas; and Stewart Smith West Inc. in Los Angeles.

Besides its new office in Eugene, Stewart Smith also has offices in Cedar Knolls, N.J.; Farmington, Conn.; Philadelphia; Pittsburgh; San Francisco; and Tampa, Fla.

In addition to Mr. Casey and Mr. Pinkston, other top officers of Stewart Smith Group Inc. include: John Rogers, senior vp and chief financial officer; Fred Anderson, president of Stewart Smith West; Mark Smith, president of Stewart Smith East (formerly Major Surplus Inc.); Ralph Leistner, president of McAlear Associates; Marty Horwitz, president of Stewart Smith Mid-America; and Pershing Berthelot, CEO of Stewart Smith Southwest.

Stewart Smith Group Inc. is a member of NAPSLO.

—By Louise Kertesz

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	1992	1991
Premium volume	\$415,000,000	\$452,000,000
Gross revenues*	\$34,500,000	\$38,500,000
Employees	290	324
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

* BI estimate.

Service and quality are the watchwords of The Schinnerer Group Inc.'s strategy for growth in a continuing soft market.

"We continue to strive for

growth in our existing programs, and we have concentrated on trying to improve service and quality of our product, and I think we've been very successful," said Richard J. Walk, senior vp of the Chevy Chase, Md.-based underwriting manager.

"We want to grow. We want to be not only in our existing programs, but we want to add new programs. We're being very aggressive at dedicating some of our senior people to marketing research, working with companies, working with clients in an attempt to bring in the right new programs," he said.

The best way to foster growth in "existing programs is by listening to our customers, improving our products and our services, and being very aggressive in terms of our marketing efforts because we still feel that generally we have the best products out there over the long term," Mr. Walk said.

"Across most of our program lines, we have more insureds than we ever had, even if their average premiums are lower," he said. "For most, if not all, of our program lines, our retention rates for existing insureds have been at the highest levels in their histories. We're generally run-

ning 90% or more in almost all of lines. In some, we've been over 95%."

Schinnerer's premium volume, though, declined 8.2% to \$415 million in 1992 from \$452 million a year earlier. That drop followed a 7.6% decline in 1991, a 10.8% drop in 1990 and a 3.7% decrease in 1989.

Schinnerer's estimates for the first six months of 1993, however, show a slowing of the rate of decrease. Schinnerer estimates its first-half 1993 premium volume at \$200 million, down only 4.8% from the \$210 million registered during the same period of

Continued on next page

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Aetna

Continued from previous page 1992.

Mr. Walk attributed much of the premium decline to a decline in "the buying power of our current insureds. Whether it be architects and engineers or Realtors or other lines, their volume of business has generally declined, and so their purchasing power is declining accordingly."

Nevertheless, Schinnerer, a unit of Marsh & McLennan Cos. Inc., maintained its position as the nation's largest underwriting manager/managing general agent. It also ranked as the third-largest wholesaler of any kind, down from second place last year.

Business Insurance estimates that Schinnerer's gross revenues declined 10.4% to \$34.5 million in 1992 from an estimated \$38.5 million a year earlier.

Mr. Walk pointed out that about half of Schinnerer's premium volume is generated by its architects and engineers liability program.

"As far as we know, it's the oldest continuously running pro-

fessional liability program in the country," he said. The program is now in its 37th year and has been insured by CNA Insurance Cos. since its inception. It offers limits of \$15 million.

Mr. Walk said he thinks that the architects and engineers liability is ready to grow. "We think we're going to see a modest increase in premium volume as we finish up 1993, which is really encouraging given economic conditions."

Mr. Walk cited program improvements as well as enhanced marketing efforts for the change.

Among the improvements are "specific additional liability limits." Architects and engineers that purchase coverage limits of at least \$250,000 can buy a specific additional liability limit of up to \$5 million for individual projects.

Lorna Parsons, a Schinnerer vp, added that the underwriting manager also has responded to engineers' concerns about pollution exposures and is offering expanded pollution coverage with limits of up to \$5 million.

"Pollution coverage was an issue for many of the civil engineers who were trying to do cleanup around the country and we managed to increase the limit available under that program from \$1 million to \$5 million," she said.

Mr. Walk said that the changes come during a period of intense competition for architects and engineers liability business. "I think we now have 27 different entities offering coverage," he said.

Competition is particularly aggressive for large accounts, with rate cuts of 25% to 50% being offered by competitors, he said. "It comes at a time when some of our most loyal customers who've been with us 20 or 25 years are facing severe budget constraints and they have very attractive offers from what might be perceived to be less stable markets, but they've got the bottom line to look at," he said.

"We are sensitive to their needs. We try to give them the coverages they need and try to shape things within the parame-

ters in which we customarily operate, be it higher deductibles or something to get the price to where they want to be," Mr. Walk said.

"We'll work with them on price, but I have to say almost invariably we are not going to be the lowest-price market. And at the end of the day... our clients are looking to us for the best coverage and long-term stability that might cost them more money in the short run but in the long run they know we'll be here to serve their needs," Mr. Walk explained.

Both Mr. Walk and Ms. Parsons cited CNA's "Commitment Plus" program, in which underwriting profits are shared with policyholders, as a key reason for retaining architect and engineer policyholders. "Our goal is to stabilize rates over time," said Ms. Parsons.

"We've also stepped up our service in the sense that we're working very closely with a cadre of experienced brokers around the country," said Mr. Walk.

For example, he pointed out that Schinnerer has a longstanding contract review service where policyholders send in contracts that they have with clients or other professionals for review by Schinnerer for insurability purposes.

Also bolstering the architects and engineers program is a team approach for large clients, said Ms. Parsons. The teams consist of an underwriter, loss-prevention specialist and claims professional, she said. According to Ms. Parsons, this approach gives clients "people they know and can work with."

Mr. Walk said the underwriting manager's program that shows the most consistent growth over the past few years is United Educators Insurance Risk Retention Group Inc., a Vermont-domiciled risk retention group for which Schinnerer acts as underwriting manager.

"It's a phenomenally successful risk retention group that by all accounts is probably one of the best conceived groups for the risk retention process," he said.

United Educators has enjoyed a premium growth rate "consistently in the 15% to 20% range" since its inception in 1988, he said. The risk retention group, in which about 750 colleges, universities and private prep schools currently participate, offers five coverages. For the most popular coverage, educator's legal liability, the group offers limits of up to \$25 million.

In addition, United Educators added two new coverages during the past year, he said. One is limited professional liability, which covers such things as nursing programs, allied health programs, counselors and others, with a limit of \$1 million.

In addition, United Educators has introduced a new buffer-layer product that provides \$750,000 of liability coverage in excess of \$250,000. United Educators had earlier offered excess liability coverage above a \$1 million attachment.

Real estate professional liability is another mainstay of Schinnerer's book of business. The Schinnerer program, which has the endorsement of the National Assn. of Realtors, is written by CNA.

Mr. Walk said that the program, which offers limits of \$2 million, is "growing rapidly" and

he anticipates premium growth in excess of 25% this year. Schinnerer recently introduced fair housing coverage to cover allegations of discrimination and environmental hazards coverage to cover failure to detect or disclose pollution—"a huge area of exposure" for Realtors.

The program offers a number of different payment options, he said. One of the most popular is known as "per transaction," Mr. Walk said.

"Since the Realtor's entire life revolves about transactions that they conduct—their listings and closings—and that's how they get paid, they are typically accustomed to paying for their insurance almost on an as-you-go basis," he said.

"We expended a lot of time, a lot of effort and a lot of money tailoring our computer systems so that we could allow real estate agents to pay us on a monthly basis according to the number of transactions that they have during that month," said Mr. Walk.

Schinnerer's hospital excess liability program, written by Transamerica Insurance Group, is also growing, though the market is very competitive, said Mr. Walk. Schinnerer is working with Transamerica to improve the program, which currently offers limits of \$25 million.

Schinnerer also is looking to a new media liability insurance program as one of its engines of growth. The program is designed to protect publishers and others sued for libel, slander, invasion of privacy, copyright infringement and other torts. The basic policy offers deductibles ranging from \$5,000 to \$1 million and limits from \$1 million to \$15 million. The program is written by Employers Reinsurance Corp.

Several Schinnerer programs underwent significant change this year. For example, a directors and officers liability program for non-profit organizations written by Chubb Corp.'s Federal Insurance Co. is now open to non-Chubb agents, said Mr. Walk. "Since non-Chubb agents are able to access the Chubb companies through us, we see this as a major marketing development," he said. The program offers limits of \$25 million.

Schinnerer's relationship with another program—the Ophthalmic Mutual Insurance Co., which serves Illinois ophthalmologists—ended when the program internalized its operations. "It was an absolutely amicable parting of the ways," said Mr. Walk.

Besides its headquarters in suburban Washington, Schinnerer has U.S. offices in Chicago, Dallas, New York and San Francisco. It also has offices in London, Ottawa and Toronto, Ontario.

Schinnerer Group acts as a holding company for its underwriting management subsidiaries including Victor O. Schinnerer & Co. in Chevy Chase, ENCON Insurance Managers of Ottawa and Schinnerer & Co. Ltd. in London.

The company underwent one significant management change early this year when Vincent C. Santorelli—who was a managing director with Seabury & Smith, Schinnerer's immediate parent company—was named president. He succeeded James R. Stevens, who now is the company's chairman. Other senior vps in addition to Mr. Walk are John L. Colmer, Paul L. Genecki and Homer M. Sandridge.

—By Mark A. Hofmann

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Coregis Group Inc.

181 W. Madison; Chicago, Ill. 60602;
312-849-5000; fax: 312-849-5289

	1992	1991
Premium volume	\$378,528,000	\$394,631,000
Gross revenues	NM	NM
Employees	662	NA
Commercial lines	100%	100%
Admitted business	92%	89%
Non-admitted	8%	11%

NM—Not meaningful.

Crum & Forster Managers Group has a new name, a new chief executive officer and a new mission.

Coregis Group Inc. is still in its formative stages. The company is one of the seven independent business units formed as part of the reorganization of Crum & Forster Inc. That reorganization stemmed from parent company Xerox Corp.'s withdrawal from the financial services business (*BI*, Jan. 25).

Chicago-based Coregis combines the operations of Crum & Forster Managers Group, the Custom Programs Division of Industrial Indemnity Co. and the Association Marketing Office of Crum & Forster Commercial Insurance.

Coregis expects to write \$400 million in direct premium in 1993 and more than \$450 million in 1994, said Courtney C. Smith, chairman and chief executive officer. Mr. Smith was formerly president of Industrial Indemnity's Custom Programs division in San Francisco.

"We're not a Main Street standard carrier," Mr. Smith said. "We take a very targeted approach. We get to know our customers better, and we are efficient so we can deliver a customized product."

Coregis underwrites on behalf of three Crum & Forster insurance units: Mt. Airy Insurance Co. and California Insurance Co., both admitted insurers, and Industrial Indemnity Co. of Hawaii, a non-admitted company.

Coregis employees are organized

into teams of 10 to 12 underwriters and claims handlers that serve individual programs.

"We build around each program so we know the results of each program," Mr. Smith said.

Coregis is divided into three divisions: Public Entity, Professional Liability and Commercial Property/Casualty.

The Public Entity Division is headed by Senior Vp Bruce M. Horton, formerly senior vp with Industrial Indemnity in Sacramento. It will focus on municipalities, schools and school boards, water and fire districts, townships, counties and

"We take a very targeted approach. We get to know our customers better, and we are efficient so we can deliver a customized product," says Courtney Smith.



states nationwide.

Coverages written by the division include property, general liability, directors and officers liability, educators legal liability and workers compensation. Premium volume is estimated at \$155 million this year, Mr. Horton said.

Coregis will also serve as underwriting manager for Municipal Mutual Insurance Co. in San Francisco, a company established to insure California public entities.

Industrial Indemnity had insured up to 50% of the public schools in 10 Western states. "We're aiming for the same level of penetration nationwide," Mr. Horton said.

The Professional Liability Division is headed by Senior Vp Roger A. Quigley. Mr. Quigley previously was senior vp and chief underwriting officer for Crum & Forster Managers Group in Chicago.

Errors and omissions coverage for accountants, lawyers, insurance agents, real estate appraisers, archi-

tects and engineers, as well as for miscellaneous classes of professionals, will produce \$145 million in premium in 1993, Mr. Quigley said.

The Property/Casualty Division will write about \$98 million in premiums this year for small affinity groups, like Anheuser-Busch Cos. Inc. beer distributors, moving and storage companies, refuse haulers, loggers and pest control firms. The division also offers a D&O program for non-profit companies.

"They are groups that are underserved by the marketplace," said Kevin A. Trapani, senior vp of the division. "There are already enough markets for hotels and florists."

The division will offer loss-rated programs even to the smallest groups, said Mr. Trapani, who previously served as vp of the commercial division of Great American Insurance Group in Cincinnati.

Because these clients' market segments are so focused, existing actuarial information is not applicable, he noted.

"ISO does a fine job of giving us average rates for broad groupings of customers," Mr. Trapani said. "The key to our success is to know our customers' business well enough to find the very subtle characteristics that best indicate the probability of loss. That's a stark contrast to the way most customers are currently priced: The best case is they are loss-rated; the most frequent is the best price goes to the customer with the most powerful advocate."

Coregis will rely on a computer system to track probability of loss and then determine the correct price for a risk.

This is a "radical change" that allows for a detailed examination of programs, said Robert P. Cuthbert, senior vp and chief financial officer.

"We are able to evaluate each program to see if it's profitable or if isn't," he noted. "And we'll be able to communicate this to the insureds so they have a better understanding of the coverage they have and what exposure they have."

"There are a lot of companies that dabble in programs," Mr. Trapani said. "To communicate to an individual customer segment exactly what the results have been and what the expenses are associated with managing their business is unheard of."

Coregis will turn to a number of sources to produce its business.

"We'll use various methods of distribution, from a wholesaler to a retailer on an exclusive basis, where they will set up a dedicated marketing group to go after certain business that we have," Mr. Smith said. "We will use the distribution approach that best fits that customer group's needs."

"Some programs have come to us through brokers and agents with either an existing program or an idea," Mr. Trapani said. "At the same time, there have been customer groups where we have developed an expertise and we've sought out an association or an advocacy group and built a distribution system that makes sense to serve the needs of those customers."

As a specialty program underwriter, Coregis also will rely on endorsements from bar associations, school board associations, leagues of cities, and trade groups.

However, the insurer recently lost its largest endorsed program—a professional liability program endorsed by the American Institute of Certified Public Accountants—to CNA Insurance Cos. (*BI*, Aug. 9).

The AICPA had endorsed the program written by Crum & Forster Managers Group since 1974.

While it no longer has the endorsement, Coregis still plans to compete for and win many AICPA

members' E&O coverage, Mr. Trapani said. "Accountant business is still our biggest program."

"The endorsement is an important issue, but the ultimate proof is the way we handle claims. We feel strongly that a lot of our customers will want to stay with us. We will pursue the market aggressively."

The groups that endorse professional liability programs written by Coregis include the Massachusetts Bar Assn., the Chicago Bar Assn. and the Defense Research Institute, Mr. Quigley said.

In 1992, premium volume at the companies that now comprise Coregis decreased 4.1% to \$378.5 million at year-end 1992 from \$394.6 million in 1991. In the first six months of 1993, the companies wrote \$165.8 million in premiums, up slightly from \$165.1 million during the same period in 1992.

That makes Coregis the second-largest underwriting manager/managing general agent ranked by *Business Insurance* and the fourth-largest wholesaler overall.

The number of people employed by the companies that make up Coregis dipped to 617 as of June 1993 from 662 at year-end 1992.

Ninety-two percent of the business written by what is now Coregis was placed with admitted insurers in 1992, up from 89% in 1991. That

Coregis will write more admitted business than in the past because most sponsored programs are now written on an admitted basis, says Roger Quigley.



percentage rose to 95% in the first half of 1993.

Coregis will write more admitted business than in the past because most sponsored programs are now written on an admitted basis, Mr. Quigley said.

"Some of the customers we want to serve are accustomed to looking to surplus lines carriers for their coverages," Mr. Trapani said. "We want to understand their business well enough to be able to go in on an admitted basis, which is obviously an advantage to the insured. Then we become one of very few players."

For example, Coregis writes liability coverage for pest controllers on an admitted basis, though the business was traditionally written by surplus lines insurers because of the pollution exposure.

"We're attracting (policyholders) that would be considered surplus lines kinds of markets but dealing with them on an admitted basis," Mr. Trapani said.

About 15% of the professional liability business will be written on a non-admitted basis, Mr. Quigley said, noting that professional liability business has been moving to the admitted market from surplus lines insurers for two years.

"Regulatory difficulties make it increasingly more difficult to operate on a non-admitted basis," Mr. Quigley said. "California is the most recent state to put in rather onerous conditions for the use of surplus lines paper."

Coregis has offices in Chicago; Durham, N.C.; New York; Phoenix and Sacramento. Related operations in Los Angeles and Miami have been merged into the Chicago office.

Former Crum & Forster Managers Group President and CEO David N. Thompson left the company last year and is now president of his own consulting firm in Chicago, Specialty Programs Ltd.

Coregis is a member of NAPSLO.

—By Sara Marley

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The London Agency Inc.

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Suite 2700, Atlanta, Ga. 30328;
404-393-9955; fax: 404-393-1199

	1992	1991
Premium volume	\$280,000,000	\$393,496,000
Gross revenues	NM	NM
Employees	192	315
Commercial lines	100%	100%
Admitted business	95%	90%
Non-admitted	5%	10%

NM—Not meaningful.

The London Agency Inc.'s pruning of brokerage operations dramatically reduced 1992 premium volume for the now full-fledged underwriting manager, and volume in 1993 likely will decline as well.

But the move will help The London Agency grow stronger in the long term, because all resources now are concentrated on underwriting management, maintains Dennis B. Reding, chairman and chief executive officer of the Atlanta-based unit of Crum & Forster Inc.

From year-end 1991 through the first quarter of 1992, The London Agency sold three brokerage subsidiaries that generated about \$89 million of its \$393.5 million of premium volume in 1991: Seaboard Underwriters Inc. in Birmingham, N.C.; Floyd West & Co. in Dallas; and London Brokers Ltd. in Atlanta (*BI*, Aug. 17, 1992).

Largely as a result of the divestitures, but also because of the soft property/casualty market, The London Agency's 1992 premium volume dropped 28.8% to \$280 million.

The drop was by far the largest among the *Business Insurance* Top 10 wholesalers. The firm ended the year as the third-largest U.S. underwriting manager/managing general agent, a notch lower than in 1991. It fell three rungs among all wholesalers, ranking No. 7.

But The London Agency's premium volume dropped only 5% last year when compared with 1991 premiums generated solely by underwriting management, Mr. Reding said. The premium volume reductions reported by five other Top 10 wholesalers in 1992 ranged from 0.9% to 8.2%.

For the first six months of 1993, premium volume is down 5.4% to \$132 million from \$139.5 million during the same period a year ago. The underwriting manager esti-

mates it will generate at least \$270 million in premium for the year.

The divestitures "cost us a fair amount of business," Mr. Reding acknowledged. But, "It will pay for us down the road," he said.

"We were splitting our internal resources and management into too many directions," he explained. "In the long term, it will provide the right direction and resources we need to build The London Agency," he said.

"So when I say we're directing resources to look at other opportunities, that is where the resources come from," said Mr. Reding, adding that most staffers have 15 to 30 years of experience. "With that comes a strong long-term relationship with brokers. There's no substitute for an underwriter who's been through a variety of hard and soft markets. That's where we think we've got a leg up" on other underwriting managers.

"What really drives our organization is not so much revenue as profit," Mr. Reding said. The firm has been able to control expenses, and the number of staff has shrunk to 192 from 315 at year-end 1991.

The combined ratio on business written by The London Agency was less than 100% last year, he noted.

Jettisoning the subsidiaries also helps The London Agency establish a clear identity, he said. "In the marketplace, we're easy to identify."

Umbrella and excess liability coverage accounts for most of The London Agency's premium volume. About 71.4%, or \$200 million, of its 1992 premium volume came from umbrella liability business.

The London Agency offers \$15 million of umbrella liability coverage written excess of \$1 million by Crum & Forster unit International Insurance Co.

About 21.5%, or \$60 million, of its 1992 premium volume was attributable to property business.

The remaining premium volume was attributable to other casualty business.

The London Agency is an underwriting manager for about 10 Crum & Forster units, but most of its business is written by International Insurance Co. and International Surplus Lines Insurance Co.

The London Agency's premium volume so far for 1993 is "pretty much on plan," Mr. Reding said.

But, "The way we're getting there is a little different than we had ex-

pected. The casualty market is more competitive, and the property market is more positive for us," he said.

Premium volume attributable to umbrella business so far in 1993 is flat or down, while premiums attributable to property coverages are up, according to Mr. Reding.

"It's funny, because the property market was very competitive in pricing into January and February," he said. He speculated that insurers then began reducing capacity for accounts with large catastrophe exposures as reinsurers began cutting capacity for catastrophe reinsurance coverage.

Most of The London Agency's policyholders fall into one of three groups: manufacturers; contractors; and owners of office buildings, apartments and other premises exposures. The firm will not write hazardous risks like pharmaceuticals,

The London Agency believes experience and a strong, long-term relationship with brokers give it a leg up' on other underwriting managers, says Dennis Reding.



potential polluters, asbestos and medical malpractice risks.

Some clients are Fortune 500 companies that are not considered high-hazard accounts.

Mr. Reding believes that The London Agency will be further strengthened under a 1992 reorganization at Crum & Foster that brought it and underwriting manager Industrial Underwriters Inc. of San Francisco into one operating group. Mr. Reding was named chairman of The London Agency and IUI. IUI President Richard A. Plazak succeeded Mr. Reding as president of The London Agency.

Mr. Reding is "looking for opportunities" to combine the two underwriting managers' approaches and offer the strength of both units to brokers.

"It's a situation where you put one and one together and you get three, not two," he said.

Together, the two units could generate about \$400 million of premium volume this year, according to Mr. Reding. IUI generated about \$97 million of premium volume in 1992.

The reorganization also "creates more opportunities on the West Coast" for The London Agency.

The London Agency in mid-1992 also established a specialty business unit designed to provide up to \$15 million of umbrella casualty coverage to small, low-hazard operations—those that would generate \$25,000 or more in annual premium.

"Our brokers indicated that they had a need for that kind of facility," he said. "We weren't addressing that need."

A group of three underwriters and three technical assistants work exclusively in the new unit so they do not lose interest in it while also trying to juggle large accounts.

"We had no goals in mind on what we'd like to write through the unit," Mr. Reding said, noting that business started slowly for the unit.

But, he expects the unit will generate about \$20 million in premium this year, its first full year of operation.

The London Agency, which is researching new products "in three or four areas," did not introduce any new products last year or in the first half of 1993. Mr. Reding does not expect to offer any new products until mid-1994.

"We're looking for opportunities outside of our traditional business but related to what we do so we can use our current expertise," he explained.

For example, one product the underwriting manager is researching is casualty coverage that would attach above a low self-insured retention level.

Mr. Reding expects that the umbrella casualty market will remain competitive "well into 1994" because of the abundance of capacity in the admitted market.

The hardening property market has "provided some opportunities for us," he said. He expects the property market to continue hardening into 1994 despite the creation of several new Bermuda-based catastrophe reinsurance facilities (*BI*, June 21). The facilities will not offer all of the catastrophe reinsurance capacity that has been lost, he said.

Although The London Agency does not want to write business at any cost, it does not establish a walk-away price for the coverages it provides, Mr. Reding said. "That template approach doesn't work for us" because of the uniqueness of each account, he explained.

Instead, "We allow the underwriter to evaluate the risk. If we walk away, it's because they feel the chance for making a profit is not good."

In 1992, The London Agency retained 63% of its umbrella business, unchanged from the last two years. The average premium dropped to about \$68,000 from about \$72,000 because of the new Special Business unit, which caters to smaller accounts.

The renewal rate for property business rose to 62% last year from 60%. The average property account premium rose 22.2% to \$22,000 from \$18,000.

The London Agency writes 80% to 90% of its business for 20 to 25 wholesale brokers, Mr. Reding said.

All of The London Agency's business is commercial lines, and 95% is written by admitted insurers.

In addition to Messrs. Reding and Plazak, principal officers of The London Agency are: Joseph J. George, senior vp-casualty; Richard J. McAdam, senior vp-property; John M. Inintondi, senior vp-claims; and William P. Garrigan, senior vp-financial.

The London Agency is a member of NAPSLA.

—By Dave Lenckus

General Star Management Co.

695 E. Main St., P.O. Box 10354,
Stamford, Conn., 06904-1354;
203-328-5700; fax: 203-328-6460

	1992	1991
Premium volume	\$214,339,068	\$194,493,754
Gross revenues	NM	NM
Employees	230	234
Commercial lines	95%	95%
Admitted business	24.1%	27.8%
Non-admitted	75.9%	72.2%

NM—Not meaningful.

The premium volume increase at General Star Management Co. in 1992 was entirely due to non-admitted business.

New producers, new areas of coverage and a tightening of the property insurance market in some areas of the country boosted General Star Management's premium volume 10.2% to \$214.3 million in 1992 from \$194.5 million in 1991, said Kevin P. Brooks, chairman and president.

Strong competition in the admitted market led to a slight drop in premiums written for General Star National Insurance Co., an admitted insurer, said Ron Austin, vp at General Star Management.

As in 1992, the underwriting manager ranked No. 9 among all wholesalers and No. 4 among MGAs/underwriting managers.

General Star Management, a unit of General Re Corp., is the underwriting manager for General Star Indemnity Co., which writes largely non-admitted market business (see story, page 20), and for General Star National.

General Star Indemnity significantly increased business last year in several areas, Mr. Brooks said. These include property business in the Southeast, where some other insurers left the market after suffering large losses from Hurricane Andrew. In addition, new producers generated new business and new products were offered.

But, General Star National's gross premium volume fell 8.5% in 1992 to \$54.1 million from \$59.1 million in 1991.

"The competitive pressures of the marketplace are still affecting the standard lines business," Mr. Austin said.

General Star National is admitted in all 50 states. Its policyholders—like municipalities, school districts and hotels—typically need or prefer to have admitted excess insurance, Mr. Austin said.

The overall growth in General Star Management's premiums in 1992 has kept up this year. Premium volume in the first half rose 2.4% to \$111.1 million from \$108.5 million in 1992.

The makeup of General Star Management's business fluctuated slightly in 1992. Some 75.9% of its business was non-admitted last year, compared with 72.2% in 1991. In the first six months of 1993, 74% of its business was non-admitted, compared with 78% last year.

General Star Indemnity and General Star National have no employees of their own. The staff of General Star Management fell to 230 at year-end 1992 from 234 the year before. And during the first six months of 1993, staff size fell further to 222.

In addition to Messrs. Brooks and Austin, General Star Management's principal officers are: Sam Anderson, Patricia Roberts, Adin Tooker, vps; and Ken Garcia, Elmer Hess and Charles Venezia, second vps.

General Star Management is a member of AAMGA and NAPSLA.

—By Gavin Souter

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ADMIRAL INSURANCE COMPANY

First State Management Group

150 Federal St., Boston, Mass.
02110; 617-526-7600;
fax: 617-526-0600

	1992	1991
Premium volume	\$193,200,000	\$208,300,000
Gross revenues	NM	NM
Employees	205	205
Commercial lines	100%	100%
Admitted business	32.5%	32.5%
Non-admitted	67.5%	67.5%

NM—Not meaningful.

The wholesale underwriting operations of ITT/Hartford Group Inc. have been completely rebuilt since last year, but the basic business they write has changed little, says Ralph J. Palmieri, president of wholesale underwriting unit First State Management Group Inc.

Hartford last year shut down three surplus lines and reinsurance subsidiaries formerly managed by its now-defunct Cameron & Colby Co. Inc. unit.

Ownership of the three subsidiaries—First State Insurance Co., New England Insurance Co. and New England Reinsurance Corp.—was transferred to ITT Corp., which took a \$1.15 billion pretax charge to bolster reserves on the units' loss-plagued pre-1986 business (*BI*, Oct. 5, 1992).

The runoff of this old business is being managed by a new unit, ITT New England Management Co.

Meanwhile, new and renewal surplus lines business is being handled by First State Management, which is underwriting for Hartford units Pacific Insurance Co. Ltd. on a non-admitted basis and Twin Cities Fire Insurance Co. on an admitted basis.

"The transition has gone remarkably well. The acceptance by our customers and our insureds has gone exceptionally well also," Mr. Palmieri observed.

ITT/Hartford contributed \$190 million to Hawaii-domiciled Pacific Insurance last year, bringing the insurer's year-end surplus to \$252.3 million. This, Mr. Palmieri pointed out, makes Pacific Insurance a better-capitalized company than First State Insurance had been before the reorganization.

First State Management has not lost any business because of the reorganization, he added.

"What we are experiencing is normal attrition rates," he said. "Those ratios have not changed at all."

The restructuring also has had no impact on the mix of First State Management's business, Mr. Palmieri said.

"There have been minor shifts having to do with the market itself, but nothing having to do with the reorganization," Mr. Palmieri noted.

Overall, First State Management's gross premium volume dropped 7.2% to \$193.2 million last year from \$208.3 million in 1991. In both 1991 and 1992, 32.5% of the premium volume was underwritten for admitted insurers, and 67.5% was underwritten for non-admitted insurers.

"The market was just blah," Mr. Palmieri said, explaining the erosion in volume.

The company is ranked as an underwriting manager for the first time this year; previously, First State Insurance had been ranked among the 10 largest U.S. surplus lines insurers (*BI*, Aug. 17, 1992).

For the first half of 1993, First State Management's gross premium volume rose 3.1% to \$100 million from \$97 million in the first half of 1992, largely because of the

development of new products and programs, Mr. Palmieri said.

One market-driven change in First State Management's business has been increased underwriting of property risks with catastrophe exposures, notably coastal wind-storm risks, he said.

Although the company wrote very little of this business before 1993, it will write about \$3 million in gross premiums this year, attracted by rising deductibles and rates that have increased four to five times since Hurricane Andrew.

First State Management was already writing California earthquake risks, but rising rates should boost its volume between 25% and 30% to \$8 million this year for virtually the same aggregate exposure, Mr. Palmieri added.

The underwriting manager has seen more modest 10% to 12% increases on non-catastrophe property risks, though more tightening could occur with instability in the property reinsurance markets, he suggested.

First State Management continues to offer gross limits of up to \$7.5 million, with the net line of its managed companies unchanged at about \$1.5 million.

One of the keys of First State Management's strategy is diversification, according to Mr. Palmieri, who explained that continuing to develop specialty niches will help support the company through soft cycles in the market for general property and casualty coverages.

"What we have attempted to create is more balance and a diversified portfolio that is made up of product segments that are small in relation to the whole but that at the same time offer protection of the major core lines" against the ravages of the soft market, he explained.

For example, First State Management earlier this year opened a new Burlington, N.C., office to manage a transportation program providing physical damage and bodily injury coverage to long-haul trucking companies. The company wrote its first piece of business through this program in April and expects to write \$2 million in gross premium volume this year, he reported.

First State Management also has started an errors and omissions program for company-sponsored life insurance agents that Mr. Palmieri said should generate \$3 million in gross premium volume this year.

Another new program provides property insurance for stamp collectors and should generate \$2 million in premiums this year. It joins an existing property program for craft fairs through the American Crafts Council, he said.

"That is a good example of the very specialized, segmented products we are after," Mr. Palmieri observed.

Meanwhile, First State Management continues to offer:

- A legal malpractice program for Massachusetts and Rhode Island lawyers. The Massachusetts Bar Assn. shifted its endorsement in 1991 from this program to one written by Crum & Forster Inc., and First State Management's gross premium volume has dropped 42.1% from \$28.5 million to about \$16.5 million, Mr. Palmieri said.

"That business is down from its peak by design, but the premium levels have stabilized to a point where we feel we'd like to remain," he said.

- A property/casualty program for nursing homes, which started in Massachusetts and has expanded into Texas.

The program provides primary liability limits of \$1 million per occurrence and umbrella limits up to \$10 million, with property limits of up to \$10 million.

- Errors and omissions coverages for employee-leasing firms, corporate fiduciaries, trustees and officers of mutual savings banks, and freight forwarders.

- A liquor liability program with a \$1 million primary limit that is available in Massachusetts and in 11 other states.

- A primary casualty program that was inaugurated in 1988 and is expected to produce \$25 million in gross premiums this year, up 13.6% from \$22 million in 1992, Mr. Palmieri said.

The program offers limits of \$1 million per occurrence/\$2 million annual aggregate. Between 55% and 60% of this business consists of manufacturers and contractors liability risks, where First State Management has seen some price increases, especially in California, Mr. Palmieri said.

While primary liability underwriting was previously done only in the company's Boston home office, First State Management has decentralized the function, moving 10 primary liability underwriters to branch offices in Atlanta, Chi-

cago, Los Angeles, New York and San Francisco.

"It brings the product closer to the source," he noted.

Excess casualty, while traditionally the largest part of First State Management's liability business, continues to be relatively unattractive, Mr. Palmieri suggested.

"The market has been very relentless in its pursuit of excess casualty business, and we don't see any sense in competing with companies that still at this late stage of the game are dropping rates 20% to 25%," he said.

"In effect, we have drawn a line in the sand for ourselves regarding pricing."

Competitors—mainly admitted companies—have used their huge in-house capacity to write lines as large as \$25 million or \$35 million on excess casualty accounts, he added.

"They are swallowing layers of business that were provided by specialty and surplus lines companies in the past," Mr. Palmieri noted.

For the excess liability business it does write, First State Management still offers gross limits of up to \$10 million. Its net line has risen to more than \$5 million from \$4.6 million last year.

First State Management's staff grew slightly to 210 employees in the first half of the year from 205 at year-end 1992.

The management operation had 335 employees before the reorganization, but about 130 employees—including claims and reinsurance management specialists—moved to ITT New England Management to handle the runoff of First State Insurance, New England Insurance and New England Re, Mr. Palmieri said.

Lawrence S. Doyle, former chief executive of Cameron & Colby First State Insurance and New England Insurance, resigned shortly after the reorganization. He has since been named president and CEO of Global Capital Reinsurance Ltd., a Bermuda catastrophe reinsurer formed by Johnson & Higgins and Goldman, Sachs & Co. Lynford M. Richardson, former executive vp and controller of Cameron & Colby, retired.

In addition to Mr. Palmieri, senior officers of First State Management include Peter P. Coghlan, executive vp, and Raymond T. Lewis and Thomas S. Johnston, senior vps.

First State Management is a member of AAMGA and NAPSLO.

—By Douglas McLeod

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BI directory of insurance wholesale marketers

A

A.P.P.L.E. (A Preferred Professional Liability Enterprise Inc.)

132 Nassau St., 6th Floor, New York, N.Y. 10038; 212-608-4505; fax: 212-608-4540

	1992	1991
Premium volume	\$15,925,000	\$12,250,000
Employees	7	5
Commercial lines	100%	100%
Admitted business	20%	20%
Non-admitted	80%	80%

Founded: 1990.
Business: 100% broker.
Broker for: Primarily AISLIC, Agricultural Excess & Surplus Insurance Co., Continental Insurance Co., Lexington Insurance Co., Lloyd's of London, Reliance Insurance Co., Reliance of Illinois Fidelity & Casualty.

Specialties: Lawyers professional liability, directors and officers liability, association liability.

Principal officers: Mark F. Diette, chairman/vp; Deborah Gallo DiMarco, president/treasurer.

Contact: Julia Pellegrino.
Licensed in: New York.

ARC Excess & Surplus Inc.

300 Old Country Road, Mineola, N.Y. 11501; 516-747-4100; fax: 516-747-3633

	1992	1991
Premium volume	\$120,000,000	\$120,000,000
Employees	24	24
Commercial lines	100%	100%
Admitted business	70%	70%
Non-admitted	30%	30%

Founded: 1986.
Business: 100% broker.
Broker for: Primarily Admiral Insurance Co., Aetna Casualty & Surety, Agricultural Excess & Surplus Insurance Co., CIGNA Corp., CNA Financial Corp., Continental Insurance Co., Evanston Insurance Co., Federal Insurance Managers, Fireman's Fund Insurance Co., Great American Insurance Co., Gulf Insurance Co., The Home Group Inc., Lexington Insurance Co., Lloyd's of London, National Union Fire Insurance Co. of Pittsburgh, Pa., Old Republic Insurance Co., RLI Insurance Co., Reliance Insurance Co., Royal Excess & Surplus Lines Insurance Co., Tudor Insurance Co., Zurich American Insurance Co.

Branch offices: Houston.
Subsidiaries: ARC Consulting Group Inc. and ARC Special Risks Inc., Mineola, N.Y.

Specialties: Directors and officers liability, fiduciary liability, lawyers professional liability, union fiduciary, fidelity.

Principal officers: Albert L. Salvatico, John Semeraro, Richard A. Fierstein, Christopher J. Cavallaro, Robert H. Goodman, Vikki Robinson, Michael Cavallaro, Mark Campson.

Licensed in: New York, Texas.
Membership: NAPSLO, Professional Insurance Wholesalers of New York.

Agency Marketing Services Inc.

130 Pinellas Way N., St. Petersburg, Fla. 33710; 813-384-1036; fax: 813-343-4123

	1992	1991
Premium volume	\$10,000,000	\$9,500,000
Employees	9	8
Commercial lines	100%	100%
Admitted business	60%	50%
Non-admitted	40%	50%

Founded: 1982.
Business: 60% managing general agent, 40% broker.

MGA for: Acceleration Insurance Co., Continental Insurance Co., The Home Insurance Co.

Broker for: Primarily American International Group Inc., Chubb Custom Insurance Co., Crum & Forster Inc., Evanston Insurance Co., Fireman's Fund Insurance Co., Great American Insurance Co., Gulf States Insurance Co., Interstate Fire & Casualty Co., RLI Insurance Co., Tudor Insurance Co., Zurich American Insurance Co.

Correspondent: Lloyd's of London.
Specialties: Professional liability: lawyers, accountants, architects/engineers, medical, title agents, directors and officers.

Principal officers: Kevin Schuck, John Gerds, Mark Saunders, Bryan

Chenell, Don Baker.
Contact: Kevin Schuck.
Licensed in: Alabama, Florida, Georgia, Mississippi, Texas.
Membership: NAPSLO.

Alexander Howden North America Inc.

200 Northcreek, Suite 800, 3715 Northside Pkwy. N.W., Atlanta, Ga. 30327; 404-240-5200; fax: 404-240-5393

See profile on page 43.

All American Agency Facilities Inc.

8060 165th Ave. N.E., Suite 201, Redmond, Wash. 98052; 206-885-5959; fax: 206-883-9595

	1992	1991
Premium volume	\$33,500,000	\$34,000,000
Gross revenues	\$3,155,000	\$3,100,000
Employees	48	48
Commercial lines	97%	98%
Admitted business	50%	60%
Non-admitted	50%	40%

Founded: 1981.
Parent company: W.R. Berkley Corp.
Business: 65% managing general agent, 35% broker.

MGA for: American Modern Home Insurance Co., Canal Insurance Co., Capitol Indemnity Co., Carolina Casualty Insurance Co., Essex Insurance Co., GAINSCO, Great Divide Insurance Co., Guaranty National Insurance Co., Scottsdale Insurance Co., Union American Insurance Co., Waite Hill Group, Western World Insurance Co.

Broker for: Primarily Admiral Insurance Co., American International Group Inc., Crum & Forster Inc., General Star

Management Co., Great American Insurance Co., Illinois Insurance Exchange, Investors Insurance Group, RLI Insurance Co., Shand Morahan, Transamerica Insurance Co.

Correspondent: Lloyd's of London.
Branch offices: Denver; Jackson, Miss.; Redmond, Wash.; Commercial General Agency Inc.: Jacksonville, Fla.; Charlotte, N.C.; Diversified X/S Underwriters Inc.: Lincoln, Neb.

Specialties: Commercial transportation.

Principal officers: H. Raymond Lankford Jr., president; Irwin Wolf III, senior vp; Kenneth R. Baker, Robert L. McGrew, Phillip J. Dikes, vps.

Contact: H. Raymond Lankford Jr., 206-885-5959 or Irwin Wolf III, 904-354-5435.

Licensed in: Colorado, Florida, Mississippi, Nebraska, North Carolina, Virginia, Washington.

Membership: AAMGA, NAPSLO.

All Risks Ltd.

1001 Cromwell Bridge Road, Suite 302, Towson, Md. 21204; 410-828-5810; fax: 410-828-8179

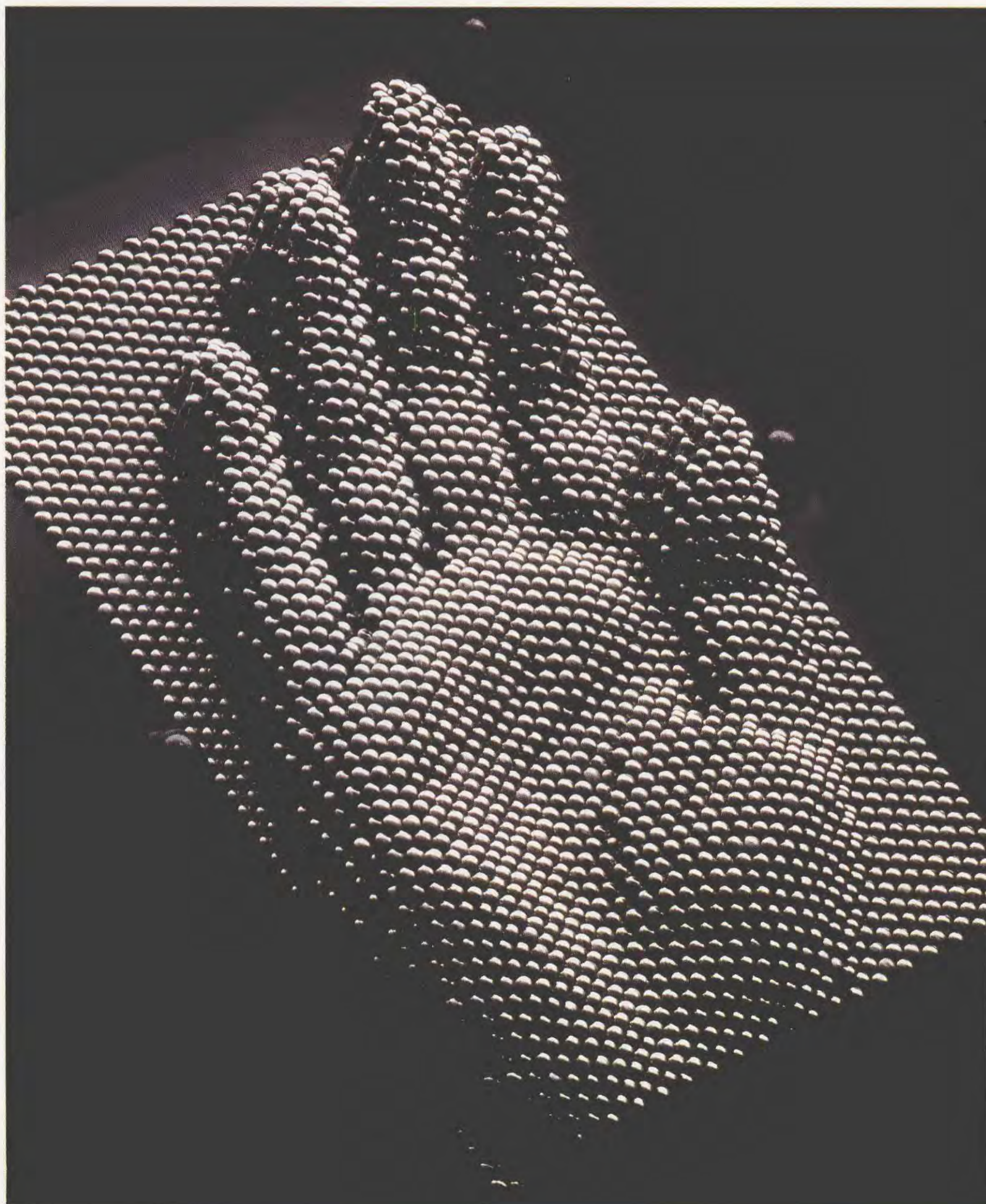
	1992	1991
Premium volume	\$25,000,000	\$21,000,000
Employees	48	43
Commercial lines	90%	90%
Admitted business	55%	45%
Non-admitted	45%	55%

Founded: 1965.
Business: 75% managing general agent, 25% broker.

MGA for: American Empire Surplus Lines Insurance Co., Century Surety Co., Colony Insurance Co., General Agents Insurance Co., Guaranty National Insurance Co., Houston General Insurance Co., National Indemnity Co., Northland Insurance Co., Scottsdale Insurance Co., Western World Insurance Co.

Broker for: Primarily Admiral Insurance Co.

Continued on next page



Continued from previous page
 ance Co., Alliance General Insurance Co., Agricultural Excess & Surplus Insurance Co., Chubb Custom Insurance Co., Coregis, Fireman's Fund Insurance Co., First State Insurance Co., General Star Management Co., The London Agency, Northbrook Insurance Co., Reliance Insurance Co., Transamerica Insurance Co., TCO Insurance Services, Tudor Insurance Co.

Correspondent: Lloyd's of London.
Branch offices: Cleveland; Richmond, Va.; York, Pa.
Specialties: Security guards, private investigators, dump and trash trucks, public livery services, directors and officers, financial institutions, difficult excess placements.
Principal officers: William J. Salladin, CEO; Martha Dickinson, president; Nick Cortez, executive vp; Nicholas Croce, vp-brokerage services; Rick Stahl, vp-underwriting.
Contact: Nick Cortez.
Licensed in: Delaware, District of Columbia, Maryland, North Carolina, Ohio, Pennsylvania, Virginia.
Membership: AAMGA, NAPSLO.

American E&S

1 Seaport Tower, 40 Fulton St.,
 New York, N.Y. 10038;
 212-619-4220; fax: 212-766-1019

	1992	1991
Premium volume	\$71,500,000	\$58,800,000
Employees	57	56
Commercial lines	100%	100%
Admitted business	52%	52%
Non-admitted	48%	48%

Founded: 1980.
Parent company: American Business Insurance.
Business: 15% managing general agent, 85% broker.
MGA for: Scottsdale Insurance Co.
Broker for: Primarily Agricultural Excess & Surplus Insurance Co., RLI Insurance Co., Ranger Insurance Co., Scottsdale Insurance Co., The Travelers.
Correspondent: Lloyd's of London.
Branch offices: Houston; San Francisco; Seminole, Fla.
Specialties: Property and difference in conditions, casualty products and excess liability, employment practices liability, public entity liability and trucking.
Principal officers: R. Walsh, CEO; A.

Forenza, president; C. Caldwell, J.H. Vander Velde, J. Wilson, senior vps.
Contact: Roger Walsh.
Licensed in: California, Florida, New Jersey, New York, Texas.
Membership: AAMGA, NAPSLO, New York Professional Insurance Wholesalers Assn., California Insurance Wholesalers Assn., Texas Surplus Lines Assn., Western States Surplus Lines Assn.

American Insurance Marketing Services Inc.

20 N. Wacker Drive, Suite 3414,
 Chicago, Ill. 60606-3102;
 312-201-8333; fax: 312-201-8818

	1992	1991
Premium volume	\$5,000,000	\$4,000,000
Gross revenues	\$350,000	\$240,000
Employees	3	3
Commercial lines	100%	100%
Admitted business	50%	50%
Non-admitted	50%	50%

Founded: 1986.
Business: 20% managing general agent, 80% broker.
Broker for: Primarily Allianz Underwriters Insurance Co., Agricultural

Excess & Surplus Insurance Co., Associated International Insurance Co., Commonwealth Insurance Group, Continental Insurance Co., Coregis, First State Insurance Co., Homestead Insurance Co., International Insurance Co., International Surplus Lines Insurance Co., Reliance Insurance Co., Royal Excess & Surplus Lines Insurance Co., Unity Fire & General Co.

Correspondent: Lloyd's of London.
Specialties: Product liability, public entity liability, difference in conditions property, excess and alternative workers compensation.
Principal officers: John P. Middleton, president; Bob Blessing, vp.
Contact: John P. Middleton.
Licensed in: Illinois, Wisconsin.
Membership: NAPSLO.

American Marketing Center

111 John St., New York, N.Y.
 11545; 212-285-2160;
 fax: 212-964-6465

	1992	1991
Premium volume	\$25,000,000	\$27,500,000
Gross revenues	\$1,750,000	\$1,950,000

Continued on next page

BI directory of wholesalers explained

The annual *Business Insurance* directory of wholesale marketers lists underwriting managers, managing general agents and surplus lines brokers that responded to a *Business Insurance* questionnaire.

The directory is published as an editorial service; there is no charge for companies to be listed.

Listings begin with the company name, address, telephone and facsimile numbers.

Companies were asked for **premium volume, gross revenues** (defined as commissions and fees after commissions to producers, including investment income and contingent commissions), number of **employees** and percent of premium volume placed with **admitted and non-admitted insurers**.

Companies acting as underwriting managers listed 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. If a company is listed as a **correspondent** for Lloyd's of London, it is a surplus lines broker whose operations are made known to underwriters and it places business on a regular basis with a Lloyd's 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.

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.

Following the financial information, the year **founded** and **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 **principal officers** are also noted. A **contact** at the company for those wishing further information is also given.

States in which the company is **licensed** to do business as an excess/surplus lines broker and **memberships** in either of the two national surplus lines organizations—the American Assn. of Managing General Agents (AAMGA) and the National Assn. of Professional Surplus Lines Offices (NAPSLO)—as well as state surplus lines organizations are included.

In addition to this directory of wholesale marketers, a listing of excess and surplus lines insurers begins on page 31.

Although *BI* makes every effort to publish complete and accurate information, we are unable to verify all figures.

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REINSURANCE: INTERNATIONAL MARKETS

AUGUST 30TH Ad Closing: August 18th

This issue, with bonus distribution at the Monte Carlo Rendez-Vous, will analyze the global reinsurance market. It includes *BI's* exclusive annual Directory of Leading Reinsurers Worldwide, a profile of the top performing companies with

details on their products, premium volumes, revenues, and operations.

REINSURANCE: RENDEZ-VOUS REPORT SEPTEMBER 20TH Ad Closing: September 8th

BI will provide in-depth analysis of the presentations and discussions at this annual gathering of the world's most influential reinsurance executives. It is must-reading for those business decision-makers who rely on the reinsurance market for coverages.

REINSURANCE: TRENDS & ISSUES

NOVEMBER 1ST Ad Closing: October 20th

Trends and issues in the marketplace will be analyzed in this wrap-up report on the reinsurance market. This issue, which will be distributed at the NAI, also includes *BI's* exclusive Directory of Reinsurance Brokers, a reference guide to the resources these intermediaries provide buyers and sellers of reinsurance.

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*includes pass-along readership

Spotlight report

Continued from previous page

Employees.....	13	13
Commercial lines.....	100%	100%
Admitted business.....	85%	85%
Non-admitted.....	15%	15%

Founded: 1980.
Business: 30% managing general agent, 70% broker.
MGA for: Landmark Insurance Co., Sauer Property & Casualty, Star Insurance Co.

Broker for: Primarily Allianz Underwriters Insurance Co., General Star Management, Generali.

Subsidiaries: American Marketing Center Upstate Inc., Buffalo, N.Y.

Specialties: Premise liability.

Principal officers: Edwin Levine, Jim Frey.

Licensed in: New York.

Membership: NAPSL0, Professional Insurance Wholesalers Assn.

Anderson & Murison Inc.

800 W. Colorado Blvd., Los Angeles, Calif. 90041-1704; 213-255-2333; fax: 213-255-0957

	1992	1991
Gross revenues....	\$2,816,868	\$2,798,787
Employees.....	30	28
Commercial lines.....	65%	75%
Admitted business.....	29%	25%
Non-admitted.....	71%	75%

Founded: 1965.
Business: 90% managing general agent, 10% broker.

MGA for: Acceptance Insurance Co., American Bankers Insurance Co., American Empire Surplus Lines Insurance Co., Colonia Insurance A.G., Commercial Underwriters Insurance Co., First Financial Insurance Co., Jefferson Insurance Group, Topa Insurance Co., Western World Insurance Co.

Broker for: Primarily Commercial Underwriters Insurance Co., First State Services, General Star Management Co., Gulf Insurance Co., Victor O. Schinnerer & Co., Shand Morahan, Topa Insurance Co., United National Insurance Co.

Correspondent: Lloyd's of London.

Principal officers: David F. Anderson, president; Horst L. Lechler, senior vp; Sorn Harn, vp.

Contact: David F. Anderson.

Licensed in: California.

Membership: AAMGA, NAPSL0, California Insurance Wholesalers Assn., Surplus Lines Assn. of California.

Aon Entertainment Ltd. Insurance Services

10 Universal City Plaza, Suite 2200, Universal City, Calif. 91608-1002; 818-506-1500; fax: 818-509-7565

	1992	1991
Premium volume.....	\$57,471,100	\$41,296,016
Gross revenues....	\$9,132,082	\$6,272,722
Employees.....	84	76
Commercial lines.....	100%	100%
Admitted business.....	90%	80%
Non-admitted.....	10%	20%

Founded: 1962.
Parent company: Aon Corp.
Business: 90% managing general agent, 10% broker.

MGA for: American Casualty Co. of Reading, Pa., Columbia Casualty Co., Continental Casualty Co., Lloyd's of London.

Broker for: Primarily American International Group Inc., CIGNA Corp., Topa Insurance Co.

Branch offices: Chicago, New York, London, Montreal.

Specialties: All aspects of the entertainment industry including film, theatre, venues and music.

Principal officers: Frank Powers, president/CEO/chairman; Eric Gemballa, Albert Rieder, senior vps; Joyce Walden, T. Guy DeMarco, vps.

Contact: T. Guy DeMarco.

Licensed in: California, New York.

Apple Underwriters

1242 West Chester Pike, West Chester, Pa. 19382; 800-282-6247; fax: 215-431-0512

	1992	1991
Employees.....	7	NA
Commercial lines.....	100%	NA
Admitted business.....	75%	NA
Non-admitted.....	25%	NA

Founded: 1993.
Business: 75% managing general agent, 25% broker.

MGA for: Markel Group of companies including Essex Insurance Co. and Evanston Insurance Co.

Broker for: Primarily General Star Indemnity Co.

Branch offices: Elk Grove Village, Ill.; Pittsburgh, Pa.

Specialties: Auctioneer and appraisal liability insurance, comprehensive gen-

eral and professional liability.

Principal officers: Philip J. Harvey, president; Joseph J. Dolce; Laura M. Holden, program coordinator.

Contact: Laura M. Holden.

Licensed in: New Jersey, New York, Pennsylvania.

Atlanta Insurance Broking Services Inc.

53 Perimeter Center E., Suite 320, Atlanta, Ga. 30346; 404-671-9135; fax: 404-671-9270

	1992	1991
Employees.....	4	4
Commercial lines.....	100%	100%
Admitted business.....	10%	5%
Non-admitted.....	90%	95%

Founded: 1991.
Business: 100% broker.

Correspondent: Lloyd's of London.

Specialties: Energy, marine.

Principal officers: Jonathan Smyth, president; Linda Doiron, Joseph Sanchez, vps.

Contact: Jonathan Smyth, Linda Doiron, Joseph Sanchez or Terri Thompson.

Licensed in: Georgia.

Membership: Georgia Surplus Lines Assn.

Aviation Insurance Services Inc.

222 W. Sixth St., Suite 920, San Pedro, Calif. 90731; 310-521-0900; fax: 310-521-0910

	1992	1991
Premium volume.....	\$29,000,000	\$22,140,000
Gross revenues....	\$3,136,000	\$2,557,400
Employees.....	21	21
Commercial lines.....	99%	97%
Admitted business.....	58.6%	63%
Non-admitted.....	41.4%	37%

Founded: 1977.
Business: 36% managing general agent, 64% broker.

Correspondent: Lloyd's of London.

Branch offices: Las Vegas, Seattle.

Specialties: Commercial aviation/aerospace risks, airlines, helicopter fleets, major manufacturing products risks.

Principal officers: Ronald A. Hill, chairman/CEO; Richard R. Gorsuch, vice chairman; Leslie C. DeWald, president; Michael S. German, senior vp; Elliott S. Tremaine, senior vp (Seattle).

Contact: Richard R. Gorsuch.

Licensed in: California, Nevada, Washington.

AVRECO Inc.

10 S. LaSalle St., Chicago, Ill. 60603; 312-346-6161; fax: 312-580-0106

	1992	1991
Premium volume.....	\$74,750,000	\$74,000,000
Gross revenues....	\$4,550,000	\$4,260,000
Employees.....	38	41
Commercial lines.....	100%	100%
Admitted business.....	35%	30%
Non-admitted.....	65%	70%

Founded: 1962.
Parent company: Cameron General.

Underwriting manager for: Home- stead Insurance Co., Reliance Insurance Co.

Broker for: Primarily Admiral Insurance Co., Agricultural Excess & Surplus Insurance Co., Chubb Custom Insurance Co., Employers Reinsurance Co., First State Management Co., The Home Insurance Co., Interstate Fire & Casualty Co., Lexington Insurance Co., Reliance Insurance Co., St. Paul Surplus Lines Insurance Co., United National Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: New York; Scottsdale, Ariz.

Specialties: Hospital professional liability.

Principal officers: Fred H. Pearson, president; William D. Yurek, executive vp; Ken C. Heyman, CFO.

Contact: William D. Yurek.

Licensed in: Arizona, Illinois, New Jersey, New York.

Membership: NAPSL0, Association of Lloyd's Brokers, Surplus Lines Assn. of Illinois, Surplus Lines Assn. of New York.

B Bailey Special Risks Inc.

177 E. Main St., P.O. Box 768, Hendersonville, Tenn. 37077-0768; 615-264-3977; fax: 615-264-3980

	1992	1991
Premium volume.....	\$5,000,000	\$3,590,000
Gross revenues....	\$400,000	\$227,500
Employees.....	6	5
Commercial lines.....	99%	99%

Continued on next page

READER REPLY SERVICE

PRODUCTS & SERVICES LISTING

Issue of August 16

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Business Insurance

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 Card Expiration: **OCTOBER 11, 1993**

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1. My organization is best described as:

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<input type="checkbox"/> Association	<input type="checkbox"/> Ins Broker	<input type="checkbox"/> ITPA
<input type="checkbox"/> Union	<input type="checkbox"/> Ins/Reins Co	<input type="checkbox"/> Healthcare Inst
<input type="checkbox"/> Government	<input type="checkbox"/> Actry/Conslt	<input type="checkbox"/> Other
<input type="checkbox"/> Educational Inst	<input type="checkbox"/> Attorney	

2. Number of employees:

<input type="checkbox"/> 150 or less	<input type="checkbox"/> 151 - 499	<input type="checkbox"/> 500 - 999
<input type="checkbox"/> 1,000 - 4,999	<input type="checkbox"/> 5,000 or more	<input type="checkbox"/> Unknown

3. My title is best defined as:

<input type="checkbox"/> Administrative Mgt	<input type="checkbox"/> Benefits Mgt
<input type="checkbox"/> Financial Mgt	<input type="checkbox"/> Loss prevention Mgt
<input type="checkbox"/> Risk Mgt	<input type="checkbox"/> Other

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1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
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136	137	138	139	140	141	142	143	144	145	146	147	148	149	150

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Name _____

Title _____

Company _____

Address _____

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Phone () _____

Continued from previous page

Admitted business	15%	10%
Non-admitted	85%	90%

Founded: 1989.
Business: 20% managing general agent, 80% broker.

MGA for: Colony Insurance Co., Pacific Insurance Co.

Broker for: Primarily Alliance General Insurance Co., Audubon Indemnity, Chubb Custom Insurance Co., Colony Insurance Co., Illinois Insurance Exchange, Fireman's Fund Insurance Co., The Home Insurance Co., Homestead Insurance Co., Lexington Insurance Co., Lloyd's of London, Pacific Insurance Co., Steadfast Insurance Co., United National Group, Zurich American Insurance Co.

Specialties: Liquor liability, commercial umbrella/excess contractors.

Principal officers: James W. Edwards, president; Nancy T. Edwards, vp.

Contact: James W. Edwards.
Licensed in: Tennessee.
Membership: NAPSLO.

F.B. Beattie & Co. Inc.

1601 Fifth Ave., Suite 1500, Seattle, Wash. 98101-1642; 206-622-4040; fax: 206-624-5975

	1992	1991
Employees	150	107
Commercial lines	98%	98%
Admitted business	70%	76%
Non-admitted	30%	24%

* Support services provided by parent company.

Founded: 1976.

Parent company: General America Corp.

Business: 68% underwriting manager, 7% managing general agent, 25% broker.

Underwriting manager for: First National Insurance Co. of America, General Insurance Co. of America.

MGA for: Essex Insurance Co., SAFECO Surplus Lines Insurance Co.

Broker for: Primarily Admiral Insurance Co., Commonwealth Insurance Co., Essex Insurance Co., Evanston Insurance Co., Fireman's Fund Insurance Co., Investors Insurance Group, Lexington Insurance Co., RLI Insurance Co., Scottsdale Insurance Co.

Correspondent: Lloyd's of London.
Branch offices: Atlanta; Chicago; Orange, Calif.

Subsidiaries: F.B. Beattie Insurance Services Inc., Orange, Calif.

Principal officers: Cal B. Rees, president/CEO; Donald G. Anderson, senior vp/CFO; S. Chris King, Elizabeth Lange, Richard J. Michela, vps.

Contact: S. Chris King.
Licensed in: Alaska, California, Georgia, Illinois, Montana, Virginia, Washington.
Membership: NAPSLO.

J.H. Blades & Co. Inc.

1800 Bering Drive, Suite 1000, Houston, Texas 77057; 713-780-8770; fax: 713-780-2851

	1992	1991
Employees	49	49
Commercial lines	100%	100%
Admitted business	5%	5%
Non-admitted	95%	95%

Founded: 1952.

Business: 98% managing general agent, 2% broker.

Correspondent: Lloyd's of London.
Branch offices: Blades Environmental Services, Dallas, Texas.

Specialties: Energy, environmental.
Principal officers: Charles L. Bailey, president; John S. Parsley, executive vp; Richard M. Blades, senior vp; Richard Martin, director; Ben Verdina, treasurer.

Contact: Charles L. Bailey.
Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn.

Bliss & Glennon Inc.

21307 Hawthorne Blvd., Suite 200, Torrance, Calif. 90503; 800-829-7330; fax: 310-316-6255

	1992	1991
Premium volume	\$16,500,000	\$16,000,000
Employees	28	35
Commercial lines	90%	70%
Admitted business	60%	40%
Non-admitted	40%	60%

Founded: 1967.

Business: 90% managing general agent, 10% broker.

MGA for: Burlington Insurance Co., First State Insurance Co., Nautilus Insurance Co., Penn-America Insurance Co., Western World Insurance Co.

Broker for: Primarily Admiral Insurance Co., CIGNA Corp., Golden Bear In-

urance Co., Homestead Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Morgan Hill, Calif.
Principal officers: Robert Abramson, president; Corinne Jones, executive vp; Patrick Martin, CFO; Carol Marquez, Gary Yench, vps.
Contact: Phyllis Vickers.
Licensed in: California.
Membership: AAMGA, NAPSLO, California Insurance Wholesalers Assn.

bluegrass specialty insurance brokers inc.

1885 Dixie Highway, Suite 320, Fort Wright, Ky. 41011; 606-341-8322; fax: 608-341-8323

	1992	1991
Premium volume	\$1,000,000	NA
Gross revenues	\$100,000	NA
Employees	4	NA
Commercial lines	100%	NA
Admitted business	30%	NA
Non-admitted	70%	NA

Founded: 1992.

Business: 100% broker.

Broker for: Primarily Alliance General Insurance Co., American International Group Inc., Commercial Casualty Insurance Co., Credit General Insurance Co., ECS Underwriting Inc., Front Royal Insurance Co., United Coastal Insurance Co.

Branch offices: Colleyville, Texas.
Specialties: Contractors (including underground tank contractors), environmental consultants and engineers, facilities with pollution exposure, tank owners.

Principal officers: William H. Adkisson, president/owner; Allan C. Davis, operations manager; Dennis C. Lang, branch manager.

Contact: Allan C. Davis.
Licensed in: Kentucky.
Membership: NAPSLO.

Bohrer-Croxdale & McAdoo Inc.

P.O. Box 2760, Springfield, Mo. 65801-2760; 417-869-2550; fax: 417-869-5102

	1992	1991
Premium volume	\$9,653,524	\$8,444,127
Gross revenues	\$1,180,337	\$962,566
Employees	25	24
Commercial lines	99%	99%
Admitted business	50.9%	50.4%
Non-admitted	49.1%	49.6%

Founded: 1977.

Business: 81% managing general agent, 19% broker.

MGA for: Capital Indemnity Corp., Empire Fire & Marine Insurance Co., Northland Casualty Co., Scottsdale Insurance Co.

Broker for: Primarily Alliance General Insurance Co., Employers Reinsurance Corp., USAIG.

Specialties: Truck liability.
Principal officers: Yvonne Bohrer, president; Sydney Croxdale, vp; Sidney McAdoo, secretary/treasurer.

Contact: Pat Prichard, marketing representative, 816-356-8355.
Licensed in: Arizona, Illinois, Iowa, Kansas, Missouri, Nebraska, Oklahoma.
Membership: AAMGA, NAPSLO.

Russell Bond & Co.

866 Ellicott Square Building, Buffalo, N.Y. 14203-2595; 716-856-8220 or 800-333-7226; fax: 716-856-0403

	1992	1991
Premium volume	\$9,900,000	\$7,400,000
Gross revenues	\$890,000	\$770,000
Employees	14	14
Commercial lines	100%	100%
Admitted business	75%	70%
Non-admitted	25%	30%

Founded: 1950.

Business: 30% managing general agent, 70% broker.

MGA for: National Casualty Co., The North River Insurance Co., United States Liability Insurance Co.

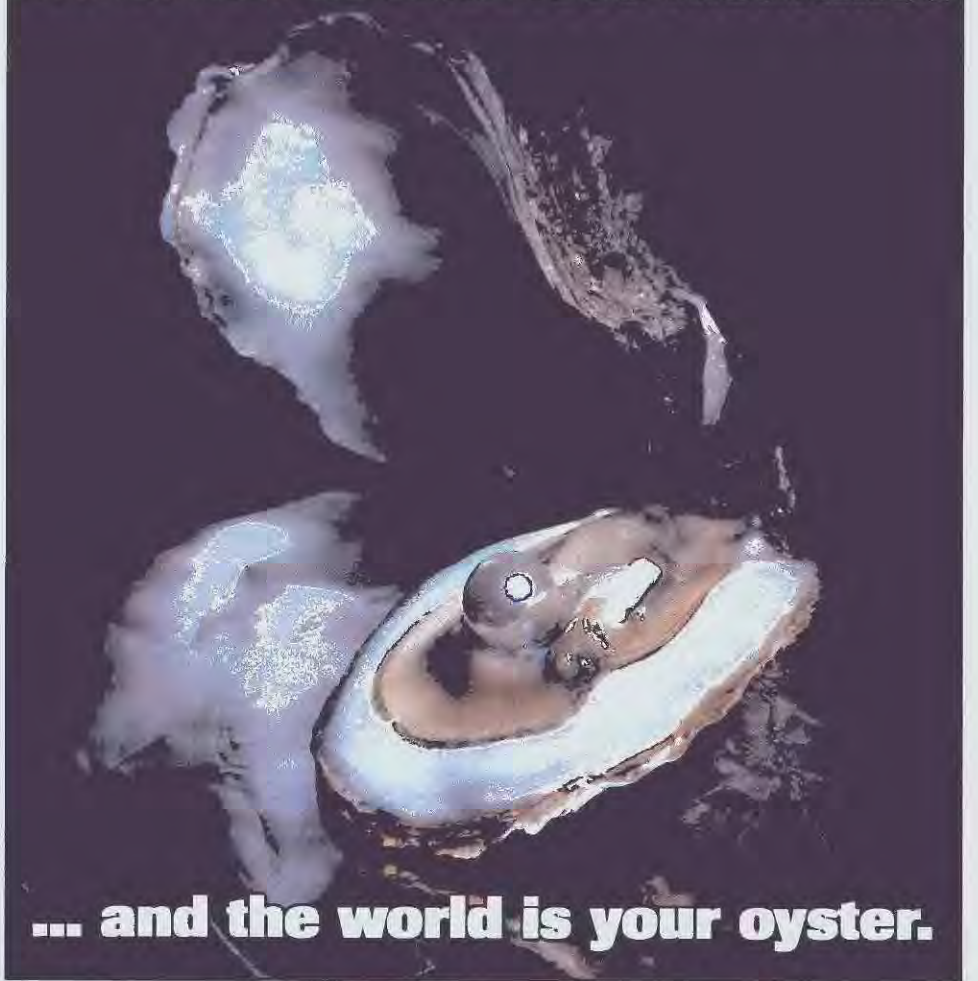
Broker for: Primarily Admiral Insurance Co., American International Group Inc., Chubb Custom Insurance Co., Employers Reinsurance Corp., Evanston Insurance Co., General Star Management Co., Gulf States Insurance Co., Lexington Insurance Co., Reliance National Risk Specialists.

Affiliate: Environmental Liability Managers Inc., Buffalo, N.Y.

Principal officers: Kurt C. Bingham, president/treasurer; Alan A. Hall, executive vp/secretary; Gary A. Hollerer, vp/general manager.

Contact: Kurt C. Bingham.
Licensed in: New York.
Membership: NAPSLO, Excess Line
Continued on next page

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Surplus Lines – *BI* will examine how the surplus lines marketplace has fared in the past year—considering the challenges presented by the soft U.S. commercial insurance market—and how it will react if the market ever hardens across the board. Issue highlights include: profiles of the largest surplus lines insurers and wholesalers; and *BI's* annual Directories of Surplus Lines Insurers and Wholesalers.

Publishing: August 16 – Ad Closing: August 4

Reinsurance: International Markets – *BI* will look at the gargantuan problems Lloyd's of London faces and the market's chances for long-term survival. Issue highlights include: interviews with the market's leaders and harshest critics; and *BI's* ranking and Directory of Leading Reinsurers Worldwide.

Publishing: August 30 – Ad Closing: August 18

Reinsurance: Rendez-Vous Report – Where will reinsurance rates and capacity likely be headed during year-end renewals? How will these renewals affect property/casualty insurance rates? The answers will unfold in this special issue, reporting on the Rendez-Vous de Septembre, the annual gathering of reinsurers and brokers from around the world.

Publishing: September 20 – Ad Closing: September 8

Marine Market Report – Insurance rates are rapidly climbing for most types of marine risks. *BI* will report on the latest trends in the marine insurance market with special coverage from the International Union of Marine Insurance conference as well as the Houston Marine Insurance seminar.

Publishing: September 27 – Ad Closing: September 15

International Benefits & Risk Management – What are market conditions like in overseas markets and what strategies can U.S. multinationals use to lower their costs? This issue includes information on insurers writing global property/casualty insurance programs and *BI's* annual Directory of International Insurers & Benefit Networks.

Publishing: October 4 – Ad Closing: September 22

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Bailey Special Risks, Inc.	MacDuff Underwriters, Inc.	Stewart Smith Southeast, Inc.
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Hoboken, NJ 07030



Continued from previous page
Assn. of New York, Professional Insurance Wholesalers Assn. of NYS Inc.

British-American Insurance Group Ltd.

111 N. Causeway Blvd., Suite 210,
Mandeville, La. 70448;
504-624-8585; fax: 504-624-8558

	1992	1991
Premium volume	\$25,000,000	\$25,000,000
Employees	5	5
Commercial lines	100%	100%
Non-admitted	100%	100%

* Support services provided by parent company.

Founded: 1990.

Business: 25% managing general agent, 75% broker.

MGA for: Certain Institute of London Underwriting Cos.

Broker for: Primarily Lloyd's of London, United National Insurance Co.

Branch offices: London.

Specialties: Energy risks, oilfield trucking risks, special programs placed for various industry groups.

Principal officers: Norman P. Fonseca, Peter A.T. Myrtle, directors.

Contact: Norman P. Fonseca.

Licensed in: Louisiana.

Membership: Louisiana Surplus Lines Assn.

Geo. F. Brown & Sons Inc.

55 E. Monroe, Chicago, Ill. 60603;
312-456-5007

	1992	1991
Premium volume	\$34,910,000	\$36,598,000
Gross revenues	\$3,606,000	\$4,244,000
Employees	42	47
Commercial lines	100%	100%
Admitted business	80%	70%
Non-admitted	20%	30%

Founded: 1917.

Parent company: Fireman's Fund Insurance Cos.

Underwriting manager for: Chicago Insurance Co., Interstate Indemnity.

MGA for: CNA Financial Corp., Illinois Founders.

Broker for: Primarily Admiral Insurance Co., American International Group Inc., Casualty Insurance Co. (Illinois), Fireman's Fund Insurance Co., General Star Management Co., Illinois Insurance Exchange, Interstate Fire & Casualty Co.

Correspondent: Lloyd's of London.

Subsidiaries: Association Program Manager, Chicago; Auto Insurance Services, Oakland, Calif.; Lenders Insurance Services, Dallas.

Specialties: Liquor liability, realtors errors and omissions, carwash package, auto dealers, vendors single interest.

Principal officers: Mark J. Strong, senior vp; John Anthony Munaretto, Richard Bartholomew, vps; Joseph Matyasik, Phillip Bitzen, assistant vps.

Contact: Mark J. Strong.

Licensed in: All states.

Membership: AAMGA, NAPSLO.

Brown & Riding Insurance Services Inc.

1007 South B St., San Mateo, Calif.
90010; 415-579-0172;
fax: 415-344-2406

	1992	1991
Premium volume	\$25,944,010	\$20,491,585
Gross revenues	\$1,750,000	\$1,280,724
Employees	21	20
Commercial lines	100%	99%
Admitted business	85%	75%
Non-admitted	15%	25%

Founded: 1980.

Business: 100% broker.

Broker for: Primarily American International Group Inc., Continental Insurance Co., Home Insurance Co., RLI Insurance Co., Reliance Insurance Co., Royal Indemnity Co.

Correspondent: Lloyd's of London.

Branch offices: Los Angeles.

Specialties: Contractors, public transportation, public entities, manufacturing risks.

Principal officers: B. Peter Brown, chairman; Chris A. Brown, president; Rani Chopra, Ramon Howing, vps; Celia McDonnell, senior vp.

Contact: Chris Brown, 4221 Wilshire Blvd., Los Angeles, Calif. 90010; 213-930-1321.

Licensed in: Arizona, California, Hawaii, Louisiana, Nevada, Oklahoma, Oregon, Texas, Washington.

Membership: NAPSLO.

W. Brown & Associates Insurance Services

4675 MacArthur Court, Suite 770,
Newport Beach, Calif. 92660;
714-851-2060; fax: 714-851-2155

	1992	1991
Premium volume	\$21,874,000	\$22,650,000
Employees	22	20

Commercial lines	100%	100%
Admitted business	43%	50%
Non-admitted	47%	50%

Founded: 1987.

Business: 40% underwriting manager, 45% managing general agent, 15% broker.

Underwriting manager for: Virginia Surety Co. Inc.

MGA for: Empire Fire & Marine Insurance Co., Gainsco, Scottsdale Insurance Co.

Broker for: Primarily First State Insurance Co., General Star Management Co., RLI Insurance Co., Transamerica Insurance Co., Transco.

Correspondent: Lloyd's of London.

Specialties: Aviation insurance.

Principal officers: William W. Brown, chairman; W. Scott Brown, president; aviation; John Krebs, president-property/casualty; Vince Zimmerer, Brian English, executive vps.

Contact: W. Scott Brown or John Krebs.

Licensed in: California.

Membership: AAMGA, NAPSLO.

Bryson Associates Inc.

100 West Ave., P.O. Box 545,
Jenkintown, Pa. 19046;
215-576-1500; fax: 215-884-2869

	1992	1991
Premium volume	\$62,811,831	\$58,631,346
Gross revenues	\$4,438,348	\$3,854,543
Employees	39	38
Commercial lines	100%	100%
Admitted business	66%	74%
Non-admitted	34%	26%

Founded: 1977.

Parent company: Aon Corp.

Business: 100% broker.

Broker for: Primarily General Star Management Co., International Insurance Co., Reliance Special Risks, Royal Special Risks, Transamerica Insurance Co., United Capital Insurance Co.

Branch offices: Cincinnati; Danvers, Mass.; New York.

Principal officers: James H. Bryson, president; Daniel P. McDonnell, executive vp; Maureen C. Caviston, William D. Trumbower, Michael J. McCarthy, Kevin M. McLaughlin, vps.

Licensed in: Connecticut, Illinois, Maryland, Massachusetts, New Jersey, New York, Ohio, Pennsylvania, Virginia.

Membership: NAPSLO, Professional Insurance Wholesalers of New York, Pennsylvania Surplus Lines Assn.

Burns & Wilcox Ltd.

29355 Northwestern Highway, Suite
200, Southfield, Mich. 48034;
313-354-0400; fax: 313-354-0204

	1992	1991
Premium volume	\$179,000,000	\$130,000,000
Gross revenues	\$22,438,000	\$16,260,977
Employees	343	272
Commercial lines	93%	94%
Admitted business	12%	12%
Non-admitted	88%	88%

Founded: 1969.

Parent company: H.W. Kaufman Financial Group Inc.

Business: 58% managing general agent, 42% broker.

MGA for: Canal Insurance Co., General Agents Insurance Co., Nautilus Insurance Co., Northland Insurance Co., Scottsdale Insurance Co.

Broker for: Primarily Evanston Insurance Co., First State Insurance Co., International Surplus Lines Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Anaheim, Sacramento and San Diego Calif.; Arlington, Texas; Aurora, Colo.; Bellevue, Wash.; Birmingham, Ala.; Boston; Charlotte, N.C.; Columbia, Md.; Columbus, Ohio; Daytona Beach and Tampa, Fla.; Grand Rapids and Southfield, Mich.; Indianapolis; Metairie, La.; Oak Brook, Ill.; Phoenix, Ariz.; Pittsburgh; St. Louis and Springfield, Mo.; Salt Lake City; Upper Saddle River, N.J.

Subsidiaries: Casualty Underwriters Inc., St. Paul, Minn.; Floyd West & Co., Dallas, Metairie, La.; G-A Insurance Services, Southfield, Mich.; Rathbone, King & Seeley Insurance Services, Fresno, Glendale and San Francisco, Calif.; Royal Premium Budget Inc.; Service General.

Principal officers: Herbert W. Kaufman, president; Gerald W. Horton, Steve Allen, David Price, senior vps; Gerald Wesolowski, corporate controller; Brooke Bothe, corporate secretary.

Contact: Brooke Bothe.

Membership: AAMGA, NAPSLO.

Continued on next page

Continued from previous page

C

Cambridge General Agency

1625 Van Ness Ave., San Francisco, Calif. 94109; 415-441-8500; fax: 415-394-6305

	1992	1991
Premium volume	\$60,000,000	\$60,000,000
Gross revenues	\$5,400,000	\$5,400,000
Employees	52	52
Commercial lines	90%	93%
Admitted business	50%	53%
Non-admitted	50%	53%

Founded: 1966.
MGA for: Acceptance Insurance Co., National Casualty Insurance Co., Scottsdale Insurance Co.

Broker for: Primarily Golden Eagle Insurance Co., Houston Fire & Casualty, Illinois Insurance Exchange, United Coastal, United National Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Covina, Fresno, Sherman Oaks and Stockton, Calif.
Principal officers: A. Mason Blodgett, Paul Janofsky, Julie Uang
Contact: A. Mason Blodgett.
Licensed in: California.
Membership: AAMGA, NAPSLO.

Centrex Underwriters Inc.

P.O. Box 171176, Memphis, Tenn. 38187; 901-767-4754; fax: 901-767-0153

	1992	1991
Premium volume	\$2,704,000	\$1,975,030
Employees	8	7
Commercial lines	100%	100%
Non-admitted	100%	100%

Founded: 1985.
Business: 100% managing general agent.
MGA for: General Star Indemnity Co., United National Insurance Co.
Specialties: Primary liquor liability, excess FDIC deposit insurance.
Principal officers: Joseph Carlson, president; Eric Sturm, Robert L. Smith, vps.
Contact: Joseph Carlson.
Licensed in: Tennessee.
Membership: AAMGA.

Chicago Underwriting Group Inc.

211 W. Wacker Drive, Chicago, Ill. 60606; 312-750-8800; fax: 312-750-8965

	1992	1991
Employees	17	17
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

Founded: 1983.
Parent company: Old Republic International Corp.
Business: 100% underwriting manager.
Underwriting manager for: Old Republic Insurance Co. and affiliates.
Subsidiaries: CHUG Insurance Brokers Inc., CHUG Services Inc., Chicago; Upper Peninsula Insurance Co., Jackson, Miss.
Specialties: Corporate directors and officers liability, non-medical professional liability.
Principal officers: Martin J. Perry, president; William J. Schwass, Bari Westcott, senior vps; Diane B. Couston, assistant vp; Vivian K. Yamaguchi, general counsel; Gretchen Sievers, claims counsel.
Contact: Martin J. Perry.

Chris-Leef General Agency Inc.

P.O. Box 3747, Shawnee Mission, Kan. 66203-0747; 913-631-1232; fax: 913-631-1128

	1992	1991
Premium volume	\$6,020,000	\$5,114,000
Gross revenues	\$713,568	\$608,000
Employees	12	11
Commercial lines	98%	98%
Admitted business	20%	20%
Non-admitted	80%	80%

Founded: 1986.
Business: 70% managing general agent, 30% broker.
Correspondent: Lloyd's of London.
Specialties: Restaurants, bars, taverns.
Principal officers: Gary Peterson, president; Kelly Dale, secretary/treasurer.
Contact: Traci Samer.
Licensed in: Kansas, Missouri.
Membership: NAPSLO.

Commercial Insurance Underwriters Inc.

1200 E. Woodhurst M-400, P.O. Box 9005, Springfield, Mo. 65808-9005; 417-883-3277 ext. 200; fax: 417-883-3393

	1992	1991
Premium volume	\$10,159,600	\$11,549,132
Gross revenues	\$1,228,496	\$1,332,351
Employees	16	18
Commercial lines	99%	97%
Admitted business	50%	50%
Non-admitted	50%	50%

Founded: 1984.
Business: 55% managing general agent, 45% broker.
MGA for: Acceptance Insurance Co., Capitol Indemnity Co., Essex Insurance Co., Guaranty National Insurance Co., Scottsdale Insurance Co.

Broker for: Primarily Admiral Insurance Co., Acceptance Risk Managers, Lexington Insurance Co., RLI Insurance Co., Seaboard Surety, Shand Morahan, Transco, Tudor Insurance Co.
Principal officers: David W. Hinrichs, president; Eunice K. Harrolson, executive vp; Steven E. Rogers, vp.
Contact: David W. Hinrichs.
Licensed in: Arkansas, Kansas, Missouri.
Membership: AAMGA, NAPSLO.

Compass Insurance Group of Agencies

805 Fairmont Ave., Glendale, Calif. 91203; 818-507-1980; fax: 818-545-3818

	1992	1991
Premium volume	\$5,000,000	\$5,000,000
Gross revenues	\$500,000	\$500,000
Employees	8	8
Commercial lines	95%	95%
Admitted business	10%	10%
Non-admitted	90%	90%

Founded: 1971.
Business: 80% managing general agent, 20% broker.
MGA for: Commercial Underwriters Insurance Co., National Casualty Insurance Co., Scottsdale Insurance Co., Sphere Drake Insurance Co. P.L.C., Terra Nova Insurance Co. Ltd., Topa Insurance Co., Western Heritage Insurance Co.
Broker for: Primarily Interstate Fire & Casualty Co., Shand Morahan & Co., Transamerica Insurance Co., Transco.
Specialties: Contractors.
Principal officers: Michael F. Heagerty, president/CEO; Jane Kay Heagerty, CFO; Yvonne Sanguesa, vp/COO.
Contact: Yvonne Sanguesa.
Licensed in: California.
Membership: AAMGA, NAPSLO, California Insurance Wholesalers Assn.

Connecticut Underwriters Inc.

See listing on page 63.

Cooney, Rikard & Curtin Inc.

P.O. Box 59689, Birmingham, Ala. 35259-9689; 205-870-7790 or 800-982-6210; fax: 205-879-3739

	1992	1991
Premium volume	\$67,000,000	\$64,000,000
Gross revenues	\$4,000,000	\$4,000,000
Employees	35	35
Commercial lines	100%	100%
Admitted business	60%	60%
Non-admitted	40%	40%

Founded: 1982.
Business: 1% managing general agent, 99% broker.
Correspondent: Lloyd's of London.
Specialties: Umbrella and excess casualty, primary and excess property.
Principal officers: Tom Curtin, chairman; John Cooney, president.
Contact: Tom Curtin.
Licensed in: Alabama, Virginia.
Membership: NAPSLO, Florida Surplus Lines Assn.

Coregis Holdings Inc.

181 W. Madison Ave., Chicago, Ill. 60602; 312-849-5000; fax: 312-849-5289

See profile on page 47.

Corporate Advisors Inc.

910 Skokie Blvd., Suite 204, Northbrook, Ill. 60062; 708-564-5820; fax: 708-564-5828

	1992	1991
Premium volume	\$630,000	\$590,000
Gross revenues	\$75,000	\$65,000
Employees	3	3
Commercial lines	99%	99%
Admitted business	37%	60%
Non-admitted	63%	40%

Founded: 1970.
Business: 100% broker.
Broker for: Primarily Admiral Insurance Co., Evanston Insurance Co., Finan-

cial Institutions Insurance Fund, Illinois Insurance Exchange, Lexington Insurance Co., Virginia Surety Co. Inc.

Specialties: Professional liability, engineers, lawyers, contractors, directors and officers, specialty/special event.
Principal officers: Louis W. Biegler, president; Carmina M. Murphy, vp/sec.
Contact: Ken Hill, brokerage manager.
Licensed in: Illinois.
Membership: Illinois Insurance Exchange Brokers Assn., Illinois Surplus Lines Assn.

Cox Insurance Group Inc.

P.O. Box 17008, Indianapolis, Ind. 46217-0008; 317-887-0030; fax: 317-888-7145

	1992	1991
Premium volume	\$39,155,176	\$39,749,601
Employees	35	35
Commercial lines	100%	100%
Non-admitted	100%	100%

Founded: 1981.
Business: 100% managing general agent.
Correspondent: Lloyd's of London.
Branch offices: Birmingham, Ala.; Minneapolis.
Principal officers: Ray Cox, president; Steve Kern, vp-finance; Terri Moriarty, vp-operations; Derek Cox, assistant vp.
Contact: Terri Moriarty.
Licensed in: Indiana.
Membership: NAPSLO.

Cravens Dargan & Co.

1903 Hermann Drive, Houston, Texas 77004; 713-525-6100

	1992	1991
Premium volume	\$13,808,548	\$17,288,297
Gross revenues	\$1,226,817	\$1,716,010
Employees	24	27
Commercial lines	100%	100%
Admitted business	15%	20%
Non-admitted	85%	80%

* Support services provided by parent company.
Founded: 1903.
Business: 65% managing general agent, 35% broker.
Specialties: Professional liability, commercial auto, general liability, property and inland marine.
Principal officers: Jim Cravens, president; Cheryl Corson, Clay Cravens, vps; Rose Perez, Dawn Pugh, assistant vps.
Contact: Clay Cravens.
Licensed in: Louisiana, New Mexico, Oklahoma, Texas.
Membership: AAMGA, NAPSLO.

Cravens, Dargan Energy & Marine Co.

1903 Hermann Drive, Houston, Texas 77004; 713-525-6100; fax: 713-529-0662

	1992	1991
Premium volume	\$39,164,230	\$27,134,074
Gross revenues	\$1,950,847	\$1,353,284

	15	13
Employees	15	13
Commercial lines	100%	100%
Admitted business	10%	5%
Non-admitted	90%	95%

Founded: 1991.
Parent company: Cravens, Dargan & Co.

Business: 80% managing general agent, 20% broker.
Broker for: Primarily All American Marine Slip, American Offshore Insurance Syndicate, American International Marine Agency, Generali, Interstate Fire & Casualty Co., Homestead Insurance Co., Lexington Insurance Co., Marine Office of America Corp., Mutual Marine Office of America, Reliance National Insurance Co., Somerset Insurance Services of Texas, Water Quality Insurance Syndicate.
Correspondent: Lloyd's of London.
Specialties: Wet marine, energy.
Principal officers: James R. Cravens, chairman; Bert H. Swails Sr., president; Thomas A. Ebner, executive vp; Kenneth R. Davis, treasurer.
Contact: Cheryl D. Ashley.
Licensed in: Louisiana, Texas.
Membership: NAPSLO.

D

Thomas C. Devore & Associates Inc.

P.O. Box 24, Hilliard, Ohio 43026; 614-771-4905; fax: 614-771-7470

	1992	1991
Premium volume	\$3,218,000	\$2,383,000
Gross revenues	\$278,000	\$205,000
Employees	4	3
Commercial lines	100%	100%
Non-admitted	100%	100%

Founded: 1989.
Parent company: Homestead Insurance Co.
Business: 100% managing general agent.
MGA for: Homestead Insurance Co.
Specialties: Commercial umbrellas, excess general liability.
Principal officers: Thomas C. Devore, president/director; Frank Peri, vp/secretary/treasurer/director; Martin Beitler, vp/director.
Contact: Thomas D. Devore.
Licensed in: Ohio.
Membership: NAPSLO, Ohio Association of Professional Surplus Lines Offices.

Doran Excess Underwriters Inc.

6240 Carlisle Pike, P.O. Box 1417, Mechanicsburg, Pa. 17055-1417; 800-553-6739; fax: 717-697-7506

	1992	1991
Premium volume	\$13,250,000	\$14,000,000
Employees	12	11

	100%	100%
Commercial lines	100%	100%
Non-admitted	100%	100%

Founded: 1975.
Parent company: Doranco Inc.
Business: 100% managing general agent.
MGA for: Diamond State Insurance Co., Hallmark Insurance Co., United National Insurance Co.
Specialties: Insurance agents and brokers errors and omissions, excess hospital professional liability.
Principal officers: Ronald G. Hihn, president; Elizabeth D. Firestone, senior vp; Deborah L. Grivens, vp/general counsel; James A. Messec, vp/marketing.
Contact: James A. Messec, vp-marketing.
Licensed in: Pennsylvania.
Membership: Pennsylvania Surplus Lines Assn.

E

ECS Underwriting Inc.

520 Eagleview Blvd., Exton, Pa. 19341; 215-458-0570; fax: 215-458-8667

	1992	1991
Premium volume	\$142,400,000	\$119,800,000
Employees	195	150
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

Founded: 1979.
Business: 100% managing general agent.
MGA for: Reliance National Insurance Co.
Specialties: Environmental liability, chemical industry, hazardous waste/material transportation, industrial haulers.
Principal officers: William Kronenberg III, president/CEO; David M. Rosenberg, executive vp; Frank A. Piliro, senior vp/CFO; Mark Vuono, senior vp.
Licensed in: District of Columbia, Pennsylvania.
Membership: NAPSLO.

Eastern America Insurance Agency Inc.

P.O. Box 193900, San Juan, Puerto Rico 00919-3900; 809-273-1288; fax: 809-782-8233

	1992	1991
Premium volume	\$57,697,000	\$45,605,632
Gross revenues	\$4,800,000	\$4,013,844
Employees	72	66
Commercial lines	96%	95%
Admitted business	100%	100%

Continued on next page

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Continued from previous page
Founded: 1981.
Parent company: Eastern America Insurance Group.
Business: 40% underwriting manager, 60% managing general agent.
Underwriting manager for: Universal Insurance Co.
MGA for: America International Insurance Co. of Puerto Rico, CIGNA Insurance Co. of Puerto Rico, El Fenix de Puerto Rico, Federal Insurance Co., The Hartford Steam Boiler Inspection & Insurance Co., William H. McGee & Co., Royal Insurance Co. of Puerto Rico, Universal Insurance Co., Seguros Triple S Inc., Reliance Insurance Co., Utica Mutual Insurance Co.
Principal officers: Luis Miranda Casanas, president; Jorge J. Amadeo, Rafael A. Rodriguez, executive vps; Guillermo Fernandez, vp.
Contact: Jorge J. Amadeo.
Licensed in: Puerto Rico.

Esprit General Agency Inc.
 13430 Northwest Freeway, Suite 550, Houston, Texas 77040;
 713-895-1600 or 800-243-7748;
 fax: 713-895-1666

	1992	1991
Premium volume	\$15,000,000	\$12,000,000
Gross revenues	\$900,000	\$700,000
Employees	29	20
Admitted business	25%	75%
Non-admitted	0%	100%

Founded: 1983.
Business: 85% managing general agent, 15% broker.
MGA for: Adriatic Insurance Co.
Broker for: Primarily AGA, G.A. Services, RIMS.
Correspondent: Lloyd's of London.
Specialties: Personal and commercial auto physical damage, homeowners, commercial general liability and property, personal auto liability program, garage.
Principal officers: John E. Boyd III, president.
Contact: Henry W. Eversole Jr., marketing manager.
Licensed in: Texas.

Ex-Plus Agency Inc.
d.b.a. Wilson Financial Group
 915 W. 55th St., Suite 100, Western Springs, Ill. 60558-2202;
 708-246-7475; fax: 708-246-7660

	1992	1991
Premium volume	\$4,812,581	\$4,106,844
Gross revenues	\$443,248	\$449,239
Employees	10	9
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

Founded: 1983.
Business: 80% managing general agent, 20% broker.
MGA for: Adriatic Insurance Co., Essex Insurance Co., Harco National Insurance Co.
Broker for: Primarily Illinois Insurance Exchange, Northbrook Property & Casualty Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Long-haul truck, excess and surplus property and casualty.
Principal officers: William J. Wilson, president; Marilyn J. Wilson, vp/treasurer.
Contact: William J. Wilson.
Licensed in: Illinois.
Membership: NAPSLO, Illinois Surplus Lines Assn.

Excess & Surplus Lines Insurance Brokers Inc.
 13848 Ventura Blvd., Suite A, Sherman Oaks, Calif. 91423;
 818-990-8860; fax: 818-990-4530

	1992	1991
Premium volume	\$7,566,000	\$8,900,000
Gross revenues	\$765,000	\$825,000
Employees	8	10
Commercial lines	99%	98%
Admitted business	30%	25%
Non-admitted	70%	75%

Founded: 1975.
Business: 30% managing general agent, 70% broker.
MGA for: American Empire Surplus Lines Insurance Co., First Financial Insurance Co.
Broker for: Primarily Associated International Insurance Co., Fireman's

Fund, Illinois Insurance Exchange, Transamerica.
Correspondent: Lloyd's of London.
Specialties: Contractors, difference in conditions, earthquake and flood, mobile home parks, day care centers.
Principal officers: J.C. Boyer, M.J. Alcazar.
Contact: J.C. Boyer.
Licensed in: Arizona, California, Illinois.
Membership: NAPSLO.

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

	1992	1991
Premium volume	\$40,000,000	\$40,000,000
Employees	20	18
Commercial lines	100%	100%
Admitted business	100%	100%

Founded: 1986.
Parent company: Aetna Life & Casualty Co.
Business: 100% managing general agent.
MGA for: American Excess Insurance Assn.
Branch offices: New York.
Principal officers: Clinton Green, president; M. St. Pierre, Charles Stevens, vps-underwriting; Debra Winter, manager-accounting; Donald Francis-administration.
Contact: William C. Hall, 2 World Trade Center, Suite 3870, New York, N.Y. 10048; 212-466-3447.
Licensed in: All states.

Felts, Mullens & Fuos Excess & Surplus Lines Insurance
 12665 N. Central Parkway, Suite 800, Dallas, Texas 75243;
 214-661-9841

	1992	1991
Premium volume	\$23,272,978	\$18,300,000
Gross revenues	\$1,857,233	\$1,428,098
Employees	25	12
Commercial lines	100%	100%
Admitted business	3%	3%
Non-admitted	97%	97%

Founded: 1987.
Business: 7% managing general agent, 93% broker.
MGA for: American Empire Surplus Lines Insurance Co., Essex Insurance Co., Monticello Insurance Co.
Broker for: Primarily Associated International Insurance Co., Empire Fire & Marine, Essex Insurance Co., Fireman's Fund, General Star Indemnity Co., The Home Insurance Co. of Illinois, Interstate Fire & Casualty Co., Investors Insurance Co. of America, Lexington, Monticello, Mount Hawley, Northern County Mutual Insurance Co., Stonewall Surplus Lines Insurance Co., United National.
Correspondent: Lloyd's of London.
Branch offices: Houston.
Specialties: Habitational packages and umbrellas, paper contractors, hard-to-place general liability and products.
Principal officers: Mike Mullens, CFO; Ron Fuos, president; Bob Felts, executive vp.
Contact: Gail Combs, marketing director.
Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn.

First State Management Group
 150 Federal St., Boston, Mass. 02110; 617-526-7600;
 fax: 617-526-0600

See profile on page 49.

Fischer Underwriting Group Inc.
 P.O. Box 814, 777 Terrace Ave., Hasbrouck Heights, N.J. 07604;
 201-288-8620; fax: 201-288-2275

	1992	1991
Employees	6	6
Commercial lines	100%	100%
Non-admitted	100%	100%

Founded: 1981.

Business: 100% managing general agent.
MGA for: Lloyd's of London.
Specialties: Non-standard directors and officers, non-standard miscellaneous professional, non-standard lawyers errors and omissions.
Principal officers: Donald R. Fischer, president.
Membership: AAMGA, NAPSLO, New Jersey Surplus Lines Assn.

Freberg Environmental Inc.
 1675 Broadway, Suite 2210, Denver, Colo. 80202;
 800-377-4152; fax: 303-623-8101

Founded: 1990.
Parent company: Freberg Group of Cos.
Underwriting manager for: Homestead Insurance Co.
Specialties: Professional liability insurance for environmental engineers and consultants.
Contact: Michael J. Hill or Danelle Nielsen.

Gateway Underwriters Agency Inc.
 1116 S. Towne Square, St. Louis, Mo. 63123-7809; 314-845-3900;
 fax: 314-845-3921

	1992	1991
Employees	8	8
Commercial lines	100%	100%
Admitted business	55%	50%
Non-admitted	45%	50%

Founded: 1954.
Parent company: Berkshire Hathaway Inc.
Business: 90% managing general agent, 10% broker.
MGA for: National Indemnity Group, Nautilus Insurance Co., Scottsdale, Western World.
Broker for: Primarily Admiral Insurance Co., Lexington, Tudor.
Specialties: Public auto, buses, limousines, shuttle services, van transports.
Principal officers: Carl H. Bartolotti, president.
Licensed in: Arkansas, Illinois, Iowa, Kansas, Missouri, Nebraska.
Membership: NAPSLO, Surplus Lines Association of Missouri.

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

See profile on page 20.

Geneva International Management Inc.
 200 W. Madison St., Suite 1900, Chicago, Ill. 60606; 312-855-0590;
 fax: 312-855-0620

	1992	1991
Premium volume	\$30,100,000	\$19,631,000
Gross revenues	\$4,250,000	\$3,000,000
Employees	24	20
Commercial lines	100%	100%
Admitted business	5%	5%
Non-admitted	95%	100%

Founded: 1985.
Business: 95% underwriting manager, 5% broker.
Underwriting manager for: Geneva Assurance Syndicate Inc., Geneva Underwriters Syndicate Inc.
Broker for: Primarily Illinois Insurance Exchange.
Principal officers: Bruce Ricci, president; R.E. Foss, executive vp; B.K. Marrs, senior vp; F.P. McGovern, D.J. Bieda, vps.
Contact: Richard E. Foss.
Licensed in: Illinois.
Membership: NAPSLO, Illinois Lloyd's Brokers Assn., Illinois Surplus Lines Assn.

Global Facilities Inc.
 146 Merrick Road, Lynbrook, N.Y. 11563; 516-599-3800;
 fax: 516-599-3930

	1992	1991
Premium volume	\$5,265,000	\$4,895,000
Commercial lines	97%	96%

Admitted business	99%	98%
Non-admitted	1%	2%

Founded: 1977.
Business: 80% managing general agent, 20% broker.
MGA for: Colonia Insurance Co., First Central Insurance Co., Hermitage Insurance Co., Mount Vernon Fire Insurance Co., New York Merchant Bankers Mutual, Otsego Mutual.
Broker for: Primarily Calvert Insurance Co., Eagle Insurance Co., Galaxy Insurance Co., Genstar Indemnity, Gulf States Insurance Co., Lloyd's-New York, Massachusetts Plate Glass Insurance Co., Providence Washington Insurance Co., Reco Insurance Co., Transtate Insurance Co., Tower Insurance Co., U.S. Underwriters Insurance Co.
Specialties: Special multiperil, property/casualty, transportation, umbrella marine.
Principal officers: Robert Shapiro, president; Sheldon Bagatell, vp; Maria Defilippis, Frank Wallach, underwriters.
Contact: Robert Shapiro.
Licensed in: Connecticut, New Jersey, New York.
Membership: NAPSLO, Excess Lines Assn. of New York, Professional Insurance Wholesalers of New York.

Harry W. Gorst Co. Inc.
 805 Fairmont Ave., Glendale, Calif. 91203; 818-507-0900;
 fax: 818-507-1133

	1992	1991
Premium volume	\$7,000,000	\$7,500,000
Gross revenues	\$1,050,000	\$1,500,000
Employees	30	30
Commercial lines	85%	85%
Admitted business	10%	10%
Non-admitted	90%	90%

Founded: 1968.
Business: 80% managing general agent, 20% broker.
MGA for: Commercial Underwriters Insurance Co., National Casualty Insurance Co., Scottsdale, Topa Insurance Co., Western Heritage Insurance Co.
Broker for: Primarily American Bankers Insurance Co., Interstate Fire & Casualty Co., Shand Morahan & Co., Transamerica Insurance Co., Transco.
Principal officers: Michael F. Heagerty, president/CEO; Jane Kay Heagerty, CFO; Yvonne Sanguesa, vp/COO.
Contact: Michael Heagerty.
Licensed in: California.
Membership: AAMGA, NAPSLO, California Insurance Wholesalers Assn.

Gracechurch Associates Inc.
 83 Big Oak Road, P.O. Box 879, Morrisville, Pa. 19067;
 215-295-0725; fax: 215-295-1780

	1992	1991
Premium volume	\$6,500,000	\$5,000,000
Employees	9	9
Commercial lines	99%	99%
Admitted business	15%	15%
Non-admitted	85%	85%

Business: 5% managing general agent, 95% broker.
MGA for: Lincoln Insurance Co.
Broker for: Primarily Agricultural Excess & Surplus Insurance Co., Alliance General Insurance Co., Federal Insurance Managers, Fireman's Fund, Generali, Nutmeg Insurance Co., Reliance, Transamerica, United Capitol Insurance Co., United Coastal, United National.
Specialties: Commercial real estate.
Principal officers: Philip J. Corso, president; Ronald J. Kellett, executive vp; Lee Stacy, Anthony J. Petrucci, vps.
Contact: Ronald J. Kellett.
Licensed in: New Jersey, Pennsylvania.
Membership: NAPSLO, Pennsylvania Surplus Lines Assn.


Gresham & Associates Inc.
 1 Gresham Landing, P.O. Box 927, Stockbridge, Ga. 30281;
 404-389-1600; fax: 404-389-1650

	1992	1991
Premium volume	\$31,546,220	\$31,113,375
Gross revenues	\$2,932,239	\$2,860,780
Employees	53	43
Commercial lines	99%	99%
Admitted business	51%	52%
Non-admitted	49%	48%

Founded: 1979.
Business: 45% managing general agent, 55% broker.
MGA for: Essex, First State Management Group, The Gainsco Cos., National Casualty Insurance Co., Penn-America Insurance Co., Scottsdale.

Continued on next page


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Continued from previous page

Broker for: Primarily Admiral Insurance Co., American International Group Inc., Colonia Insurance Co., Fireman's Fund Insurance Co., First State Management Group, International Insurance Co., RLI Insurance Co., Royal Indemnity Co., Transamerica Insurance Co.

Correspondent: Lloyd's of London.
Branch offices: Nashville, Tenn.; Palm Beach Gardens, Fla.

Principal officers: James V. Gresham, owner; George Abernathy, president; Tony Gresham, Debbie Cornwell, senior vps; Gail Gresham, secretary/treasurer.
Contact: James V. Gresham.

Licensed in: Florida, Georgia, Tennessee.

Membership: AAMGA, NAPSLO.

Agency, Wilmington, N.C.

Specialties: Commercial auto, general liability.

Principal officers: Glasgow Hicks, president; David Parker, vp; John Hicks, secretary/treasurer.

Contact: David Parker.
Licensed in: Florida, Georgia, North Carolina, South Carolina, Virginia.
Membership: AAMGA, NAPSLO.

L.E. Harris Agency Inc.

1353 Holton Lane, P.O. Box 8330, Langley Park, Md. 20787-8330;
 301-439-4700; fax: 301-439-5800

	1992	1991
Premium volume	\$10,040,000	\$10,586,000
Gross revenues	\$1,408,175	\$1,487,931
Employees	14	15
Commercial lines	99%	99%

Admitted business	35%	34%
Non-admitted	65%	66%

Founded: 1922.
Business: 57% managing general agent, 43% broker.

MGA for: Aetna, Burlington Insurance Co., First Financial Insurance Co., Jefferson Insurance Co. of New York, Lincoln General, Monticello Insurance Co., National Indemnity Cos., Nautilus, Penn America, St. Paul Reinsurance Co. Ltd., U.S. Liability Group.

Broker for: Primarily American International Group Inc., Admiral, C&F Managers, Chubb Custom, Evanston, Employers Re, Fireman's Fund, Illinois Exchange, Media Professional, RLI/Mt. Hawley, Reliance National, Seaboard Surety, United Capitol.

Correspondent: Lloyd's of London.

Specialties: Commercial-public auto, bankers coverage-bond, maturity impairment, directors and officers.

Principal officers: David A. Riffert, president; Nicholas Taube, executive vp; Mark T. Baldwin, vp; Cindy Milburn, assistant secretary.

Contact: David A. Riffert or Nicholas Taube.

Licensed in: District of Columbia, Maryland, Virginia.

Membership: AAMGA, NAPSLO, Maryland Excess & Specialty Lines Brokers Assn.

Heath Holdings U.S.A. Inc.

4809 Cole Ave., Suite 107, Dallas, Texas 75205; 214-528-3999;
 fax: 214-528-9101

	1992	1991
Employees	45	NA
Commercial lines	100%	NA
Admitted business	40%	NA
Non-admitted	60%	NA

Founded: 1992.
Parent company: C.E. Heath P.L.C.
Business: 10% managing general agent, 90% broker.

MGA for: American Empire Surplus Lines Insurance Co., Monticello Insurance Co., Western World Insurance Co.

Subsidiaries: Atlanta; Chicago; Houston; Walnut Creek, Calif.

Principal officers: Thomas Bloom, president; Ronald Travis, executive vp; Eugene Eisenmann, senior vp.

Continued on next page

H

H&W Underwriters (Agency) Inc.

P.O. Box 10303, Kansas City, Mo. 64111; 913-676-9301;
 fax: 913-432-1706

	1992	1991
Premium volume	\$9,780,000	\$9,932,000
Gross revenues	\$1,820,000	\$1,938,451
Employees	12	12
Commercial lines	100%	99%
Admitted business	20%	20%
Non-admitted	80%	80%

Founded: 1958.
Business: 33% underwriting manager, 66% managing general agent, 1% broker.

Underwriting manager for: Americana Excess & Reinsurance Corp., Paratransit Risk Retention Group of Maryland Inc.

MGA for: Lloyd's of London, Safeco Insurance, Ulico Casualty Co.

Broker for: Primarily CNA.
Specialties: Public transportation risk-bodily injury/property damage, association professional liability, labor union errors and omissions.

Principal officers: Neil R. Poupirt, president; Bernard R. Geis, executive vp; Mike Kosedner, senior vp.

Contact: Neil R. Poupirt.
Licensed in: Kansas, Missouri.
Membership: AAMGA, NAPSLO.

Halcyon Underwriters Inc.

2600 Lake Lucien Drive, Suite 102, Maitland, Fla. 32751-7234;
 407-660-1881 or 800-393-9090;
 fax: 407-660-0525

	1992	1991
Premium volume	\$5,156,580	\$2,263,791
Gross revenues	\$466,212	\$388,044
Employees	5	4
Commercial lines	100%	100%
Admitted business	100%	100%

* Fiscal year ending April 1.
 * Support services provided by parent company.

Founded: 1986.
Parent company: Poe & Brown Inc.
Business: 90% managing general agent, 10% broker.

MGA for: Continental Insurance, Crum & Forster Commercial Insurance Cos., Hartford Insurance, Maryland Casualty, Northbrook Property & Casualty.

Broker for: Primarily GAN North America, Great American.

Specialties: Standard property and casualty business excluding workers compensation, umbrella and inland marine coverage written on a monoline basis.

Principal officers: J. Hyatt Brown, president/CEO; Linda S. Downs, senior vp; Paul C. Lyons, vp; Cory T. Walker, vp/CFO.

Contact: Paul C. Lyons.

Hanover Excess & Surplus Inc.

228 N. Front St., Wilmington, N.C. 28402; 919-762-7109;
 fax: 919-762-6426

	1992	1991
Premium volume	\$8,800,000	\$7,000,000
Employees	22	18
Commercial lines	98%	98%
Admitted business	40%	30%
Non-admitted	60%	70%

Founded: 1970.
Business: 80% underwriting manager, 10% managing general agent, 10% broker.

Underwriting manager for: Colonia, Guaranty National, Jefferson, Scottsdale.
Broker for: Primarily Casualty Underwriters, International Surplus, Shand Morahan.

Correspondent: Lloyd's of London.
Subsidiaries: Hanover General

A V I A T I O N P R O D U C T S L I A B I L I T Y

SAILCLOTH SUBSIDIARY
 WEAVES EXPENSIVE COVERAGE
 TANGLE.



ONLY AFTER SEVERE CRASHES INVOLVING INJURIES DID A COMPANY LEARN THAT ITS SUBSIDIARY WAS SELLING SAILCLOTH TO A MAKER OF ULTRALIGHT AIRCRAFT FOR USE AS WING COVERING. THERE WERE NO DEFECTS IN THE PRODUCT, BUT THE FABRIC FAILED BECAUSE IT WAS NEVER INTENDED FOR SUCH USE AND THE SPECIFICATIONS MADE THAT ABSOLUTELY CLEAR. BUT THE DAMAGE WAS DONE, AND THE MANUFACTURER FACED SEVERAL SUBSTANTIAL CLAIMS. IT'S AN EXPENSIVE FALLACY TO THINK THAT BY BEING CONSCIENTIOUS, OR BY HAVING LITTLE-TO-NO INVOLVEMENT WITH AVIATION,

OR BY HAVING NOTHING TO DO AT ALL WITH MANUFACTURING AIRCRAFT YOU WILL HAVE NO EXPOSURE TO AVIATION PRODUCTS LIABILITY CLAIMS. AAU KNOWS THE RISKS YOU FACE AND HOW TO PROTECT YOU BY EXPERT UNDERWRITING, LOSS PREVENTION PLANS, RESOURCEFUL LEGAL AND CLAIMS SUPPORT. IN SHORT, THE RIGHT INSURANCE WITH THE RIGHT PEOPLE. ASSOCIATED AVIATION UNDERWRITERS. YOU DON'T HAVE TO BUILD AIRPLANES TO NEED AVIATION PRODUCTS LIABILITY PROTECTION.

AAU Raising Your Expectations

HOME OFFICE: SHORT HILLS, NJ • BRANCH OFFICES: ATLANTA • BEDMINSTER (NJ) • CHICAGO • DALLAS • DETROIT • KANSAS CITY • LOS ANGELES • NEW YORK CITY • SAN FRANCISCO • SEATTLE

Spotlight report

Continued from previous page

Licensed in: California, Georgia, Illinois, Texas.
Membership: NAPSLO.

Jeffrey L. Heath Inc.

59 S. Finley Ave., P.O. Box 301, Basking Ridge, N.J. 07920-0301; 800-524-3284 or 908-766-7140; fax: 908-766-4419

	1992	1991
Premium volume	\$5,000,000	\$2,000,000
Employees	3	2
Commercial lines	100%	100%
Admitted business	90%	90%
Non-admitted	10%	10%

Founded: 1991.

Business: 100% managing general agent.

MGA for: Guaranty National Insurance Co., Landmark American Insurance Co.

Specialties: Umbrellas, excess umbrellas.

Principal officers: Jeffrey L. Heath.
Licensed in: All states.

Huycke General Agency

2904 Boniface Parkway, Anchorage, Alaska, 99504; 907-338-0491; fax: 907-338-7234

	1992	1991
Premium volume	\$1,820,319	\$2,996,671
Gross revenues	\$199,847	\$313,063
Employees	6	6
Commercial lines	98%	98%
Admitted business	2%	2%
Non-admitted	98%	98%

Founded: 1976.

Business: 100% managing general agent.

MGA for: American Family Home Insurance Co., National Casualty Co., Scottsdale Insurance Co.

Specialties: Commercial auto, contractor's liability.

Principal officers: Peter C. Huycke, owner.

Licensed in: Alaska.
Membership: AAMGA.

I

Insurance

Intermediaries Inc.

6460 Busch Blvd., Suite 100, Columbus, Ohio 43229; 614-846-1111; fax: 614-846-2111

	1992	1991
Premium volume	\$18,577,732	\$15,223,800
Gross revenues	\$2,342,457	\$2,112,010
Employees	30	28
Commercial lines	84%	92%
Admitted business	94%	87%
Non-admitted	6%	13%

* Support services provided by parent company.

Founded: 1975.

Parent company: Nationwide Mutual Insurance Co.

Business: 4% managing general agent, 96% broker.

MGA for: National Casualty Co., Scottsdale Insurance Co.

Broker for: Primarily Bituminous, Chubb Group, CIGNA Corp., Fireman's Fund Insurance Co., Miller's Mutual.

Correspondent: Lloyd's of London.

Principal officers: R. Lee Ayotte, president; Robert C. Daugherty, vp; Juanita C. Sheppard, associate vp; Thomas W. Dietrich, secretary; Mark Folk, treasurer.

Contact: R. Lee Ayotte.
Licensed in: Ohio, Virginia.

Interline Insurance Services Inc.

12641 E. 166th St., Cerritos, Calif. 90701; 310-926-5061; fax: 310-404-4792

	1992	1991
Premium volume	\$16,301,790	\$10,174,247
Gross revenues	\$1,208,969	\$718,446
Commercial lines	100%	100%
Admitted business	79%	82%
Non-admitted	21%	18%

* Support services provided by parent company.

Founded: 1982.
Parent company: Crest Financial Corp.

Business: 90% underwriting manager, 10% managing general agent.

Underwriting manager for: General Star, MOAC, Security of Hartford.

MGA for: Guaranty National Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Local and intermediate trucking risks.

Principal officers: Charles J. Escalante, president.

Licensed in: California.

International Insurance Brokers Ltd.

3885 Upham St., Wheat Ridge, Colo. 80033; 303-467-8517; fax: 303-467-8598

	1992	1991
Premium volume	\$5,400,000	\$4,000,000
Gross revenues	\$600,000	\$240,000
Employees	4	5
Commercial lines	100%	100%
Admitted business	40%	50%
Non-admitted	60%	50%

* Support services provided by parent company.

Founded: 1989.

Parent company: Insurance Specialists Inc.

Business: 50% managing general agent, 50% broker.

MGA for: American International Group Inc., BCS Insurance Co., Colorado Western Insurance Co.

Broker for: Primarily Virginia Surety Insurance Co.

Specialties: Professional indemnity, continental liability insurance.

Principal officers: Edwin S. Allen, president; William Diones, executive vp; Stephen Gjertsen, Michael Bergin, Dan Jacob, senior vps; Bryce Lowry, secretary/treasurer.

Contact: William Diones.
Licensed in: All states.

Membership: NAPSLO.

International Placement Services Inc.

7710 Carondelet, Suite 433, St. Louis, Mo. 63105; 314-725-8394; fax: 314-725-4317

	1992	1991
Premium volume	\$11,982,000	\$12,106,167
Employees	12	16
Commercial lines	100%	100%
Admitted business	60%	60%
Non-admitted	40%	40%

Founded: 1981.

Business: 15% managing general agent, 85% broker.

MGA for: Colony Insurance Co., Lincoln Insurance Co., Northland Insurance Co.

Broker for: Primarily AESLI, American International Group Inc., Admiral, Aetna, Colony, Reliance National, Fidelity & Deposit, Fireman's Fund, First State Management, Front Royal, Great American, ITT Hartford Group Inc., Hartford Steam Boiler, Home Insurance Co., Illinois Insurance Exchange, International Insurance Co., Midwest Employers, Mt. Hawley, Northland, Pacific Insurance Co., Prudential LMI, RLI Insurance Co., Safety National, Seaboard Surety, Stonewall Surplus, Transamerica, Travelers, United Capitol, United Coastal, Virginia Surety.

Correspondent: Lloyd's of London.

Specialties: Self-insurance related risks, difference in conditions including earthquakes.

Principal officers: Richard J. Eichhorn, president; Michael J. Eichhorn, vp-casualty; Robert C. Fagan, vp-property; John N. Harmon, vp.

Contact: Richard J. Eichhorn.
Licensed in: Missouri.

Membership: NAPSLO.

Interstate Excess/ Interstate Healthcare

100 W. Big Beaver, Suite 350, Troy, Mich. 48064; 313-528-9090; fax: 313-528-3121

	1992	1991
Premium volume	\$10,515,856	\$9,190,869
Gross revenues	\$533,362	\$463,973
Employees	9	7
Commercial lines	100%	100%
Admitted business	71%	73%
Non-admitted	29%	27%

* Support services provided by parent company.

Founded: 1972.

Business: 16% managing general agent, 84% broker.

MGA for: Essex Insurance Co., Lincoln Insurance Co., Sheffield Insurance

Co.
Broker for: Primarily American Continental, Crum & Forster, Lexington Insurance Co., Liberty National Fire, Stonewall Surplus Lines, United Capitol.

Branch offices: Columbus, Ohio.

Specialties: Product Liability, municipal liability, hospital professional liability.

Principal officers: Charles E. Marlin, president; John F. Flaherty, senior vp; William Duggan Jr., vp; Glen Seabloom, regional vp; Joseph Inwald, vp-managed care.

Licensed in: Michigan, Ohio.

Membership: Michigan Surplus Agents Assn.

J

Jaeger & Haines Inc.

P.O. Box 1623, 4268 Gabel Drive, Fayetteville, Ark. 72702; 501-521-2551; fax: 501-521-3195

	1992	1991
Premium volume	\$10,500,000	\$8,500,000
Employees	36	33
Commercial lines	70%	70%
Admitted business	50%	40%
Non-admitted	50%	60%

Founded: 1976.

Business: 80% managing general agent, 20% broker.

Correspondent: Lloyd's of London.

Principal officers: Larry Haines, CEO; Mike Johnson, president; Matt Carter, senior vp.

Contact: Mike Johnson or Matt Carter.

Licensed in: Arkansas, Missouri, Oklahoma, Tennessee.

Membership: AAMGA, NAPSLO.

Jimcor Agencies

P.O. Box 890, Westwood, N.J. 07675; 201-666-8600; fax: 201-666-5792

	1992	1991
Premium volume	\$10,196,068	\$9,840,000
Gross revenues	\$1,000,000	\$909,000
Employees	18	18
Commercial lines	95%	95%
Admitted business	15%	20%
Non-admitted	85%	80%

Founded: 1986.

Business: 70% managing general agent, 30% broker.

MGA for: Lincoln Insurance Co., Lloyd's of London, Mount Vernon Insurance Co., National Casualty Insurance Co., Penn America Insurance Co., Scottsdale Insurance Co., Terra Nova Insurance Co., Tudor Insurance Co., U.S. Liability Insurance Co., Western World Insurance Co.

Broker for: Primarily Calvert Insurance Co., Chubb Specialty, Illinois Insurance Exchange, Interstate Insurance Co., Re-Insurance Co. of New York, Tudor Insurance Co., United National Insurance Co.

Branch offices: Glens Falls, N.Y.; Milford, Pa.

Subsidiaries: Jimcor Associates Corp., N.Y.; Jimcor Associates Inc., Pa.

Principal officers: Francis J. Mastowski, president; Ellen Mastowski, executive vp/treasurer; Anne Grippo, Marvin Levey, vps; John George, resident vp.

Contact: Francis J. Mastowski.

Licensed in: New Jersey, New York, Pennsylvania.

Membership: AAMGA, NAPSLO, New Jersey Surplus Lines Assn., Professional Insurance Wholesalers of New York.

K

K&K Insurance Group Inc.

1712 Magnavox Way, Fort Wayne, Ind. 46804; 219-455-3000; fax: 219-455-5866

	1992	1991
Premium volume	\$161,200,600	\$162,778,500
Gross revenues	\$26,949,541	\$26,953,542
Employees	350	440
Commercial lines	100%	100%
Admitted business	90%	90%
Non-admitted	10%	10%

Founded: 1954.

Parent company: Aon Corp.

Business: 95% managing general agent, 5% broker.

MGA for: CIGNA, Lincoln National Specialty Insurance Co., Transamerica

Insurance Group.
Broker for: Primarily CNA Insurance, Chubb Insurance, Travelers Insurance.

Subsidiaries: American Insurance Brokers Ltd., Seattle; K&K Brokers Ltd., Ontario, Canada; K&K Specialties, Greensboro, N.C.; National Sports Underwriters Inc., Fort Wayne, Ind.

Specialties: Sport, leisure, entertainment business.

Principal officers: Michael S. Mullen, president/CEO; Jerry Tegan, executive vp-marketing; Todd W. Bidler, executive vp/chief administrative officer; Terry H. Stevens, senior vp-underwriting.

Contact: Angie Poulos, vp-corporate communications.

Licensed in: Indiana, Virginia.

Karges & Associates Inc.

4700 Rockside Road, Suite 420, Independence, Ohio 44131; 216-573-8080; fax: 216-573-8077

	1992	1991
Premium volume	\$3,500,000	NA
Gross revenues	\$180,000	NA
Employees	3	NA
Commercial lines	100%	NA
Admitted business	40%	NA
Non-admitted	60%	NA

Founded: 1993.

Business: 100% broker.

Broker for: Primarily Columbia Casualty, First State Management, Home of Illinois, RLI, St. Paul Surplus, United National.

Specialties: Products liability, umbrella.

Principal officers: Gary Karges, president.

Licensed in: Ohio.

L

Lemac & Associates Inc.

5670 Wilshire Blvd., Suite 1200, Los Angeles, Calif. 90036; 213-857-9400; fax: 213-857-9600

	1992	1991
Premium volume	\$34,671,527	\$29,840,614
Employees	21.5	24
Commercial lines	100%	100%
Admitted business	61%	55%
Non-admitted	39%	45%

Founded: 1984.

Business: 12% managing general agent, 88% broker.

Broker for: Primarily California Compensation, General Star, Industrial Underwriters, Zenith Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Orange and Walnut Creek, Calif.

Subsidiaries: Environmental Insurance Services, Orange, Calif.

Specialties: Workers compensation, general liability for oil and gas.

Principal officers: William Newton, president; Pauline Kwan, Frank Squibb, Mario Gomez, vps; Barbara Higgins, assistant vp.

Contact: Bill Newton.
Licensed in: California.

Membership: NAPSLO, California Insurance Wholesalers Assn., The Surplus Line Assn. of California.

Leverett, Doi & Associates Inc.

875 Old Roswell Road, Building G-100, Roswell, Ga. 30076; 404-993-0645; fax: 404-993-1077

	1992	1991
Premium volume	\$7,008,000	\$6,000,000
Gross revenues	\$526,507	\$493,633
Employees	6	5
Commercial lines	100%	100%
Admitted business	25%	25%
Non-admitted	75%	75%

Founded: 1985.

Business: 10% managing general agent, 90% broker.

MGA for: Cardinal Insurance Co., Colony Insurance Co., Hamilton Insurance Co.

Broker for: Primarily Alliance General, Colony, General Star, Hermitage, Interstate, Pacific, RLI/Mt. Hawley, TCO, United National.

Correspondent: Lloyd's of London.

Specialties: Property, general liability, umbrella liability, excess workers compensation, inland marine, environmental.

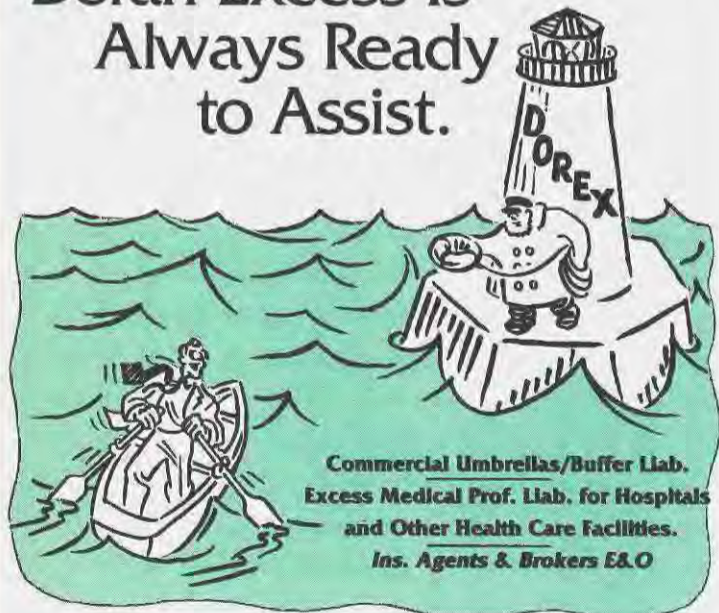
Principal officers: Jerry J. Leverett, president; David Doi, Gwen West, vps; E.J. Leverett, chairman; Mandy Wilson Treasurer.

Contact: Mandy Wilson.

Licensed in: Alabama, Florida, Georgia, Louisiana, North Carolina, Tennessee, Texas, South Carolina.

Continued on next page

Doran Excess Is Always Ready to Assist.



For straight answers and prompt

Continued from previous page
Membership: NAPSLO, Georgia Property & Casualty Wholesalers Assn., Georgia Surplus Lines Assn.

The London Agency Inc.
 6 Concourse Parkway N.E., Suite 2700, Atlanta, Ga. 30328;
 404-393-9955; fax: 404-393-1199

See profile on page 48.

London American Risk Specialists Inc.
 9301 Southwest Freeway, Suite 630, Houston, Texas 77074;
 713-777-6404; fax: 713-777-5471

	1992	1991
Premium volume	\$31,684,285	\$27,243,436
Gross revenues	\$1,887,166	\$1,655,874
Employees	24	22
Commercial lines	100%	100%
Admitted business	46%	43%
Non-admitted	54%	52%

Founded: 1984.
Business: 12% managing general agent, 88% broker.
MGA for: Aegon, Burlington Insurance Co., River Thames, Scottish Lion, Sphere Drake, Western World Insurance Co.

Broker for: Primarily American International Group Inc., Admiral Insurance Co., Aetna Casualty & Surety, Allianz, Chubb, First State Management Co., Fireman's Fund, GRE, Genstar, Hartford Steam Boiler, Home, Houston Casualty, Interstate Fire & Casualty, Kemper, Lexington, London Agency, MOAC, William H. McGee, Northbrook, Sheffield, Somerset, Stonewall, Transamerica, Travelers, Trident.

Correspondent: Lloyd's of London.
Branch offices: Dallas.
Principal officers: Brian Brecker, president; Ken Keathley, Roy Shultz, Karl Emery, Mike Driscoll, vps.
Contact: Ken Keathley.
Licensed in: Texas.
Membership: NAPSLO, Independent Insurance Agents of Houston, Texas Surplus Lines Assn.

London International Group
 111 Second Ave. N.E., Suite 1401; St. Petersburg, Fla. 33701;
 813-898-1444 or 800-854-6378;
 fax: 813-898-1555

	1992	1991
Employees	8	4
Commercial lines	98%	90%
Admitted business	2%	2%
Non-admitted	98%	98%

Founded: 1983.
Business: 60% managing general agent, 40% broker.
MGA for: Lincoln Insurance Group.
Broker for: Primarily Institute of London Underwriter.
Correspondent: Lloyd's of London.
Specialties: Commercial marine and professional liability, direct access to London market.
Principal officers: Ian R. Greenway, president; Ginger K. Hayes, Denise B. Linden, vps.
Contact: Denise B. Linden.
Licensed in: Florida.
Membership: Florida Surplus Lines Assn.

LoVullo Associates Inc.
 689 Main St., Buffalo, N.Y. 14203;
 716-856-3065; fax: 716-856-8057

	1992	1991
Premium volume	\$11,279,265	\$10,284,460
Employees	25	27
Commercial lines	69%	68%
Admitted business	70%	72%
Non-admitted	30%	28%

Founded: 1948.
Business: 79% managing general agent, 21% broker.
MGA for: American Modern Home, CIGNA, Insurance Co. of Evanston, Jefferson, Midwest Mutual, National Casualty, National Liability and Fire, Northland, U.S. Liability.
Broker for: Primarily Calvert, Essex, Evanston, Fireman's Fund, Gulf, Landmark, National Indemnity, Reinsurance Corp. of New York, Scottsdale, Tudor, United National, Western World.
Principal officers: Leonard T. LoVullo, president; Paul W. LoVullo, treasurer.
Contact: Leonard T. LoVullo.
Licensed in: New York.
Membership: AAMGA, NAPSLO, Professional Insurance Wholesalers Assn. of New York State.

M

MacDuff Underwriters Inc.

P.O. Box 2427, 220 S. Ridgewood, Daytona Beach, Fla. 32114;
 904-252-6454; fax: 904-257-5799

	1992	1991
Premium volume	\$14,000,000	\$14,600,000
Gross revenues	\$1,195,000	\$1,243,790
Employees	14	17
Commercial lines	100%	100%
Admitted business	30%	40%
Non-admitted	70%	60%

Founded: 1980.
Parent company: Poe & Brown Inc.
Business: 40% managing general agent, 60% broker.
Correspondent: Lloyd's of London.
Specialties: Property, general liability-including products, commercial auto, excess workers comp, errors and omissions, directors and officers.
Principal officers: W.L. Rambo, president/director; J. Hyatt Brown, vp-director; Corey Walker, chief financial officer.
Contact: W.L. Rambo.
Licensed in: Florida.
Membership: AAMGA, NAPSLO, Florida Surplus Lines Assn.

Maclean, Oddy & Associates Inc.

1445 Ross Ave., Suite 3900, Lock Box 200, Dallas, Texas 75202;
 214-855-7700; fax: 214-855-7794

	1992	1991
Employees	39	47
Commercial lines	100%	100%
Admitted business	20%	6%
Non-admitted	80%	94%

Founded: 1983.
Business: 2% managing general agent, 98% broker.
Broker for: Primarily Allianz Insurance Group, American International Group, CIGNA Group, Crum & Forster Group, Mutual Marine Office, Royal Insurance Group.

Correspondent: Lloyd's of London.
Subsidiaries: Maclean, Oddy & Associates of Texas Inc., Dallas; Maclean, Oddy Consulting Services, Dallas; Maclean, Oddy International, Dallas; Maclean, Oddy Reinsurance Intermediaries Inc., Dallas; Maclean, Oddy Underwriting Management Co., Dallas.
Specialties: Energy, utilities, transportation, heavy manufacturing.
Principal officers: Roy B. Oddy, chairman; Anita Chanpong, president; Miles Lowein, executive vp; Jack Souza, executive vp/chief financial officer; Stuart Dobbie, senior vp.
Contact: Jackie Graves, 214-855-7732.
Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn.

Markel Service Inc.

4551 Cox Road, Glen Allen, Va. 23060; 804-965-1690;
 fax: 804-965-1633

	1992	1991
Premium volume	\$12,000,000	\$12,000,000
Employees	22	20
Commercial lines	90%	90%
Admitted business	25%	25%
Non-admitted	75%	75%

Founded: 1942.
Parent company: Markel Corp.
Business: 75% managing general agent, 25% broker.
MGA for: Albany Insurance Co., American Reliable Insurance Co., Essex Insurance Co., National Casualty Insurance Co., Scottsdale Insurance Co.
Broker for: Primarily Illinois Insurance Exchange, Investors Insurance Co.
Correspondent: Lloyd's of London.
Principal officers: Anthony F. Markel, president; Steve Markel, executive vp; Darrell Martin, chief financial officer; Alan Kirshner, chairman; Robert M. Bryant, vp-wholesale brokerage.
Contact: Robert M. Bryant.
Licensed in: All states except Alaska and Hawaii.
Membership: AAMGA, NAPSLO, Virginia Specialty Lines Assn.

Market Action General Insurance Brokers

1570 Brookhollow Drive, Suite 218, Santa Ana, Calif. 92705;
 714-641-1125; fax: 714-641-1342

	1992	1991
Premium volume	\$18,170,051	\$19,872,018
Gross revenues	\$2,759,418	\$2,631,847
Employees	37	44
Commercial lines	100%	100%
Admitted business	31%	32%
Non-admitted	69%	68%

Founded: 1987.
Business: 40% managing general agent, 60% broker.

MGA for: Century Surety Co., Commercial Underwriters, Essex Insurance Co., Lincoln Insurance Co., London Cos., Nautilus Insurance Co., Scottsdale Insurance Co., Sutter Insurance Co.
Principal officers: James M. Yates, president; James Hippard, executive vp.
Licensed in: California.
Membership: AAMGA, NAPSLO, Western States Surplus Lines Assn.

Market Finders Insurance Corp.

P.O. Box 6549, Louisville, Ky. 40206; 502-423-1800;
 fax: 502-426-7970

	1992	1991
Premium volume	\$35,352,886	\$31,016,555
Gross revenues	\$3,617,109	\$3,065,978
Employees	55	50
Commercial lines	80%	85%
Admitted business	35%	30%
Non-admitted	65%	70%

Founded: 1972.
Business: 80% managing general agent, 20% broker.
MGA for: Essex Insurance Co., Nautilus Insurance Co., Stradford Insurance Co., Western World Insurance Co.
Broker for: Primarily Admiral Insurance Co., General Star, Investors Insurance Co.

Correspondent: Lloyd's of London.
Branch offices: Dayton, Ohio; Greenville, S.C.; Pittsburgh.
Specialties: Commercial auto, aviation, medical malpractice.
Principal officers: Jim Ryan, president; C.B. Darland, executive vp; Jerry Boyett, secretary/treasurer; Dennis Watts, vp.
Licensed in: Indiana, Kentucky, Ohio, Pennsylvania, South Carolina, Tennessee, West Virginia.
Membership: AAMGA, NAPSLO, Kentucky Surplus Lines Assn., Ohio Assn. of Surplus Lines Offices.

G.A. Mavon & Co.

10 W. Chicago Ave., Hinsdale, Ill. 60521; 708-655-2400;
 fax: 708-654-4447

	1992	1991
Premium volume	\$13,000,000	\$12,000,000
Employees	25	25
Commercial lines	55%	50%
Admitted business	80%	85%
Non-admitted	20%	15%

Founded: 1916.
Business: 20% managing general agent, 80% broker.
MGA for: Northland Insurance Cos., Scottsdale Insurance Co.
Broker for: Primarily Chubb & Son, Continental Insurance, General Accident Insurance Co., Standard Mutual Insurance Co.
Correspondent: Lloyd's of London.
Principal officers: P.G. Mavon Jr., Phil G. Mavon, James Davis, William Black, Warren Geary.
Contact: Phil Mavon.
Licensed in: Illinois.
Membership: AAMGA, NAPSLO.

McComb & Flanagan Inc.

108 Wilnot Road, Suite 220, Deerfield, Ill. 60015; 708-405-9111;
 fax: 708-405-9121

	1992	1991
Premium volume	\$1,651,099	\$1,354,825
Gross revenues	\$167,635	\$121,438
Employees	4	4
Commercial lines	98%	98%
Admitted business	7%	9%
Non-admitted	93%	91%

Founded: 1988.
Business: 64% managing general agent, 36% broker.
MGA for: General Agents Insurance Co., MGA Insurance Co., National Casualty Co., Penn-America Insurance Co., Scottsdale Insurance Co.

Broker for: Primarily Agora Syndicate, Classic Syndicate, Fireman's Fund, First Oakbrook Syndicate, Geneva Syndicate, International Surplus Lines, Mt. Hawley, Oakbrook Property & Casualty, RLI, Resure Syndicate, Transco Syndicate, United National.
Correspondent: Lloyd's of London.
Principal officers: Jack F. McComb, president; Susan M. Flanagan, vp.
Licensed in: Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Louisiana, Minnesota, North Carolina, South Carolina, Virginia, Wisconsin.
Membership: Surplus Line Assn. of Illinois, Lloyd's Brokers Assn.

The Merrimac Group Inc.

P.O. Box 24540, Nashville, Tenn. 37202; 615-327-2997;
 fax: 615-327-2939

	1992	1991
Premium volume	\$12,000,000	NA
Gross revenues	\$1,200,000	NA
Employees	11	NA
Commercial lines	99%	NA
Admitted business	28%	NA
Non-admitted	72%	NA

* Support services provided by an affiliated company.
Founded: 1991.
Business: 12% managing general agent, 88% broker.
MGA for: Century Surety, Gainsco, Illinois Insurance Exchange, Lexington.
Broker for: Primarily American International Group Inc., Chubb Custom Group, Transamerica Insurance Group, Zurich-American.

Branch offices: Las Vegas.
Specialties: Communications equipment, heavy contractors, marine products manufacturers.
Principal officers: Hunter Armistead, chairman; Matthew P. Ashwood, president; Stephen J. Rogers, managing director; Nancy Scobey, Kevin S. Hagan, vps.
Contact: Matthew P. Ashwood.
Licensed in: All states.
Membership: AAMGA, NAPSLO.

Metro Insurance Services Inc.

2400 Morris Ave., P.O. Box 1422, Union, N.J. 07083; 908-688-3088;
 fax: 908-686-6275

	1992	1991
Premium volume	\$1,890,025	\$896,552
Gross revenues	\$189,745	\$73,410
Employees	4	3
Commercial lines	100%	100%
Admitted business	55%	60%
Non-admitted	45%	40%

Founded: 1991.
MGA for: Frontier Insurance Co., Sphere Drake Insurance Co. P.L.C.
Broker for: Primarily AIC, Affiliated FM, Fireman's Fund, Security Indemnity, Seneca.
Correspondent: Lloyd's of London.
Principal officers: Steven R. Gross, president/CEO; Anthony Montano, vp.
Contact: Steven R. Gross.
Licensed in: New Jersey.
Membership: New Jersey Surplus Lines Offices.

Miami Valley Excess & Surplus Agency Inc.

2787 Orchard Run Road, Dayton, Ohio 45449; 513-438-0491;
 fax: 513-438-9834

	1992	1991
Premium volume	\$2,400,000	\$2,200,000
Gross revenues	\$366,700	\$292,496
Employees	7	7
Commercial lines	99%	99%
Admitted business	75%	85%
Non-admitted	25%	15%

Continued on next page

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Spotlight report

Continued from previous page

Founded: 1985.
Business: 90% managing general agent, 10% broker.
Subsidiaries: Miami Valley Excess & Surplus Agency of Kentucky Inc., Lexington, Ky.
Principal officers: Fred C. Wootan, president/treasurer; Barbara A. Wootan, vp/secretary; Ted Bingley, Greg Seibel, assistant vps.
Contact: Fred C. Wootan.
Licensed in: Kentucky, Ohio.
Membership: Ohio Assn. of Professional Specialty Lines Offices.

Midlands Management Corp.

3503 N.W. 63rd St., Suite 305, Oklahoma City, Oklahoma 73116; 405-840-0074; fax: 405-840-5432

	1992	1991
Premium volume	\$5,192,524	\$3,286,490
Employees	8.5	5.5
Commercial lines	100%	100%
Admitted business	8%	5%
Non-admitted	92%	95%

Founded: 1991.
Parent company: Caliban Holding Co.
Business: 87% managing general agent, 13% broker.
MGA for: Belvedere Insurance Co., Century Surety Co.
Broker for: Primarily Associated International Insurance Co., Stonewall Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Excess workers comp, umbrellas, excess employer's liability.
Principal officers: Charles C. Caldwell, president; Wayne F. Keith, Richard Gerrond, vps; Sherri L. Fraser, CFO.
Contact: Charles C. Caldwell.
Licensed in: Oklahoma.
Membership: AAMGA, NAPSLO, Oklahoma Surplus Lines Assn.

Midwest Indemnity Corp.

5550 W. Touhy Ave., Suite 400, Skokie, Ill. 60077; 708-982-9800; fax: 708-982-9816

Founded: 1944.
Business: 100% underwriting manager.
Underwriting manager for: The Connecticut Indemnity Co., Cumberland

Casualty & Surety Co., Indiana Lumbermen Mutual Insurance Co., National American Insurance Co., Security Insurance Co. of Hartford.
Branch offices: Avon, Conn.; Miami, Newport Beach, Calif.; Seattle.
Specialties: Contract, license and permit, miscellaneous surety bonds in all 50 states.
Principal officers: Martin L. Shape, president/co-chairman; Marvin Silverman, co-chairman; Perry Gantman, secretary/treasurer; Steven Swerdlhoff, executive vp.
Contact: Karen Tursi.

Mining Insurance Markets Inc.

P.O. Box 55825, Birmingham, Ala. 35255-5825; 205-933-9162; fax: 205-930-9118

	1992	1991
Premium volume	\$9,600,000	\$6,900,000
Employees	5	5
Commercial lines	100%	100%
Admitted business	100%	100%

* Support services provided by parent company.
Founded: 1985.
Parent company: CGH Investments Inc.
Business: 100% broker.
Broker for: Primarily American Mining Insurance Co., Lincoln General Insurance Co., Royal Indemnity.
Specialties: Coal, sand and gravel, limestone, clay and other mining risks.
Principal officers: Chandler F. Cox Jr., president; Kenneth A. Hoyle, vp; Edward M. Glenn, secretary; Dominick Giovannelli, treasurer.
Contact: Chandler F. Cox Jr., 800-448-4523.
Licensed in: Alabama, Pennsylvania, Tennessee.
Membership: Brokers and Managing Agents of Alabama.

Montgomery & Collins Inc.

3700 Wilshire Blvd., Suite 400, Los Angeles, Calif. 90010; 213-480-4501; fax: 213-384-2250

	1992	1991
Premium volume	\$99,832,180	\$146,469,582
Gross revenues	\$13,270,613	\$13,204,951
Employees	109	130
Commercial lines	100%	100%

	65%	60%
Admitted business	65%	60%
Non-admitted	35%	40%

* Support services provided by parent company.
Founded: 1935.
Parent company: CIGNA Corp.
Business: 10% managing general agent, 90% broker.
MGA for: Guaranty National, Lloyd's of London, Scottsdale, Western World.
Broker for: Primarily American International Group Inc., Associated International, ERC, Evanston, First State, General Star, Home, RLI, Transamerica, United National.
Branch offices: Charlotte, N.C.; Chicago; Columbus, Ohio; Dallas; Denver; Detroit; Hartford, Conn.; Houston; Kansas City, Mo.; New Orleans; New York; Philadelphia; San Francisco.
Principal officers: Robert P. Keul, president; Robert B. Angle, John T. Baily, Robert T. Ricketts, regional vps.
Contact: Robert P. Keul.
Licensed in: All states.
Membership: AAMGA, NAPSLO, Western Assn. of Insurance Brokers.

Morstan/LMG/Brisco Group Inc.

5 Dakota Drive CB 5004, Lake Success, N.Y. 11042-5004; 516-488-4747; fax: 516-327-0200

	1992	1991
Premium volume	\$75,000,000	\$68,000,000
Gross revenues	\$5,600,000	\$5,000,000
Employees	65	60
Commercial lines	65%	65%
Admitted business	95%	98%
Non-admitted	5%	2%

Founded: 1965.
Business: 75% managing general agent, 25% broker.
MGA for: Calvert, Empire Insurance Group, Executive Insurance, General Accident, Mount Vernon Insurance Co., Public Service Mutual, Republic Insurance, Tower Insurance.
Broker for: Primarily American International Group Inc., General Star, Interstate Casualty, Phoenix Re, Twin City.
Principal officers: Al Moss, Warren Goldfarb, Barry Tash, Jay Levy, Al Eskanazy.
Contact: Warren Goldfarb.
Licensed in: New Jersey, New York.
Membership: NAPSLO.

National Insurance Professionals Corp.

2601 Fourth Ave., Suite 200, Seattle, Wash. 98121-1297; 206-441-7960; fax: 206-441-3868

	1992	1991
Premium volume	\$16,285,000	\$17,336,000
Employees	24	24
Commercial lines	100%	100%
Admitted business	31%	27%
Non-admitted	69%	73%

Founded: 1976.
Business: 93% managing general agent, 7% broker.
MGA for: Continental Casualty Co., CIGNA Property & Casualty Co., Lexington Insurance Co., Transamerica Insurance Co.
Broker for: Primarily Professional Underwriters Liability Insurance Co.
Specialties: Program administrator for various professional and industry associations or affinity groups, new program development.
Principal officers: Harry L. Baker, president; Thomas C. Downs, executive vp; William J. Reese, senior vp; William L. Johnson, Barry C. Cliphsham, vps.
Contact: Harry L. Baker.
Licensed in: Washington.
Membership: NAPSLO.

North Island Group Inc.

30 Park Ave., Manhasset, N.Y. 11030-2444; 516-365-7440; fax: 516-365-7392

	1992	1991
Premium volume	\$64,000,000	\$52,000,000
Employees	45	45
Commercial lines	95%	95%
Admitted business	90%	90%
Non-admitted	10%	10%

Founded: 1976.
Business: 65% managing general agent, 35% broker.
MGA for: Hermitage Insurance Co., Mt. Vernon, National Casualty, National Union, Scottsdale, U.S. Liability, U.S. Underwriters.
Broker for: Primarily Admiral, Calvert, Crum & Forster, Chubb Custom, Evanston, Fireman's Fund, First Central, First State, General Star, Interstate, Investors, Lexington, Reliance, Travelers.
Branch offices: New Jersey, Pennsylvania, Rhode Island.
Specialties: Social services institutional program, including professional liability.
Principal officers: Michael A. Orlando, president; Dennis Loggie, William Battistini, vps; John G. Orlando, vp/secretary.
Contact: Karen DeSocio.
Licensed in: Connecticut, New Jersey, New York, Pennsylvania, Rhode Island, Virginia.
Membership: NAPSLO.

	50%	35%
Admitted business	50%	35%
Non-admitted	50%	65%

* Support services provided by parent company.
Founded: 1985.
Parent company: Pomerleau Agency Inc.
Business: 90% managing general agent, 10% broker.
MGA for: Columbia Casualty Co., Continental Casualty Co., Home Insurance Co., Transcontinental Insurance Co.
Broker for: Primarily Agricultural Insurance Co., Continental Casualty Co.
Specialties: Liquor liability.
Principal officers: A.B. Pomerleau, chairman; C.S. Lord, president; T.L. Mays, executive vp; B.L. Courcy, senior vp.
Contact: Brian L. Courcy.
Licensed in: New Hampshire, Vermont.
Membership: NAPSLO.

Preferred General Agency of the Southwest Inc.

12707 North Freeway, Suite 340, Houston, Texas 77067; 713-872-0088; fax: 713-872-0124

	1992	1991
Premium volume	\$4,000,000	\$3,600,000
Gross revenues	\$360,000	\$390,000
Employees	10	13
Commercial lines	100%	100%
Admitted business	25%	25%
Non-admitted	75%	75%

Founded: 1989.
Parent company: PW Group.
Underwriting manager for: Providence Lloyd's.
MGA for: American Empire, Burlington Insurance Co., Essex Insurance Co., General Star, Western Alliance.
Broker for: Primarily Alpine Insurance Co., Assicurazioni Generali Spa, Interstate Fire & Casualty, Mt. Hawley Insurance Co., RLI, Stonewall Surplus Lines Insurance Co., Transco Syndicate.
Correspondent: Lloyd's of London.
Branch offices: Anchorage, Alaska; Boston; Hartford, Conn.; Keego Harbor, Mich.; New Orleans; Wheeling, W.Va.
Specialties: Oil and gas, energy risk, contractors, trucking.
Principal officers: Patricia Peters, branch manager.
Contact: Patricia Peters or Susan Wicker.
Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn.

Price Forbes North America

7557 Rambler Road, Dallas, Texas 75231; 214-265-2660; fax: 214-265-2661

See profile on page 41.

Professional Indemnity Management Co.

4225 Naperville Road, Suite 265, Lisle, Ill. 60532; 708-505-0808; fax: 708-505-1221

	1992	1991
Premium volume	\$4,500,000	\$3,000,000
Employees	5	3
Commercial lines	100%	100%
Admitted business	80%	70%
Non-admitted	20%	30%

Founded: 1987.
Business: 85% managing general agent, 15% broker.
MGA for: General Insurance Co. of America (SAFECO), SAFECO Surplus Lines Insurance Co.
Broker for: Primarily General Insurance Co. of America (SAFECO).
Specialties: Medical professional liability.
Principal officers: James M. Romano, president; Michelle A. Duffett, executive vp.
Licensed in: Illinois.
Membership: AAMGA.

Professional Liability Insurance Services Inc.

Barton Oaks Plaza Two, 901 Mopac, Suite 385, Austin, Texas 78746; 512-328-0677; fax: 512-327-5834

	1992	1991
Premium volume	\$9,575,000	\$8,750,000
Employees	11	6
Commercial lines	100%	100%
Admitted business	20%	20%
Non-admitted	80%	80%

* Support services provided by parent company.
Founded: 1983.
Business: 50% managing general agent
 Continued on next page

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N

NAS Ltd.
 100 S. Wacker Drive, Chicago, Ill. 60606; 312-726-2186; fax: 312-726-8715

	1992	1991
Employees	11	11
Commercial lines	100%	100%
Admitted business	45%	45%
Non-admitted	55%	55%

Founded: 1977.
Business: 100% broker.
Branch offices: Philadelphia.
Specialties: Products liability.
Principal officers: John T. Bogart, president; Joanna Gesicki, Al Abramikas, Richard Munce, vps.
Contact: John T. Bogart.
Licensed in: Illinois, New Jersey, Pennsylvania.
Membership: NAPSLO, Assn. of Lloyd's Brokers.

Nason Associates Inc.

6901 W. 63rd St., Suite 207, Overland Park, Kan. 66202; 913-677-1550; fax: 913-384-9350

	1992	1991
Premium volume	\$5,771,110	\$5,450,000
Gross revenues	\$354,073	\$338,000
Employees	7	7
Commercial lines	80%	80%
Admitted business	95%	95%
Non-admitted	5%	5%

Founded: 1980.
Business: 100% broker.
Broker for: Primarily AIG Aviation, American Eagle Group, United States Aviation Underwriters.
Specialties: All types of aviation insurance specializing in aircraft products liability.
Principal officers: C.H. Nason, president; Linda S. Joy, vp.
Contact: Linda Joy.
Licensed in: All states.

P

Paige-Ruane Inc.
 983 Old Eagle School Road, Suite 616, Wayne, Pa. 19087; 215-254-9890; fax: 215-254-9893

	1992	1991
Premium volume	\$5,200,466	\$6,821,280
Gross revenues	\$599,195	\$826,852
Employees	8	8
Commercial lines	100%	100%
Admitted business	85%	70%
Non-admitted	15%	30%

Founded: 1979.
Business: 95% managing general agent, 5% broker.
MGA for: Great American Insurance Co., Planet Insurance Co., United National Group.
Broker for: Primarily Gulf Insurance Co.
Subsidiaries: PRI Services, Stuart, Fla.
Specialties: Long term automobile and truck leasing.
Principal officers: Ron Ruane Sr., president; Frederick Paige, secretary/treasurer; Lisa Shaffran, resident vp; R. Nite Ruane, vp.
Contact: Lisa Shaffran.
Licensed in: Pennsylvania.
Membership: NAPSLO.

Pomerleau Program Administrators

108 Church St., Burlington, Vt. 05401; 802-863-0544; fax: 802-863-8206

	1992	1991
Employees	6	5
Commercial lines	98%	100%

Continued from previous page
agent, 50% broker.

MGA for: Illinois Insurance Exchange
Broker for: Primarily Anglo American Insurance Co (U.K.) Ltd., CNA Reinsurance of London, Evanston, Old Republic Reliance National, St. Paul Fire & Marine Insurance Co.

Correspondent: Lloyd's of London.
Branch offices: Houston.
Specialties: Lawyers professional liability, insurance agents and brokers professional liability, employers excess indemnity liability.

Principal officers: David Hanley, president.
Contact: David Hanley or Cathy Cable.
Licensed in: Illinois, Texas.

Professional Managers Inc.

2 North Riverside Plaza, Suite 1460, Chicago, Ill. 60606;
312-559-0101; fax: 312-559-0167

Founded: 1981.
Business: 98% managing general agent, 2% broker.

MGA for: General Star Indemnity Co., Tudor Insurance Co., Western World Insurance Co.

Correspondent: Lloyd's of London.
Specialties: Professional liability for architects, engineers, insurance agents, accountants, environmental consultants, errors and omissions.

Principal officers: John Van Cleave, president; Guy R. Calhoun, executive vp; Brian Van Cleave, vp-underwriting.
Contact: Guy R. Calhoun.
Licensed in: All states.
Membership: AAMGA, NAPSLO.

Professional Underwriters Agency Inc.

2907 Butterfield Road, Suite 310, Oak Brook, Ill. 60521;
708-575-8111; fax: 708-575-0033

	1992	1991
Premium volume...	\$4,800,000	\$3,999,363
Gross revenues...	\$427,200	\$353,144
Employees.....	6	5
Commercial lines..	100%	100%
Admitted business	99%	100%
Non-admitted.....	1%	0%

Founded: 1990.
Business: 97% managing general agent, 3% broker.

MGA for: Investors Insurance Co. of America, Investors Special Risks Insurance Co.

Broker for: Primarily Lloyd's of London.
Correspondent: Lloyd's of London.
Specialties: Architects, engineers, construction managers and environmental consultants professional liability.

Principal officers: Ram H. Chandarana, president; Jeanine Benning, Nila Chandarana, James E. Ruiz, vps.
Contact: Ram H. Chandarana.
Licensed in: Illinois.

R

RISC Inc.

2777 Stemmons Freeway, Suite 1425, Dallas, Texas 75207;
214-640-2222; fax: 214-640-2200

	1992	1991
Premium volume...	\$36,000,000	\$33,500,000
Gross revenues...	\$3,200,000	\$3,000,000
Employees.....	24	27
Commercial lines..	100%	100%
Admitted business	30%	30%
Non-admitted.....	70%	70%

* Support services provided by parent company.

Founded: 1966.
Parent company: The Rigg Group Inc.

Business: 10% underwriting manager, 50% managing general agent, 40% broker.

Underwriting manager for: International Lloyd's Insurance Co.

MGA for: American Empire, Home State County Mutual, Harco National, Lloyd's of London, Nautilus, Northern County Mutual.

Broker for: Primarily Aetna, Alliance, First State, Interstate Fire, Lexington, Royal.

Specialties: Transportation, energy, logging, property, heavy casualty.

Principal officers: David L. Geary, president; Frances Griffin, Daniel Whitt, senior vps.
Contact: Mary Ann Johnson, secretary.
Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn.

Rapport Insurance Services Inc.

15415 Katy Freeway, Suite 605, Houston, Texas 77094-1813;
713-492-1735; fax: 713-579-1258

	1992	1991
Premium volume...	\$8,000,000	\$8,900,000
Gross revenues...	\$603,000	\$585,000
Employees.....	10	8
Commercial lines..	100%	100%
Admitted business	50%	60%
Non-admitted.....	50%	40%

Founded: 1988.
Business: 100% broker.

Broker for: Primarily American International Group Inc., First State, Hartford Steam Boiler, Home, Interstate, Ranger.

Specialties: Excess employers indemnity, truckers liability and physical damage.

Principal officers: Ed Gorman Jr., Sheri Gorman, Richard Dauchy, Jeff Day, Glenn Hargrove, Gerry Averitt.
Contact: Ed Gorman Jr.
Licensed in: Texas.

Recreational Insurance Services Inc.

117 Mill St., Hillsboro, Wis. 54634;
608-489-3221; fax: 608-489-3636

	1992	1991
Premium volume...	\$2,500,000	\$2,225,000
Employees.....	6	6
Commercial lines..	100%	100%
Admitted business	35%	35%
Non-admitted.....	65%	65%

Founded: 1987.
Business: 100% broker.

Broker for: Primarily American International Group Inc., Century Surety Co., Credit General Insurance Co., Illinois Insurance Exchange, Investors Insurance Co. of America.

Specialties: General liability for amusement parks, pollution, underground storage tanks and contractors.

Principal officers: Cletus E. Hardy, president.
Licensed in: Wisconsin.

Repath Associates Inc.

4301 Hillsboro Road, Suite 314, Nashville, Tenn. 37215;
615-297-1739; fax: 615-297-3796

	1992	1991
Premium volume...	\$35,000,000	\$30,000,000
Gross revenues...	\$2,400,000	\$2,100,000
Employees.....	22	22
Commercial lines..	99.5%	99.5%
Admitted business	27%	27%
Non-admitted.....	73%	73%

Founded: 1984.
Business: 4% managing general agent, 96% broker.

MGA for: American Empire Surplus Lines Insurance Co., Colony Insurance Co., Essex Insurance Co., Sphere Drake Insurance Co. P.L.C., Union American Insurance Co. Ltd.

Broker for: Primarily American International Group Inc., California Union Insurance Co., Chubb Custom Insurance Co., Columbia Casualty Co., Eden Park Insurance Co., Evanston Insurance Co., Fireman's Fund Insurance Co., First State Insurance Co., General Star Insurance Co., Home Insurance Co., Illinois Insurance Exchange syndicates, Interstate Fire & Casualty Co., RLI Insurance Co., Transamerica Insurance Co., Tudor Insurance Co., Union Insurance Co., United Capitol Insurance Co., United Coastal Insurance Co., Zurich American Insurance Co.

Correspondent: Lloyd's of London.
Branch offices: Boca Raton, Fla.; Grand Rapids, Mich.; Indianapolis.

Specialties: Heavy products accounts, umbrella, large property accounts.

Principal officers: Derek J. Repath, chairman; Russ Bergen, president; Wayne N. Sanders, Ralph Costanzo, senior vps.

Licensed in: Indiana, Michigan, North Carolina, Ohio, Tennessee.
Membership: NAPSLO.

Specialties: Heavy products accounts, umbrella, large property accounts.

Principal officers: Derek J. Repath, chairman; Russ Bergen, president; Wayne N. Sanders, Ralph Costanzo, senior vps.

Licensed in: Indiana, Michigan, North Carolina, Ohio, Tennessee.
Membership: NAPSLO.

S

SMIS Inc.

600 Beacon Parkway W., Suite 950, Birmingham, Ala. 35209;
800-755-7647 or 205-945-8855;
fax: 205-945-8856

	1992	1991
Premium volume...	\$7,900,000	\$8,200,000
Gross revenues...	\$751,000	\$779,000
Employees.....	12	15
Commercial lines..	100%	100%
Admitted business	10%	10%
Non-admitted.....	90%	90%

Founded: 1980.
Business: 50% underwriting manager, 50% broker.

Underwriting manager for: Equipco Insurance Co. Ltd., Homestead Insurance Co., Investors Insurance Co. of America, North American Specialty Insurance Co.

Broker for: Primarily Alliance General Insurance Co., Cardinal Casualty Co., Colony Insurance Co., The Home Insurance Co., Homestead Insurance Co., Illinois Insurance Exchange, Investors Insurance Co. of America, Reliance National Insurance Co.

Specialties: Products liability, commercial general liability and property for mining risks, employment conditions liability insurance, pollution liability.

Principal officers: James H. Godfrey Jr., president; David G. Condon, executive vp/general counsel; Lamar Andrews, Donna Stanley, assistant vps.

Contact: Lamar Andrews or Dave Condon.
Licensed in: Alabama.

W.A. Schickedanz Agency Inc.

300 W. Main St., Belleville, Ill. 62222; 618-233-0644;
fax: 618-233-0672

	1992	1991
Premium volume...	\$6,800,000	\$6,500,000
Gross revenues...	\$1,300,000	\$1,200,000
Employees.....	16	16
Commercial lines..	80%	80%
Admitted business	85%	80%
Non-admitted.....	15%	20%

Founded: 1931.
Business: 70% managing general agent, 30% broker.

MGA for: Aegon Insurance Co. (U.K.) Ltd., American Reliable Insurance Co., Burlington Insurance Co., Empire Indemnity, Empire Fire & Marine Insurance Co., Evanston Insurance Co., First Financial Insurance Co., Guaranty National Insurance Co., Landmark American Insurance Co., Norfield Insurance Co., Northland Insurance Co., Sphere Drake Insurance Co. P.L.C.

Broker for: Primarily Bituminous Casualty Corp., Continental Cos., Evanston Insurance Co., Guaranty National Insurance Co., Gulf Insurance Co., Hartford Insurance Cos.

Correspondent: Lloyd's of London.
Subsidiaries: Gateway Premium Budget Inc.
Specialties: Liquor liability and related package coverages; local, interme-

date and long-haul trucking.
Principal officers: C. Jack Miller, president/CEO; Steven C. Miller, executive vp.
Licensed in: Illinois.
Membership: AAMGA, NAPSLO, Illinois Surplus Lines Assn.

The Schinnerer Group

Two Wisconsin Circle, Chevy Chase, Md. 20815; 301-961-9800; fax: 301-951-5444

See profile on page 45.

Seaboard Underwriters Inc.

2732 Anne Elizabeth Drive, P.O. Box 659, Burlington, N.C. 27215;
919-584-1465; fax: 919-584-1244

	1992	1991
Premium volume...	\$25,411,295	\$34,594,708
Gross revenues...	\$3,237,776	\$2,865,599
Employees.....	52	51
Commercial lines..	82%	84%
Admitted business	76%	80%
Non-admitted.....	24%	20%

Continued on next page

Who is Penn-America Insurance Company?

Penn-America is rated A-(Excellent) by A.M. Best Company and writes commercial lines for General Liability, Property, and Package business.

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- Roofers
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- Contractors

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46 States Covered by Penn-America

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215/443-3600 Fax: 800/882-8569

AAMGA

Continued from previous page

Founded: 1957.
Parent company: Acceptance Insurance Co.
Business: 65% managing general agent, 35% broker.
MGA for: Acceptance Insurance Co., Redland Insurance Co.
Broker for: Primarily American International Group Inc., The Home Insurance Co., International, Reliance National Insurance Co., Royal Specialty, Travelers Insurance Co.
Correspondent: Lloyd's of London.
Principal officers: Joseph P. Hutelmyer, president; Andrew A. Wolff, senior vp; Flip Hogan, Mike Oien, Al Rierson, vps.
Licensed in: Nebraska, Virginia.
Membership: AAMGA, NAPSLO.

Shand Morahan & Co. Inc.

1007 Church St., Shand Morahan Plaza, Evanston, Ill. 60201; 708-866-2800; fax: 708-866-0866

	1992	1991
Premium volume	\$153,530,000	\$159,693,000
Gross revenues	\$24,315,000	\$25,244,000
Employees	186	198
Commercial lines	98%	95.8%
Admitted business	8%	5.8%
Non-admitted	94%	94.2%

Founded: 1970.
Parent company: Markel Corp.
Business: 100% underwriting manager.
Underwriting manager for: Evanston Insurance Co., Insurance Co. of Evanston.
Principal officers: Anthony I. Markel, chairman/president/CEO; Richard Adler, Michael Rozenberg, Paul Springman, executive vps; Gerard Albanese Jr., senior vp.
Membership: AAMGA, NAPSLO.

Sherwood Insurance Services

201 California St., Suite 900, San Francisco, Calif. 94111-5086; 415-956-3236; fax: 415-956-1204

	1992	1991
Premium volume	\$112,000,000	\$98,000,000
Gross revenues	\$9,000,000	\$7,700,000
Employees	71	66
Commercial lines	100%	100%
Admitted business	84%	80%
Non-admitted	16%	20%

Parent company: Aon Corp.
Business: 6% managing general agent, 94% broker.
MGA for: Jefferson Insurance Co., Nautilus Insurance Co., New England Insurance Co., Scottsdale Insurance Co.
Broker for: Primarily Allianz Underwriters Insurance Co., Associated International Insurance Co., The Home Insurance Co., Industrial Underwriters, RLI Insurance Co., Transamerica Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Woodland Hills, Calif.
Specialties: Commercial earthquake.
Principal officers: James W. Barnes, CEO/chairman; David Hartoch, COO/president; Casey Hamlin, senior vp; Kevin Schrage, CFO.
Membership: NAPSLO, California Insurance Wholesale Assn.

Leon F. Skinner Agency Inc.

1052 Sibley Tower Bldg., Rochester, N.Y. 14618; 800-836-4430; fax: 716-232-2173

	1992	1991
Premium volume	\$8,200,000	\$7,452,000
Employees	8	6
Commercial lines	100%	100%
Admitted business	80%	90%
Non-admitted	20%	10%

Founded: 1952.
Business: 80% managing general agent, 20% broker.
Specialties: Trucking fleets and single units, commercial auto liability, physical damage, cargo, bobtail, trailer interchange, workers compensation, special class programs.
Principal officers: Leon F. Skinner.
Licensed in: New York.

Southern Insurance Managers Inc.

95 Whitebridge Road, Cavalier Bldg. 101-9, Nashville, Tenn. 37205; 615-356-2900; fax: 615-356-3795

	1992	1991
Premium volume	\$7,414,868	\$6,674,069
Gross revenues	\$950,125	\$921,875
Employees	15	15
Commercial lines	82.9%	85.5%
Admitted business	62.1%	64.2%
Non-admitted	37.9%	35.8%

* Support services provided by parent company.

Founded: 1953.
Business: 97% managing general

agent, 3% broker.
MGA for: Aegon Insurance Co., Burlington Insurance Co., Canal Insurance Co., First Financial Insurance Co., National Casualty Co., National Indemnity Insurance Cos., Nautilus Insurance Co., Penn-America Insurance Co., Scottsdale Insurance Co., Sphere Drake Insurance Co. P.L.C., Thomas Jefferson Insurance Co., Transamerica Premier Insurance Co., Transamerica Specialty Insurance.
Broker for: Primarily Employers Reinsurance Corp., Illinois Insurance Exchange (Wycon Corp.), Lloyd's of London, Mt. Hawley Insurance Co., RLI Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Local, intermediary and long haul commercial trucking; commercial package policies, special multi-peril.
Principal officers: Edward J. Knish, president; Roy E. Bearden executive vp/secretary; Jan Bessire, vp; Faye Bain, treasurer.
Contact: Edward J. Knish.
Licensed in: Tennessee.
Membership: AAMGA, NAPSLO.

Sovereign Group International Inc.

242 Main St., P.O. Box 70, Staten Island, N.Y. 10307; 718-317-7000; fax: 718-317-8809

	1992	1991
Premium volume	\$22,000,000	\$21,200,000
Gross revenues	\$2,000,000	\$1,900,000
Employees	29	31
Commercial lines	100%	100%
Admitted business	65%	65%
Non-admitted	35%	35%

Founded: 1975.
Business: 50% managing general agent, 50% broker.
MGA for: First Central Insurance Co., Frontier Insurance Co., National Casualty Co., Scottsdale Insurance Co.
Broker for: Primarily Calvert Insurance Co., General Star Insurance Co., The Home Insurance Co., International Insurance Co. (London Agency), Reliance Insurance Co.
Branch offices: Braintree, Mass.; Ise-lin, N.J.; Philadelphia.
Subsidiaries: Sovereign Excess Inc., Sovereign Facilities Inc., Sovereign General Agency Inc., Sovereign Insurance Services Inc.
Specialties: Class A apartment houses, large contractors.
Principal officers: William F. Lynch, president; Daniel J. Lynch, vp; Joseph Certo, assistant vp.
Contact: Daniel J. Lynch.
Licensed in: Massachusetts, New Jersey, New York, Pennsylvania.
Membership: AAMGA, NAPSLO, New Jersey Surplus Lines Assn., Professional Insurance Wholesalers Assn.

Myron F. Steves & Co.
 3131 Eastside, Suite 600, Houston, Texas 77098; 713-522-1100; fax: 713-524-8438

	1992	1991
Premium volume	\$90,000,000	\$85,000,000
Gross revenues	\$10,100,000	\$9,028,000
Employees	106	93
Commercial lines	85%	84%
Admitted business	15%	13%
Non-admitted	85%	87%

Founded: 1955.
Parent company: Lawrence A. Willoughby Inc., Buddy Steves Inc., Frederick B. Steves Inc., Teresa S. Skinner Inc.
Business: 80% managing general agent, 20% broker.
MGA for: Guaranty National Insurance Co., National Indemnity Co., Scottsdale Insurance Co., United National Insurance Co.
Broker for: Primarily Admiral Insurance Co., Casualty Insurance Co., Chubb Custom Insurance Co., First Specialty Insurance Co., Lexington Insurance Co., Lloyd's of London, Reliance National Insurance Co., Surplus & Underwriters Casualty Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: St. Germain, Wis.
Specialties: Hospital and health care professional liability excess of large self-insured retention, miscellaneous medical professional liability, commercial surplus lines, auto and general liability and non-standard home owners and commercial property.
Principal officers: Buddy Steves, executive director-health care division; Ida Havens, managing director-health care division; Fred Steves, executive director-property/casualty division; Bruce Wise, managing director-property/casualty division; Larry Willoughby, executive director-insurance operations.
Licensed in: Texas.
Membership: AAMGA, NAPSLO, Texas Surplus Lines Assn.

Special Program Management Inc.

2 Hudson Place, Hoboken, N.J. 07030; 201-798-5100; fax: 201-798-9064

	1992	1991
Premium volume	\$16,790,654	\$16,944,910
Employees	9	9
Commercial lines	100%	100%
Admitted business	16%	12%
Non-admitted	84%	88%

Founded: 1987.
Parent company: Willis Corroon

P.L.C.
Business: 11% underwriting manager, 89% managing general agent.
Underwriting manager for: Calvert Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Directors and officers liability.
Principal officers: James R. Martocci, president; Marjorie B. Feit, assistant vp.
Contact: James R. Martocci.
Licensed in: New Jersey.
Membership: AAMGA.

Specialty Insurance Services Inc.

6624 Merrill Road, P.O. Drawer 11869, Jacksonville, Fla. 32239-1869; 904-743-4314; fax: 904-743-5657

	1992	1991
Premium volume	\$6,417,673	\$3,708,746
Gross revenues	\$906,861	\$579,677
Employees	16	13
Commercial lines	80%	90%
Admitted business	45%	40%
Non-admitted	55%	60%

Founded: 1979.
Business: 95% managing general agent, 5% broker.
MGA for: Empire Fire & Marine Insurance Co., Lincoln Insurance Co., Penn-America Insurance Co., River Thames Insurance Co.
Broker for: Primarily Shand Morahan Cos.
Correspondent: Lloyd's of London.
Branch offices: Brunswick, Ga.
Subsidiaries: Brundick Marine Underwriters Inc., Commercial Underwriters of Fla. Inc.
Specialties: Commercial auto and property.
Principal officers: Harley K. Dulaney, president; Joanne S. Dulaney, Harley K. Dulaney III, vps.
Contact: Harley K. Dulaney.
Licensed in: Florida, Georgia.
Membership: NAPSLO, Florida Surplus Lines Assn.

Founded: 1976.
Business: 100% underwriting manager.
Underwriting manager for: Alpine Insurance Co., Transco Syndicate, United National Insurance Co.
Specialties: Primary products liability, contractors liability, architects and engineers professional liability, ocean marine.
Principal officers: John T. Clark, president/CFO; Richard P. Shemitis, senior vp; Daniel O'Shaughnessy, secretary.
Contact: Richard P. Shemitis.
Licensed in: Illinois.
Membership: NAPSLO.

Myron F. Steves & Co.
 3131 Eastside, Suite 600, Houston, Texas 77098; 713-522-1100; fax: 713-524-8438

	1992	1991
Premium volume	\$90,000,000	\$85,000,000
Gross revenues	\$10,100,000	\$9,028,000
Employees	106	93
Commercial lines	85%	84%
Admitted business	15%	13%
Non-admitted	85%	87%

Founded: 1955.
Parent company: Lawrence A. Willoughby Inc., Buddy Steves Inc., Frederick B. Steves Inc., Teresa S. Skinner Inc.
Business: 80% managing general agent, 20% broker.
MGA for: Guaranty National Insurance Co., National Indemnity Co., Scottsdale Insurance Co., United National Insurance Co.
Broker for: Primarily Admiral Insurance Co., Casualty Insurance Co., Chubb Custom Insurance Co., First Specialty Insurance Co., Lexington Insurance Co., Lloyd's of London, Reliance National Insurance Co., Surplus & Underwriters Casualty Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: St. Germain, Wis.
Specialties: Hospital and health care professional liability excess of large self-insured retention, miscellaneous medical professional liability, commercial surplus lines, auto and general liability and non-standard home owners and commercial property.
Principal officers: Buddy Steves, executive director-health care division; Ida Havens, managing director-health care division; Fred Steves, executive director-property/casualty division; Bruce Wise, managing director-property/casualty division; Larry Willoughby, executive director-insurance operations.
Licensed in: Texas.
Membership: AAMGA, NAPSLO, Texas Surplus Lines Assn.

Stewart Smith Group Inc.
 26 Century Blvd., Nashville, Tenn. 37214; 615-872-3641; fax: 615-872-3092

See profile on page 44.

Sunbelt Special Risks Inc.
 9428 Brookline Ave., Baton Rouge, La. 70809; 504-928-7700; fax: 504-928-7333

	1992	1991
Premium volume	\$4,400,000	\$3,968,000
Gross revenues	\$552,000	\$475,000
Employees	10	11

Commercial lines	96%	96%
Admitted business	10%	10%
Non-admitted	90%	90%

Founded: 1983.
Business: 4% underwriting manager, 88% managing general agent, 8% broker.
Underwriting manager for: St. Katherine Insurance Co., St. Paul Reinsurance Co. Ltd.
MGA for: Essex Insurance Co., Scottsdale Insurance Co.
Broker for: Primarily Agora Syndicate, Alliance General Group, Illinois Insurance Exchange, V.O. Schinnerer & Co., Shand-Morahan Co.
Correspondent: Lloyd's of London.
Specialties: Day care centers, janitorial services, general contractors, homeowners associations, alarm system contractors, hunting clubs, earthmoving contractors, restaurants/bars, apartments, halfway houses, exercise studios, truck physical damage.
Principal officers: Michael J. Ardoin, president; Russell A. Landry Jr., vp.
Contact: Michael J. Ardoin.
Licensed in: Louisiana.
Membership: NAPSLO, Louisiana Surplus Lines Assn.

Swett & Crawford Group
 3699 Wilshire Blvd., Suite 1200, Los Angeles, Calif. 90010; 213-251-1200; fax: 213-387-7505

See profile on page 39.

T

TCO Insurance Services Inc.

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

	1992	1991
Premium volume	\$28,555,027	\$28,125,132
Gross revenues	\$9,882,920	\$15,544,850
Employees	143	152
Commercial lines	100%	100%
Non-admitted	100%	100%

Founded: 1976.
Parent company: TCO Holdings Inc.
Business: 100% underwriting manager.
Underwriting manager for: Alpine Insurance Co., Transco Syndicate, United National Insurance Co.
Specialties: Primary products liability, contractors liability, architects and engineers professional liability, ocean marine.
Principal officers: John T. Clark, president/CFO; Richard P. Shemitis, senior vp; Daniel O'Shaughnessy, secretary.
Contact: Richard P. Shemitis.
Licensed in: Illinois.
Membership: NAPSLO.

Tennant Risk Services Inc.

City Place II, 185 Asylum St., Hartford, Conn. 06103; 203-527-9717; fax: 203-527-2438

Founded: 1987.
Business: 30% managing general agent, 70% broker.
Broker for: Primarily American International Group Inc., The Home Insurance Co., Prudential Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Insurance agents and broker errors and omissions, miscellaneous professional liability, trucking.
Principal officers: Robert T. Sargent, president; Kimberley L. Byrd, vp.
Contact: Margo M. Espinosa.
Licensed in: Connecticut.
Membership: NAPSLO.

Texas General Agency Inc.

P.O. Box 40600, 4801 N.W. Loop 410, 10th Floor, San Antonio, Texas 78229; 210-522-1325; fax: 210-520-7222

	1992	1991
Premium volume	\$21,000,000	\$14,000,000
Employees	35	28
Commercial lines	45%	30%
Admitted business	85%	85%
Non-admitted	15%	15%

Founded: 1980.
Business: 99% underwriting manager, 1% broker.
Underwriting manager for: Old American County Mutual Fire Insurance Co., Republic-Vanguard Insurance Co.
Broker for: Primarily Appalachian Insurance Co., Gulf Underwriters Insurance Co., International Insurance Co.

Continued on next page

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Continued from previous page

Branch offices: Lubbock, Texas.
Subsidiaries: Gulf States Insurance Co., Oklahoma City.
Specialties: Commercial auto.
Principal officers: Sam M. Cangelosi, president; Don Cangelosi, vp; Don E. Meyer, secretary/treasurer.
Contact: Sam Cangelosi.
Licensed in: Alabama, Louisiana, Texas.
Membership: AAMGA.

Tower Transportation Underwriters Inc.

7501 Boulders View Drive, Suite 120, P.O. Box 35656; Richmond, Va. 23235; 804-330-0543; fax: 804-330-3430

	1992	1991
Premium volume	\$5,387,785	\$5,097,353
Gross revenues	\$432,249	\$426,133
Employees	5	5
Commercial lines	100%	100%
Admitted business	100%	100%

Founded: 1981.
Business: 100% managing general agent.
MGA for: Canal Insurance Co., Marine Office of America Corp., National Indemnity Co.
Specialties: Commercial automobile.
Principal officers: Frederick W. Black, president; ShaRone H. Beverley, secretary/treasurer.
Contact: Frederick W. Black.
Licensed in: Virginia.

Tradewinds Insurance Brokerage Inc.

2300 Contra Costa Blvd., Suite 230, Pleasant Hill, Calif. 94523; 510-603-8500; fax: 510-674-0145

	1992	1991
Premium volume	\$6,500,000	\$6,000,000
Gross revenues	\$720,000	\$500,000
Employees	7	4
Commercial lines	100%	100%
Admitted business	10%	10%
Non-admitted	90%	90%

* Support services provided by parent company.

Founded: 1989.
Business: 100% broker.
Broker for: Primarily Admiral Insurance Co., Alpine Insurance Co., Classic Fire & Marine, Condor, ERIC, Homestead Insurance Co., Illinois Insurance Exchange, Investors Insurance Co., Lloyd's of London, RLI, Reliance National, U.S. Capital, United Coastal Insurance Co., Zurich American Insurance Co.
Specialties: Commercial auto, commercial property, environmental liability, general liability, contractors.
Principal officers: Merle Boger, chairman; John Smalley, president.
Contact: Michael Cooper, marketing manager.
Licensed in: California.
Membership: NAPSLO.

Transatlantic Insurance Underwriters Inc.

Parkview Building, 5821 Fairview Road, Suite 200, Charlotte, N.C. 28209; 704-554-9665; fax: 704-554-7055

Founded: 1992.
Business: 10% underwriting manager, 90% managing general agent.

Underwriting manager for: Bankers Life & Casualty Co., Standard Security Life Insurance Co. of New York.

MGA for: Lloyd's of London, Standard Security Life Insurance Co. of New York.

Specialties: Self-funded medical plans, group life insurance and related benefit plans.

Principal officers: Kevin J. Manthorpe, president; Amanda Huston, operations manager.

Contact: Kevin J. Manthorpe.
Licensed in: North Carolina, South Carolina.

Transportation Insurers Inc./Bradshaw Insurance Agency

111 East Main St., Delphi, Ind. 46923; 800-950-7364; fax: 317-564-4638

	1992	1991
Premium volume	\$9,500,000	\$8,000,000
Gross revenues	\$1,200,000	\$995,000
Employees	17	14
Commercial lines	80%	80%
Admitted business	10%	10%
Non-admitted	90%	90%

Founded: 1859.

Business: 50% managing general agent, 50% broker.
MGA for: Sphere Drake Insurance Co. P.L.C.
Broker for: Primarily Acceptance Insurance Co., Anglo American Insurance Co., Calvert, Continental American Insurance Co., Marine Office of America Corp., Zurich American Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Trucking.
Principal officers: William H. Bradshaw, president; Thomas C. Bradshaw, vp; David M. Clifford, marketing.
Licensed in: 48 states.
Membership: NAPSLO.

Tri-City Insurance Brokerage Inc.

50 California St., Suite 2955, San Francisco, Calif. 94111; 415-986-5050; fax: 415-986-5004

See profile on page 42.

Tri-State General Insurance Agencies

P.O. Box 2719, Salisbury, Md. 21802; 800-556-7894; fax: 410-546-3953

	1992	1991
Premium volume	\$12,397,078	\$10,100,000
Gross revenues	\$1,611,620	\$1,300,000
Employees	32	32
Commercial lines	100%	100%
Admitted business	30%	30%
Non-admitted	70%	70%

Founded: 1979.
Business: 85% managing general agent, 15% broker.

MGA for: Burlington Insurance Co., Empire Insurance Co., First Financial Insurance Co., GAINSCO, Guaranty National Insurance Co., Landmark Insurance Co., Lincoln Insurance Co., Lincoln General Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Cherry Hill, N.J.; Richmond, Va.; West Chester, Pa.
Specialties: Marinas, trucking.
Principal officers: Ed Dickerson Sr., CEO; Ed Dickerson III, president; Kathy Ellmaker, executive vp; Jim Dickerson, vp; Nellie Larmore, treasurer.

Contact: Ed Dickerson Sr.
Licensed in: Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, Virginia.
Membership: NAPSLO.

Trinity E&S Insurance Services/Trinity MGA Insurance Services Inc.

79-310 Country Club Drive, Suite 200, Bermuda Dunes, Calif. 92201; 619-360-4100; fax: 619-360-0055

	1992	1991
Premium volume	\$9,306,400	\$9,108,225
Gross revenues	\$1,135,275	\$1,066,015
Employees	11	11
Commercial lines	100%	100%
Admitted business	40%	43%
Non-admitted	60%	57%

* Support services provided by parent company.

Founded: 1985.
Business: 15% managing general agent, 85% broker.
MGA for: First Financial Insurance Co.

Broker for: Primarily Alpine Insurance Co., Lincoln Insurance Co., Transco Syndicate-Illinois Insurance Exchange.

Branch offices: San Rafael, Calif.

Principal officers: Thomas J. Gassen, president; Peter J. O'Shaughnessy, chairman; Craig Rice, treasurer; Richard Kersten, secretary.

Contact: Thomas J. Gassen.
Licensed in: California.
Membership: California Insurance Wholesalers Assn.

Truckers Insurance Associates Inc.

7117 Hickman Road, Des Moines, Iowa 50322; 515-276-7704 or 800-652-9515; fax: 515-276-1418

	1992	1991
Premium volume	\$19,000,000	\$16,500,000
Employees	18	16
Commercial lines	99.9%	99.9%
Admitted business	100%	100%

Founded: 1943.
Business: 99% managing general agent, 1% broker.

Specialties: Trucking, public auto.
Principal officers: Gary K. Albaugh, chairman/CEO/treasurer; John D. Wilson, president; Cheryl C. Albaugh, secre-

tary.
Contact: Gary K. Albaugh.
Licensed in: Iowa, Kansas, Missouri, Nebraska, North Dakota, South Dakota.
Membership: AAMGA.

U

U.S. & Overseas Agencies Inc.

1693 Stuyvesant Ave., Union, N.J. 07083; 908-964-5950; fax: 908-964-9487

	1992	1991
Premium volume	\$3,000,000	\$3,600,000
Gross revenues	\$485,000	\$506,000
Employees	9	10
Commercial lines	85%	85%
Admitted business	15%	15%
Non-admitted	85%	85%

Founded: 1933.
Business: 80% managing general agent, 20% broker.

MGA for: Foremost Insurance Co., Lincoln Insurance Co., Mt. Vernon Fire Insurance Co.

Broker for: Primarily Homestead Insurance Co., United National Insurance Co.

Correspondent: Lloyd's of London.

Specialties: General liability.
Principal officers: Jack Neubauer, president; Jeffrey S. Neubauer, vp; Ingrid Neubauer, secretary; Bernice Bender, Treasurer.

Contact: Jeffrey S. Neubauer.
Licensed in: New Jersey.
Membership: NAPSLO.

U.S. Risk Inc.

5910 N. Central Expressway, Suite 1580, Dallas, Texas 75206; 214-265-7090; fax: 214-739-1421

	1992	1991
Premium volume	\$44,000,000	\$43,000,000
Gross revenues	\$4,592,000	\$3,500,000
Employees	68	53
Commercial lines	100%	100%
Admitted business	5%	5%
Non-admitted	95%	95%

Founded: 1977.
Business: 40% managing general agent, 60% broker.

MGA for: Acceptance Insurance Co., American Modern Home Insurance Co., GAINSCO.

Broker for: Primarily Aetna Casualty & Surety, Alliance General Insurance Co., Associated International Insurance Co., First State, General Star Insurance Co., Home Insurance Co., Illinois Insurance Exchange, Transamerica Specialty, Travelers.

Correspondent: Lloyd's of London.

Branch offices: Jean Deal & Associates, Dallas; R.L. Jarrett Risk Services Inc., Austin, Dallas and Houston; Jarrett Specialty Inc., Dallas; Jarrett Specialty Insurance Services, Larkspur, Calif.; U.S. Risk of Florida, Boca Raton, Fla.; U.S. Risk of New Mexico, Albuquerque, N.M.; U.S. Risk of Tennessee, Nashville, Tenn.; U.S. Risk Underwriters Inc., Dallas.

Specialties: Professional liability, directors and officers, umbrella excess liability, public entity pools.

Principal officers: Randall G. Goss, chairman/CEO; L.M. Wesson Jr., president/COO; L. Douglas Williams, executive vp/CFO; Caren Patton, executive vp-underwriting.

Contact: L.M. Wesson Jr.
Licensed in: California, Florida, New Mexico, Tennessee, Texas.
Membership: AAMGA, NAPSLO.

W

Bernard Warschaw Insurance Sales

1875 Century Park E., Suite 1700, Los Angeles, Calif. 90067; 310-286-2687; fax: 310-286-2526

	1992	1991
Premium volume	\$14,000,000	\$13,100,000
Employees	8	6
Commercial lines	100%	100%
Admitted business	3%	3%
Non-admitted	97%	97%

Founded: 1989.
Parent company: The Doctors' Co.
Business: 100% broker.

Broker for: Primarily The Doctors' Co., Professional Underwriters Liability Insurance Co.
Specialties: Non-standard medical

professional liability.
Principal officers: Manual S. Puebla, CEO; Jack C. Cummings, president; Jerry J. Reiley, treasurer; Charles A. O'Brien, secretary.
Contact: Stephen D. Freedman.
Licensed in: California.

Wood & Co. Inc.

5335 Triangle Parkway, Suite 300, Norcross, Ga. 30092; 404-448-7148 or 800-476-4703; fax: 404-448-7105

	1992	1991
Premium volume	\$43,795,763	\$41,209,981
Gross revenues	\$2,895,939	\$2,603,988
Employees	25	22
Commercial lines	100%	100%
Admitted business	60%	60%
Non-admitted	40%	40%

Founded: 1984.
Parent company: McGriff, Seibels & Williams Inc.

Business: 10% managing general agent, 90% broker.

Broker for: Primarily Chubb Custom Insurance Co., Fireman's Fund, First State, General Star Management Co., The Home Insurance Co., Industrial Indemnity Co., International Insurance Co., Interstate Fire & Casualty Co., Lexington, National Union, Northfield Insurance Co., RLI Insurance Co., Royal Indemnity Co., St. Paul, Transamerica, Travelers, Zurich American Insurance Co.

Correspondent: Lloyd's of London.
Specialties: Manufacturing, processing, industrial, contractors, real estate, retail/wholesale.

Principal officers: Bruce A. Wood, president/CEO; Donald L. Swift, George E. Showalter, Michael E. Rimbey, vps.
Contact: Donna Buto Davis, marketing director.

Licensed in: Alabama, Arkansas, Colorado, District of Columbia, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Hampshire, North Carolina, Ohio, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Virginia, Wisconsin.
Membership: NAPSLO.

Worldwide Facilities Inc.

3530 Wilshire Blvd., Suite 1400, Los Angeles, Calif. 90010; 213-380-4670; fax: 213-384-1501

	1992	1991
Premium volume	\$30,000,000	\$31,000,000
Employees	24	24
Commercial lines	100%	100%
Admitted business	50%	50%
Non-admitted	50%	50%

Founded: 1970.
Business: 100% broker.

Broker for: Primarily Admiral Group, Crum & Forster Group, First State Group, General Star Group, Transamerica Group.

Correspondent: Lloyd's of London.
Specialties: Construction industry, public entity, energy/oil & gas, marine li-

Asbestos ruling

Continued from page 2

would only have to prove that they were exposed to asbestos products and suffer from asbestos-related illnesses to collect.

"This is a huge victory for us because we'll no longer have to prove that these products were defective," said Richard S. Scroggs, a Pascagoula-based independent attorney who represents about 3,500 Mississippi shipyard workers in asbestos cases. In addition to the consolidated group of 6,900 suits, another 5,000 Mississippi shipyard suits are pending against these and other defendants.

Shipyard workers did not win a complete victory, though. They had sought punitive damages of one to three times compensatory damages but were awarded only 10%.

"I wouldn't say that 10% in this case is very much. I imagine that the companies, while unhappy with the verdict, are relatively pleased with the amount of punitive damages," said Larry Fitzpatrick, president of the Center for Claims Resolution in Princeton, N.J.

The center, a group of about 20

ability.
Principal officers: Donald R. Davis, chairman; Stephen B. Campbell, vice chairman; Davis D. Moore, president; Frank J. Bermack, Lynn W. Davis, vps.
Contact: Stephen B. Campbell.
Licensed in: Alaska, Arizona, California.
Membership: NAPSLO.

Wycon Corp.

210 University Drive, Suite 900, Coral Springs, Fla. 33071; 800-845-0004; fax: 305-344-7961

	1992	1991
Premium volume	\$27,910,951	\$29,442,042
Employees	71	84
Commercial lines	81%	84%
Admitted business	29%	24%
Non-admitted	71%	76%

Founded: 1984.
Business: 100% underwriting manager.

Principal officers: Stephen Weicholz, Scott Weicholz, Albert Solomon, Kenneth Sutter, Dennis Wills.

Contact: Kenneth Sutter.
Membership: AAMGA.

Due to an error, Connecticut Underwriters Inc. was not placed in the alphabetical listing.

Connecticut Underwriters Inc.

329 Main St., P.O. Box 316, Portland, Conn. 06480-0316; 203-342-0713 or 800-243-3712; fax: 203-342-4392

	1992	1991
Employees	50	50
Commercial lines	85%	85%
Admitted business	15%	15%
Non-admitted	85%	85%

Founded: 1964.
Business: 90% managing general agent, 10% broker.

MGA for: First Financial Insurance Co., Hermitage Insurance Co., Penn-America Insurance Co., United States Liability Insurance Co., Western World Insurance Co.

Broker for: Primarily American International Group Inc., CNA Financial Corp., Victor O. Schinnerer, Shand Morahan & Co., Tudor Insurance Co.

Correspondent: Lloyd's of London.

Subsidiaries: Conexco Insurance Agency Inc., Southborough, Mass.; Maine Underwriters Insurance Agency Inc., Kittery, Maine; New Hampshire Underwriters Insurance Agency Inc., Portsmouth, N.H.

Principal officers: Henry J. Stone Jr., president/treasurer; Daniel A. Peterson, vp.

Contact: Susan Robinson, underwriting manager, or Robert D. Hunter, marketing manager.

Licensed in: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont.
Membership: AAMGA, NAPSLO. **BI**

former asbestos producers, already has settled the approximately 6,000 Ingalls Shipyard claims it faced.

The manufacturers argued at trial that they should not be held liable because their products contained no asbestos or only minuscule amounts.

Westinghouse said its decorative mica, which was used on table-tops in ship staterooms, contained very little asbestos and caused no injuries.

And Dresser said its refractory metals, which were used in ship boilers, contained absolutely no asbestos.

"We plan to prove on appeal that this product contained no asbestos at all. This verdict says a lot about the jury system in Mississippi," said a spokesman for Dallas-based Dresser.

Mr. Scroggs, the shipyard workers' lawyer, said that Colonial Sugar had never before been found liable in a U.S. asbestos case and that the Dresser and Westinghouse products had never before been found defective.

Future trials are expected to take the form of mini-trials, in which the claims of a group of claimants will be tried together. **BI**

INTERNATIONAL

Canadian D&O

Continued from page 65
insurance," he said.

Over the past two years, D&O claims in Canada have increased by 50%, according to Kate Herley, claims director at Encon Insurance Managers in Ottawa. Much of the increase is related to the recession, she said.

D&O claims are up between 15%

Russian currency

Continued from page 65

decision to withdraw old ruble notes could have serious consequences. Insurers in all of the former Soviet Republics do business with Moscow, and companies in all but the Ukraine and Kyrgyzstan use the ruble as currency.

Mr. Hill said that insurance companies domiciled in the other republics will face severe problems. "Some of the smaller insurance companies outside Russia face ruin, because they will lose all the money they have in the bank," he said.

On July 24, the Central Bank announced it would call in all ruble notes printed by the former Soviet and the current Russian governments between 1961 and 1992. Russian citizens would have until Aug. 7 to change old notes in their possession to new ruble notes.

The maximum amount any individual would have been allowed to change would be 35,000 rubles (\$36); all other money would have to be deposited in banks, where it would earn interest at rates below inflation. All individuals had to prove they had earned the cash they held.

A public outcry charging that the government was confiscating people's money led Russian President Boris Yeltsin to issue an executive decree, raising the limit on cash exchanges to 100,000 rubles (\$102) and extending the deadline until the end of August.

"There are really no implications for insurance or commerce," said Mr. Safronov. "This really affects individuals, but there may be some problems if a (Russian) company keeps much cash in its office."

The Central Bank's move was prompted by a number of scandals over the past few years in which organized crime as well as foreign business officials had accumulated and traded billions of rubles on the black market, some of which were carried away in truckloads, Mr. Hill said.

"From one side, it is an important measure to get rid of money accumulated illegally, but the majority of the population will suffer," Mr. Safronov said.

Messrs. Hill and Safronov both noted that the sudden withdrawal of currency from circulation was a strategy often employed by the communist governments in the former Soviet Union and in Eastern European countries.

Foreign insurers and non-insurance companies that do business in Russia and the former Soviet republics are unlikely to face many problems as a result of the currency reform.

"You either have to get paid in advance or demand a letter of credit from a secure Western bank such as in Switzerland," said Mr. Hill.

"All of the business which we do in Russia is done on a hard-currency basis," said Jirki Heglund, vp of international direct insurance at Helsinki-based Pohjola Insurance Co. "We have a very cautious and very simple basis for doing business in that market."

While insurance contracts in the West are signed for one year or

and 20% over the past year at Chubb Insurance Co. of Canada in Montreal, said Vp Udo Nixdorf.

Under a 1976 law, directors can be personally liable to employees for six months back wages. This has come to the attention of many employees in recent years as more and more Canadian companies go bankrupt while owing the employees back wages, Mr. Nicholl said. The directors are also liable for

unremitted payroll deductions, such as social security payments, Ms. Harley said.

The directors still are liable for vacation pay, but last year corporations won an important Supreme Court victory which excludes directors from liability for severance pay, Mr. Nicholl said. "That cuts most back wages claims by about three-quarters," he said.

But despite this victory, the law on back wages is still draconian, said Robert Patzelt, group corporate counsel and risk manager for Scotia Investments Ltd. in Bedford, Nova Scotia.

"It's bad enough that a company is going down the tubes, but it becomes even worse when you make the directors liable for the back wages," Mr. Patzelt said.

Directors will be inclined to resign before they are found liable, he said. "You are forcing them to

abandon the corporation when you need them most."

Such a scenario happened last year at Westar Mining Ltd. in Vancouver, British Columbia, Mr. Patzelt said.

Bankruptcy proceedings were started against the company, and the directors resigned as it became clear that they might be liable for wage claims, he said.

Shortly after the Westar incident, the directors of subsidiaries of holding company PWA Corp. in Calgary, Alberta, resigned in fear of potential liabilities. The subsidiaries included Canadian Airlines International, which was then discussing a deal with Air Canada. The 12 directors were concerned about their liability for employee wages if PWA were to run out of cash, said Gordon Wainwright, PWA insurance manager.

Company directors are jittery

over the Westar and PWA incidents, said Mr. Patzelt.

Insurers, too, should be wary, he said.

In the future, receivers will look for D&O coverage when they are assessing the assets of bankrupt companies, Mr. Patzelt said.

"They will look anywhere for money, and if they see a \$10 million D&O policy, they will say 'Look, we can get at that,'" Mr. Patzelt said.

In the face of increased liability, "underwriters are asking more questions and reviewing the risks more," Mr. Wainwright said.

However, the D&O market in Canada is still competitive, Mr. Wainwright said.

"I don't think that we have seen the full cycle of the market yet, and there is still a lot of competition in the marketplace," Mr. Wainwright said.

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Payroll taxes

Continued from page 1
ments, would also provide coverage to the uninsured and the self-employed.

Even if the tens of billions of dollars the federal and state governments now spend on Medicaid were diverted to help finance coverage through the alliances, the cost to employers still would be high, according to The Wyatt Co.

Wyatt estimates that health care purchasing alliances would have to charge an average payroll tax of 11.4% to purchase health care coverage equivalent to what a typical large employer now provides to workers. The payroll tax would only apply up to the Social Security wage base, which is currently \$57,600.

But the payroll tax would be much higher in states in which health care costs are high, wages are low or there are many older workers or early retirees.

For example, Wyatt estimates that the highest payroll taxes would be in Florida at 15.8%, followed by 14.8% in Michigan and 14.5% in California.

On the other hand, the lowest payroll taxes would be an estimated 6.3% in Rhode Island, followed by 7.7% in Vermont and 8% in Connecticut.

These estimates are based on a computer model developed by Wyatt. Factors taken into account in developing the model include regional variations in the cost of health care and differences in payroll levels. The model assumes that alliances would purchase coverage similar to what the average large employer now provides, including individual and family deductibles of \$200 and \$400, respectively, 20% employee copayments and a \$1 million lifetime limit on benefits.

The model was prepared by Wyatt for The Business Council on National Health Policy, a group of 15 large employers that Wyatt organized earlier this year to evaluate the impact of health care reform on business and workers.

At this point, the Clinton administration is not likely to propose that health alliances assess payroll taxes to finance coverage.

Instead, according to a 47-page briefing paper the administration distributed last week to congressional Democrats, health alliances would charge premiums. Generally, employers would pay 80% of the premium and employees the remaining 20%.

The paper doesn't specify whether the premiums would be linked to wages (see story, page 1).

Some administration sources earlier said that alliances would charge premiums, but the premiums might have some connection to employers' payroll costs.

Wyatt's estimate that health alliances—assuming a payroll tax was the method used by alliances to raise revenue—would have to charge an average payroll tax of 11.4% is not much higher than many employers' current costs.

For example, the U.S. Chamber of Commerce reported that employers' medical and dental costs for employees and retired workers in 1991 averaged 9.8% of payroll, a percentage that likely has since increased.

But, for smaller firms that currently do not offer health care coverage, an 11.4% payroll tax would represent a huge new cost

of doing business.

The cost is so high that the administration "has to be looking for alternative revenue sources" to reduce the amount of money the alliances would have to charge employers, said Sylvester Schieber, director of Wyatt's Research and Information Center in Washington.

"Politically, the basic tax charged by alliances would be too high" without other revenue sources, Mr. Schieber added.

The administration, in its briefing paper, says it will not propose any new broad-based taxes.

However, administration officials have said that so-called sin taxes—like new, hefty excise taxes on cigarettes—will be proposed to help finance coverage for the uninsured.

With premiums or payroll taxes varying so widely by states, the administration might propose subsidizing coverage in some states by raising the payroll tax in low-cost states.

That could trigger a political backlash.

"Politically, it could be dicey asking those in Vermont to help subsidize California," Mr.

'The basic tax charged by alliances would be too high' without other revenue sources, says Mr. Schieber.

Schieber said.

The big differences in payroll taxes also could be a factor when an employer decides where to locate a plant or office, Mr. Schieber said.

While a new payroll tax on employers currently not offering coverage would be a huge added cost of doing business, other employers would clearly benefit under a health care mandate.

For example, a typical large manufacturing firm might reap health care cost savings of 5% to 11%, assuming that all firms were required to offer coverage to employees working at least 25 hours a week, according to Wyatt estimates.

Such savings would be possible because an employee's working spouse—depending on the structure of an employer mandate—would obtain coverage through his or her employer rather than as a dependent in their spouse's health plan.

Currently, many people working for small employers that offer minimal or no health care coverage enroll in their spouse's health plan.

Other findings in the Wyatt study include:

- If payroll taxes were the exclusive method of revenues for health alliances, the average payroll tax would be 14.4%.

- Including employer-paid health care premiums as taxable income to employees would raise \$79.2 billion in new income and payroll taxes.

- Imposing a 34% excise tax on employer-paid health care premiums would raise \$82.7 billion in revenue.

Free single copies of summaries of "Health Care Reform: Driving Forces, Practical Options and Potential Costs" are available from The Wyatt Co., Research and Information Center, 601 13th St. N.W., Suite 1000, Washington, D.C. 20005.

Setting reform priorities

Control health care costs before improving access: Survey

By CHRISTINE WOOLSEY

Employers, labor unions and individuals overwhelmingly agree that a national health care reform plan should reduce waste and control costs before attempting to provide universal access, a soon to be released survey finds.

To achieve those goals, though, more companies and union representatives favor underwriting changes—like eliminating pre-existing coverage clauses—over other approaches to reforming the health system.

Nearly 27% of employer and union representatives indicate their highest preference is for underwriting reforms, while 18.6% prefer adoption of a managed competition health care delivery system, the survey found. However, the majority of employer and union respondents say they are not willing to spend more than 5% over what they currently pay for health care.

"Companies, unions and citizens are saying to health system reformers: 'You get the waste, greed and inequality out of the system before I'm going to pay a penny more,'" commented William E. Hembree, director of the Health Research Institute. The Walnut Creek, Calif.-based health policy research organization collected responses from 1,568 employer and union representatives as well as private citizens for its study, "Health System Reform: Employers', Unions' and Citizens Views," to be published later this month.

Most respondents favor reforming health insurance coverage over other methods to improve the health care system because most people are satisfied with employment-based coverage, said Edward Davey, a principal in the New York office of A. Foster Higgins & Co. Inc.

"Most people would rather have an employer provide health care coverage than the government, but they are saying there are cracks in the system. The biggest villains in an employer-based system are the insurance companies, so they have singled out the insurance industry" as ripe for reform, Mr. Davey said.

"It's a no-brainer" that some type of insurance reforms will be included in President Clinton's health reform package expected to be released next month, he added.

But American businesses and citizens also expect cost control to be an integral part of whatever reforms President Clinton proposes, Mr. Hembree said.

According to the HRI survey, employers, union members and individual citizens are far less concerned with increased access to health care coverage than they are with issues like cost and quality. In fact, universal coverage ranked fifth among respondents' health system reform priorities, behind reducing or eliminating waste and greed, keeping the system affordable, improving quality, and improving health and wellness.

Moreover, the survey found, 72.4% of citizens cited the cost of health care as their highest personal concern, while only 28.9% cited the fear of losing their health coverage and 21.7% cited concerns that changing jobs would jeopardize their coverage.

"It's clear cost is more important than the fear of losing coverage," but the debate in Washington has focused on guaranteeing coverage rather than controlling costs, Mr. Hembree said.

Employers, union members and the American people are concerned that meaningful health care reform will be impossible unless the cost issue is addressed, he explained. "Respondents are saying cost control has to happen, but the (Clinton) administration and Congress say access has to happen. They are worried that Congress may have been standing out in left field doing lots of things to increase access but nothing to control costs."

AIDS claim costs

Continued from page 2

only 16.8% to \$1.18 billion. In 1991, costs climbed less than 12% to 1.32 billion. And, inflation was only 7.1% last year.

"Beginning in 1985, the life industry made its first announcement that it was testing individual policy applicants for HIV. By 1987, the medical community was saying pre-screening was appropriate," said an ACLI spokeswoman.

"This testing policy has moderated the effect of AIDS on the life insurance industry," she continued.

"On the health side, case management has proven its worth.

"By actively overseeing the treatment of AIDS patients, the health industry has contained costs to a certain extent," she added.

The survey also noted that as a percentage of total life and health claims, AIDS claims are not growing.

For a free copy of the 1992 ACLI-HIAA survey on AIDS costs, contact Bill Schreiner, American

Approach to reform: A surprise favorite

Employers and unions were asked which health system reform is the most preferred.

Insurance reforms	26.6%
Managed competition	18.6%
Community-based reforms	15.9%
State-based reforms	11.4%
Public/private system	10.5%
Single-payer	9.2%
Individuals required to buy coverage	6.8%
Play-or-pay	3.2%
Nationalized system	1.8%

* Total is not 100% because multiple answers were allowed
Source: Health Research Institute

GRAPHIC BY KIM MART

Unless Washington addresses these concerns, Mr. Hembree said, President Clinton's health system reform package will lose support.

According to Foster Higgins' Mr. Davey, the message has been received by the Clinton administration. "Initially, the task force was going to try to achieve universal access immediately, but now they want to phase universal access in so they can address the cost issue. It's been a subtle shift, but the government does recognize the need for cost containment."

To achieve that cost control, employers and unions indicate some willingness to support global caps on health expenditures, the HRI survey found. More than 65% of employer and union member respondents expressed "strong agreement" or "some agreement" for a proposal that would allow a National Health Board to establish global budgets or ceilings for health expenditures. This method would allow the free market and competition to operate within the ceiling set annually by the NHB.

"The idea of global caps seems to have middle-ground potential for labor and management," Mr. Hembree said.

However, 68.5% of respondents indicated some degree of agreement for allowing the free market to prevail and allowing competition among health networks to hold down costs, without global caps. And, 66.1% agreed with the establishment of specific rates that providers could charge, much like Medicare's Resource Based Relative Value Scale system.

Employers and unions also expressed willingness to offer a single health care plan as the "price" for ensuring continuation of employment-based coverage. About 87% of company and union respondents indicated strong to some agreement for offering a single health plan that limits plan members to the highest-quality and most cost-effective providers, rather than multiple plan options.

"That's really vanguard thinking. Companies and unions are saying this is what we are going to have to do" to ensure continuation of employment-based health insurance, Mr. Hembree said.

The survey question did not indicate what type of single plan companies and unions would be willing to offer, though.

Free summaries of the survey are available from the Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596.

Council of Life Insurance, 1001 Pennsylvania Ave. N.W., Washington, D.C. 20004; 202-624-2000.

Increase in AIDS claims leveling off



Sources: American Council of Life Insurance, Health Insurance Assn. of America

GRAPHIC BY JERRY PARKS

Goepfert

Continued from page 1

Officials have known of Mr. Goepfert's involvement with the company's operations for several months. Even though Mr. Goepfert pleaded guilty in 1986 to looting an Illinois-based insurer, the department insisted only that he not be paid directly by Prestige or its managing general agency and not serve as a director, officer or employee of the insurer.

However, Illinois regulators still are reviewing the September 1992 acquisition of Prestige to see if it complied with Illinois law, said James W. Schacht, the department's chief deputy director.

The 11-member investor group never sought regulatory approval before acquiring Prestige's parent company, relying on a section of Illinois insurance law waiving the requirement if no shareholder owns more than 10% of the stock.

In fact, Illinois regulators didn't find out about the takeover until after it was a done deal.

"They were quite surprised, to say the least," says Norman C. Koefoed, a former Insurance Department official who became Prestige's president and the 12th shareholder of Prestige's parent two months after the takeover.

Still, Mr. Koefoed says that Prestige has "a pretty open relationship with the department," and he defended Mr. Goepfert's advisory role, as did other shareholders and Mr. Goepfert himself.

"There's nothing hidden about any of this stuff," Mr. Goepfert said. "Everybody has known my involvement all along the way."

"I feel I'm entitled to make a living," he said.

"The man has served his time," added Shephard Lane, a New York lawyer who organized the investor group and has represented Mr. Goepfert for 20 years. "I think he's paid his debt to society. I think he's very careful these days because of having been convicted previously."

Involved in Sasse scandal

Mr. Goepfert was sentenced to 10 years in federal prison in 1982 for defrauding the Sasse Syndicate at Lloyd's of London. He later cooperated with a variety of FBI and regulatory investigations, and his sentence was reduced to roughly three years (BI, Nov. 6, 1989; April 29, 1985; April 12, 1982).

He also pleaded guilty in 1986 to charges of defrauding Illinois-based Kenilworth Insurance Co., which had collapsed in 1982 (BI, May 12, 1986; Dec. 6, 1982). His three-year sentence in that case was reduced to probation and community service.

Prestige, which has a D rating from A.M. Best Co., is a unit of Comet Motor Club Inc., which in turn is owned by Hallmark Holding Group Inc. Hallmark is not related to Hallmark Insurance Co. Inc. of Bala Cynwyd, Pa.

The insurer reported writing gross premiums of \$13.9 million and net premiums of \$9.5 million on surplus of \$3.3 million in 1992. Mr. Koefoed estimated the insurer's gross premium volume at \$18 million to \$20 million this year, the majority for non-standard auto coverages and smaller amounts from property/liability programs for taxis and restaurants, taverns and hotels.

Mr. Goepfert became acquainted with Prestige while assisting an FBI investigation of Prestige's previous owner, Sam C. Hakemian, sources familiar with the company say.

Mr. Hakemian—who has never been charged with a crime—has served as a director, officer or owner of several failed insurers, including Universal Security Insurance Co. of

Tennessee, which collapsed in 1991.

Tennessee regulators sued Prestige in 1991, seeking to recover \$1 million it alleged Mr. Hakemian had fraudulently transferred to Prestige from Universal Security.

While aware that a \$1 million seizure of Prestige assets by Tennessee regulators might have hobbled the insurer, Mr. Goepfert said he believed Prestige to be viable, and he went to Mr. Lane, the New York lawyer, to discuss finding a buyer.

Investor group formed

During July and August of last year, Mr. Lane says he acted as the "nexus" bringing together a group of investors, with suggestions from Mr. Goepfert. In addition to himself, the shareholder group that Mr. Lane lined up to buy Hallmark, Prestige's ultimate parent, included:

- Wendy M. Kidd, the wife of John E.A. Kidd.

Mr. Kidd, a British citizen, is a director and former chairman of Columbia Laboratories Inc., a Hollywood, Fla.-based pharmaceutical company that Mr. Lane said he represents as outside general counsel (see story, page 70).

As part of the Prestige acquisition, \$1.8 million in Columbia stock was contributed to Fargo Acceptance Co., a Prestige unit. Mr. Kidd contributed more than \$1 million of this stock, even though he is not a shareholder, Mr. Lane said.

Mr. Kidd also is former president of Savoy Reinsurance, a defunct Turks & Caicos reinsurer barred from writing business in two states in 1989. Regulators found that Savoy's reported assets included \$50 million in trust certificates issued by an insolvent Texas trust company and supposedly backed by gold and platinum ore in a New Mexico slag pile (BI, June 19, 1989).

Asked why Ms. Kidd is a Hallmark shareholder rather than Mr. Kidd, Mr. Lane explained that it may have been "mostly for tax reasons and considerations of that kind. . . There was no—as the English say—villainy intended."

Mr. Goepfert, however, said he "wouldn't doubt" if Mr. Kidd's connection to Savoy was a reason for naming Ms. Kidd as a shareholder.

Mr. Kidd could not be reached.

- Norman M. Meier, Columbia president and CEO, who contributed the rest of the Columbia stock to Fargo, Mr. Koefoed said.

- Margaret J. Roell, Columbia's vp and chief financial officer.

- Robert J. Jenny, a New Jersey engineer and Mr. Goepfert's brother-in-law from his first marriage.

- Christopher F. Manfre, a Florida agent and longtime acquaintance of Mr. Goepfert. Mr. Manfre, now an underwriter with Prestige's managing general agency, said Mr. Goepfert first spoke to him about becoming a Hallmark shareholder.

- Steven A. Slor, a claims manager with Florida Adjustment Bureau Inc. of Fort Lauderdale. FAB Management Inc., a claims administrator formed by Hallmark's investors, now handles Prestige's claims, Mr. Koefoed said.

- Bernice K. Kaminski, Prestige's vp-corporate affairs and Mr. Hakemian's former secretary at Universal Security, the Tennessee insurer.

Apart from the Columbia shares contributed to Fargo, no cash or other assets were contributed to Prestige or its affiliates by the investors, Mr. Lane confirmed. The investors have signed an agreement that may require them to contribute \$25,000 each in the future, he said.

Several of the investors—notably Messrs. Koefoed, Manfre and Slor and Ms. Kaminski—were recruited because they could provide services and would have an incentive to perform better as part owners of the

company, Mr. Lane said.

The investors also did not have to make any upfront cash payments to Mr. Hakemian. Under the sale agreement, Mr. Hakemian is to receive up to \$200,000 annually for 10 years, with payments adjusted to reflect Prestige's loss development. Mr. Hakemian has also been retained as a \$24,000-a-year employee of Prestige's MGA to continue his health benefits, Mr. Lane said.

The deal is struck

The investor group signed a contract to buy Hallmark and its subsidiaries last August. Mr. Lane says he then spent weeks negotiating with lawyers for the Tennessee de-

partment to settle the Universal Security lawsuit against Prestige, the resolution of which was a condition of the offer to buy Hallmark.

Everything came together on Sept. 30:

- The \$1 million structured settlement Mr. Lane negotiated was signed by Mr. Hakemian and Tennessee Insurance Commissioner Elaine A. McReynolds.

- The sale of Hallmark to the investor group was completed.

- Altheimer & Gray, a Chicago law firm representing the investors, faxed a letter to Illinois Insurance Commissioner Stephen F. Selcke reporting that the Tennessee litigation had been settled, that 11 investors had acquired Prestige's parent and that biographical data on the new owners and other forms would be filed within two weeks.

- Mr. Koefoed—who was still an Insurance Department official at the time—says Illinois regulators knew a settlement with Tennessee was being discussed, but did not know its terms and were not aware that Prestige was being sold.

"I can tell you they were very upset about it," Mr. Koefoed said.

Nevertheless, the investors maintained they were not required to make the standard "Form A" filing—which details a proposed acquisition and requires prior departmental approval—because none of the investors owns more than 10% of Hallmark and thus none is considered a controlling shareholder under Illinois insurance law.

Mr. Lane said he originally planned to make a traditional Form A filing, but Tennessee regulators had set a deadline for settlement of the Universal Security suit and the Illinois Form A process might have taken 60 days to complete.

"When the opportunity was explained to eliminate the Form A, it seemed advantageous," he observed.

The Illinois department's Mr. Schacht confirmed that regulators didn't learn of the takeover until after the fact, but he said the department is reviewing the acquisition to determine whether the investors should have filed a Form A and obtained prior approval.

If there really is no one controlling party and the group's interpretation of the insurance code is cor-

rect, the acquisition was handled properly, Mr. Schacht said.

"The department has not reached a conclusion on that," he said. "It's still being reviewed."

Mr. Koefoed and Mr. Lane, however, say they have heard nothing from regulators about a review.

"This is something that occurred in September. It seems a little late to challenge it now," Mr. Koefoed said. Since the acquisition, Mr. Goepfert has been working as a consultant to the new owners, reviewing Prestige's reinsurance, agency and other contracts.

"The only thing I'm doing is watching to see they get a decent deal," he said. "I'm not going to let

the company get stung.

"Nothing is really signed unless I look at it, but I don't negotiate it," he added, noting he may "scratch out what I don't like" in a contract.

Mr. Goepfert said he does not handle Prestige premiums or is involved in the company's day-to-day operations, describing his work as "strictly administrative stuff."

"I reserve the right to see if the company is getting a good or bad deal, and I get paid for it," he said.

Prestige canceled the Royal Standard cover in February and replaced it with coverage from Sphere Drake Underwriting Management (Bermuda) Ltd. (see story, page 70)

In addition to reinsuring \$900,000 in limits excess of \$100,000 for the hospitality program, Sphere Drake also writes up to \$250,000 in coverage excess of \$100,000 for Prestige's Illinois taxi program, Mr. Koefoed said.

Although Underwriting Management is owned by the same 12 shareholders, it is not a Prestige affiliate and Prestige thus has no liability for the balance of the settlement, he explained.

Underwriting Management has also assumed about \$920,000 in receivables owed to Prestige by Comet Motor Club and Hallmark. The insurer now holds a three-year note for the receivables from the MGA, which is paying monthly installments, Mr. Koefoed said.

The MGA also has taken on staff previously employed by Prestige, assuming obligations for salaries, benefits, office rental and other expenses the insurer had formerly paid, he added.

The MGA pays these expenses with commissions it earns on the business it produces for Prestige, leaving it with little profit, Mr. Koefoed and Mr. Goepfert say. "With all the payments (Underwriting Management) has to make, there isn't much opportunity to make any money," Mr. Goepfert said.

But they maintain the moves have bolstered Prestige's balance sheet and significantly cut its expenses.

"We've taken this company from death's door to something that's de-

cent," Mr. Goepfert said. **[B]**



GRAPHIC BY JERRY PARKS

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Banned insurers' cover canceled

Sphere Drake reinsured companies now barred in California

By DOUGLAS McLEOD

HAMILTON, Bermuda—Sphere Drake Underwriting Management (Bermuda) Ltd. has canceled excess-of-loss reinsurance it wrote last year for two offshore insurers later barred from doing business in California and other states.

Sphere Drake bound the coverage last December for Alpine Assurance Ltd. and First Assurance & Casualty Co. Ltd., both domiciled in Turks & Caicos.

Both insurers were banned earlier this year in California after regulators disallowed millions in assets listed on financial statements. California regulators, in fact, found First Assurance to be insolvent.

Both insurers previously had been barred by other states. First Assurance was declared ineligible in Illinois as far back as October 1991.

Jonathan J. Crawley, president of Sphere Drake (Bermuda), said the Alpine coverage was canceled in May at the request of Alpine's California surplus lines broker. The First Assurance coverage was canceled from its inception after the California department issued its order in April.

Sphere Drake, a captive reinsurance specialist, considered both coverages to be "agency captive" programs since the insurers' business was written by managing general agents, said Mr. Crawley.

Sphere Drake currently reinsures Illinois-domiciled Prestige Casualty Co., which it also considers an agency captive since Prestige's business is written by an MGA, Mr. Crawley added (see story, page 1.)

Sphere Drake wrote limits of \$900,000 excess of \$100,000 on Alpine's commercial auto liability business starting last Dec. 11.

The reinsurance was placed through Bermuda broker Kirkway International Ltd. and John McGarrity, confirmed Michael Woodroffe, Kirkway's president. Mr. McGarrity, former president of Bermuda-based Amberco Brokers Ltd., is now the head of JKM International Corp. of Clearwater, Fla.

Alpine reported assets of \$20.4 million and liabilities of \$1.6 million

in a Sept. 30, 1992, financial statement audited by Michael Hepburn & Co. of Nassau, Bahamas. Mr. Hepburn previously audited Savoy Reinsurance Co. Ltd., a defunct Turks & Caicos reinsurer that reported \$50 million in worthless assets in a 1988 financial statement (BI, June 19, 1989).

In reviewing Alpine's financial statement, California regulators disallowed most of the \$8 million in assets that Alpine claimed to have in a trust account for U.S. policyholders. The assets included:

- \$3.7 million in stock of Monoclonal Medical Inc., a company whose shares were deregistered by the Securities and Exchange Commission in August 1992.

Monoclonal Medical stock also appeared on the balance sheets of companies operated by insurance con man Alan Teale (BI, Aug. 9).

- A \$3 million letter of credit issued by Intel Trust & Trade Development Bank Ltd. California regulators couldn't confirm that the LOC had been assigned to a Texas bank to fund the trust account.

California examiners questioned other assets and financial data reported by Alpine, and noted that requests for documents went unanswered by James Hilbrant Insurance Services in Orange, Calif., Alpine's surplus lines broker.

James Hilbrant, the broker's principal, was ordered to stop placing business with Alpine May 25. Alpine previously had been declared ineligible as a surplus lines insurer in Illinois in March 1992.

Sphere Drake canceled the Alpine treaty after Mr. Hilbrant notified it of the California regulatory action, according to Mr. Crawley, who said Sphere Drake suffered no losses on the cover.

Mr. Hilbrant defended Alpine: "Everything about the company is real," he said. "It's not a scam."

Meanwhile, Sphere Drake reinsured limits of \$700,000 excess of \$300,000 on First Assurance's commercial property, commercial auto and general liability business as of last Dec. 1, Mr. Crawley confirmed.

California regulators barred First Assurance in April 1993 after find-

ing unacceptable assets in its financial statements, including:

- A \$3 million bond issued by a purported Texas non-profit corporation operating as a Baptist church.

- Stocks of questionable value that First Assurance failed to show it actually owned.

- Cash in bank accounts that were not in First Assurance's name. Of \$877,235 in cash reported by the insurer, less than \$400,000 was actually in First Assurance accounts; some was in personal accounts of First Assurance's owner, Jesse Maynard, regulators charged.

Before the California order, First Assurance had been barred by Texas regulators in June 1992 and Illinois regulators in October 1991.

Aware of the Texas cease-and-desist order, Sphere Drake included warranties in the First Assurance treaties that provided for their cancellation if another C&D order was issued, Mr. Woodroffe said.

The California order triggered this warranty, and the contracts on April 28 were canceled from inception. Sphere Drake had no losses on the programs and returned about \$300,000 in premium, Mr. Crawley said.

Mr. Woodroffe said initially that he had performed "in-depth" reviews of Alpine and First Assurance and did not see the two companies as problems. "Both the Alpine program and First Assurance were victims of (Insurance Commissioner John) Garamendi and his sweep-out in California," he said.

Mr. Woodroffe later conceded, though, he might have done more to check the data the insurers provided. "I think we did quite a bit of due diligence on both these accounts. Maybe we didn't do enough."

First Assurance's financial statements, audited by Ray & Associates of Dallas, did not provide details of the insurer's assets, "and we didn't dig beyond the financials," Mr. Woodroffe said. "I doubt most people would, to be quite honest."

"I suppose Jonathan and I have placed too much reliance on auditors, but who doesn't?" ■

Lawsuits allege fraud against former Savoy Re chairman

NEW YORK—Paul Kutik, former chairman of Savoy Reinsurance Co. Ltd., is being charged with stock fraud in civil lawsuits filed by the Securities and Exchange Commission and a New York stockbrokerage.

The suits allege that Mr. Kutik tried to manipulate the price of Columbia Laboratories Inc. stock in 1990 by using dummy corporations to execute buy and sell orders.

Separately, Columbia stock has been contributed to a unit of Prestige Casualty Co., which was taken over last year by an investor group that includes two officers of Columbia, a Hollywood, Fla., pharmaceutical company (see story, page 1.)

The SEC filed suit against Mr. Kutik last year in federal court in New York. The complaint says that companies he controlled pledged 360,000 shares of Columbia stock as collateral for three loans totaling \$2 million between 1988 and 1990. Under the loan agreements, Mr. Kutik's lenders could sell the shares or demand more collateral if Columbia's stock price fell below either \$8 or \$9 per share, depending on the agreement.

Columbia stock, traded on the American Stock Exchange, dropped below \$9 in 1990, and Mr. Kutik launched a scheme in which he used

accounts at seven different stockbrokerages to buy a total of 563,900 Columbia shares between June and September 1990, the SEC charges.

Mr. Kutik failed to pay on time for nearly all of the stock and never paid for 347,300 shares, the SEC charges. The brokers later sold these shares at a loss of \$1.3 million.

Columbia shares closed at \$4 on Thursday.

Mr. Kutik, who was living in London last year, denied the charges in an answer filed last September. Since then, he has failed to respond to SEC queries, and his London phone numbers have been disconnected. The SEC moved for a default judgment last month.

Jesup, Josephthal & Co. Inc., one of the brokers used by Mr. Kutik, sued him and several others, including Savoy, in federal court in New York in 1991. Savoy, a defunct Turks & Caicos insurer, once reported owning \$50 million in worthless assets (BI, June 19, 1989).

Among other things, Jesup alleges Mr. Kutik used money from a Savoy trust account to buy Columbia stock.

The suit also described a variety of alleged business dealings among Mr. Kutik, Columbia and Columbia officers. For example, Mr. Kutik introduced investors to Co-

lumbia, and one of his firms subscribed to a 1988 Columbia private placement, paying \$175,000 for 233,334 Columbia warrants. He later exercised the warrants and used some of the stock as loan collateral, the suit charges.

John E.A. Kidd, a director and former chairman of Columbia, assisted in the stock transfer for this loan, and Columbia President Norman Meier separately loaned another of Mr. Kutik's companies \$35,000, the suit charges.

Savoy, of which Mr. Kidd was president, also wrote product liability insurance for Columbia, which paid \$65,000 a month in premiums, the suit says.

However, the suit does not name Columbia, Mr. Kidd or Mr. Meier, and they have not been charged with wrongdoing in the alleged stock fraud scheme.

Columbia and its officers were, in fact, victims of the stock manipulation, said Shephard Lane, a New York lawyer who represents Columbia. Mr. Lane added that Savoy—which he represented in the Jesup case—was dismissed as a defendant. Mr. Lane also has represented Mr. Kutik in unrelated litigation.

Jesup has asked the court for a default judgment against Mr. Kutik.

—By Douglas McLeod

Update

Du Pont settles Benlate suit

COLUMBUS, Ga.—E.I. du Pont de Nemours & Co. last week settled the first of numerous product liability suits over its Benlate DF fungicide for \$4.25 million, less than 1% of the amount that four flower growers sought from the chemical giant.

Du Pont Chairman Edgar Woolard called the settlement a "victory" for the company, which still faces more than 400 lawsuits alleging that the fungicide, which was pulled from the market in 1991, caused billions of dollars in damage to crops and ornamental plants nationwide (BI, June 21).

Du Pont paid about \$500 million in 1991 and 1992 to growers who alleged Benlate damage. However, the chemical company stopped paying settlements last year, saying that its research showed no relationship between Benlate and the reported crop damage.

Diana Smith, risk manager for Wilmington, Del.-based Du Pont, said the settlement will be paid from more than \$500 million in reserves the company set up in 1991-92 excess of insurance.

The unexpected settlement came late Thursday as a federal jury here neared its second day of deliberations in the trial.

Insurers cut Texas comp rates

AUSTIN, Texas—Several workers compensation insurers are voluntarily reducing their 1993 rates for Texas policies.

Eight Travelers Corp. units that write workers comp in Texas dropped rates 13% from 1992 rates; United States Fire Insurance Co., a Crum & Forster unit, dropped rates 7.2%; six Royal Insurance Group units dropped rates an average of 7.8%; St. Paul Guardian Insurance Co. dropped rates 15%; Bituminous Casualty Corp. dropped rates 13%; and Bituminous Fire & Marine Insurance Co. dropped rates 7%.

With cost reductions achieved through the state's workers comp reform efforts, the Insurance Department had been encouraging insurers to cut their rates. However, the department announced last month that insurers must cut rates by 5% to 15% or face rollback hearings. A department spokesman said these insurers were in the process of cutting rates before the announcement.

Travelers' action was in response to the "improved, more competitive" Texas workers comp market, said a spokesman.

\$39.9 million D&O settlement

DALLAS—Three insurers are paying \$39.9 million to preclude regulators' potential claims against a failed bank's directors and officers.

The settlement amount is one of the largest involving the former officers of a collapsed U.S. bank, said a spokesman for the Federal Deposit Insurance Corp.

The settlement involving MBank-Dallas includes an agreement to release the former directors and officers of 20 banks owned by Dallas-based MCorp from any legal action brought by the FDIC.

The FDIC seized the banks in 1989 because of troubled assets and was pursuing unspecified claims against the officers.

Corporate Officers & Directors Assurance Ltd. paid \$9.9 million toward the settlement; X.L. Insurance Co. Ltd. paid \$20 million; and A.C.E. Insurance Co. Ltd. paid \$10 million.

Briefly noted

A Clinton administration task force is considering urging states to adopt a so-called "pay-at-the-pump" automobile insurance proposal as a way to improve air quality by cutting petroleum consumption. The American Insurance Assn. criticized the plan and said it "does nothing to solve auto insurance premiums in high cost states" and probably would have little positive environmental impact.

Empire Blue Cross & Blue Shield declined to comment on published reports that it will name G. Robert O'Brien as its new CEO at a board meeting Wednesday. Mr. O'Brien earlier this year left his post as president of CIGNA Corp.'s Employee Benefits and Health Care Group.

Wind, hail and tornadoes in three separate storms caused an estimated \$105 million in insured damages in Colorado, Nebraska, Ohio and Pennsylvania from July 26 to Aug. 4, said the American Insurance Services Group.

Two of **Mexico's largest multiline insurers** plan to merge in a stock transaction that could create the largest insurance holding company in Mexico. The insurers—Grupo Seguros La Commercial S.A. and Seguros America S.A.—would operate separately under new holding company Seguros La Commercial-America, though some operations would be combined.

Prudential Property & Casualty Insurance Co. named Jeffrey A. Lewis as its new president. The former Aetna Life & Casualty Co. vp succeeds Michael Caulfield, who in February had transferred to another division of Prudential Insurance Co. of America.

Shareholders of **Medco Containment Services Inc.** have filed two lawsuits seeking to block its purchase by Merck & Co. Inc. (BI, Aug. 9). Lawsuits against Medco also have been filed in California by several pharmaceutical companies and drug wholesalers alleging price discrimination.

Texas Commerce Bank bondholders, the group of muni-GIC holders which had successfully sued to achieve policyholder status in the **Executive Life Insurance Co. rehabilitation**, have rejected the most recent settlement offer from regulators (BI, June 14). They also are rejoining a motion to rescind the sale of ELIC's junk bond portfolio.

James C.H. Anderson, former CEO of risk management consultant Tillinghast, died unexpectedly at his home Aug. 4 in Stone Mountain, Ga.

A New Jersey court last week approved a rehabilitation plan for **Mutual Benefit Life Insurance Co.** under which policyholders will receive full benefits plus at least 5% interest over a seven-year period (BI, Dec. 14, 1992).

Jim Uiland will become commissioner for the Minnesota Department of Commerce, replacing Bert McKasy, who left the department Aug. 1 to run for U.S. Senate.

Clinton reform paper

Continued from page 1

that the Clinton plan would ban employers from establishing or maintaining their own health care purchasing alliances.

The benefits package offered through health alliances would be comprehensive. According to the briefing paper, the benefit plan to which all Americans would be entitled would be comparable to benefits now provided by a typical Fortune 500 company.

In addition, the benefits package would include coverage for preventive care—like routine physicals—that the administration says currently isn't provided by many of the largest U.S. employers.

Employers would pay premiums—rather than a payroll tax—to health alliances. The alliances would use the premiums to purchase coverage from insurers, health maintenance organizations and other providers.

Employers could require employees to pay no more than 20% of the premium, though the employer could elect to pay the full premium.

The briefing paper, though, does not make clear if the 20% limit on employee premium contributions also would apply for dependent coverage.

Employers now often require employees to pay between 25% and 50% of the premium for family or dependent coverage.

In addition, the employer premium contribution for part-time employees would be pro-rated so, as the briefing paper explains, an employer would pay the same premium for two employees working 15 hours a week as for one employee working 30 hours a week.

Retirees would be able to receive Medicare benefits as under the current system. However, if retirees join health alliances, they would receive prescription drug benefits, an expense Medicare does not currently cover.

Employers that provide drug benefits in their retiree health care plans could save money if retirees join health alliances.

All employers, including small employers, would have to provide health care coverage for employees.

However, the mandate would be phased-in and certain, unspecified government financial subsidies would be provided for small firms that need them.

Health alliances would have to offer participants a choice of at least three health plans, including a fee-for-service plan.

The employee—not the employer—would decide which plan he or she wants. Employees could change plans every year.

While employers would be the primary payers of health care services through premiums paid to health alliances, states would have the right to establish single-payer systems.

Currently, at least one state—Vermont—is considering a single-payer system.

Increases in health insurance premiums would be limited, though the briefing paper gives no details.

The health reform program would not be financed by any new broad-based taxes.

That provision would leave the door open to so-called sin taxes, like new federal excise taxes on cigarettes. It isn't clear if taxing employers or employees on the cost of health care benefits—an idea the administration considered earlier—would be considered a broad-based tax.

Other details laid out in the package include reforming the medical malpractice system so that injured patients go to alternative dispute resolution programs before filing suit; requiring health plans to use community rating; boosting to 100% from 25% the tax deductibility of health insurance premiums paid by the self-employed; and cutting down on the number of claims forms used by patients.

While the briefing paper offers the most complete look so far at the Clinton health care reform plan, it leaves many questions unanswered.

For example, the paper does not spell out exactly who would establish health purchasing alliances. The alliances are referred to simply as "local" in several instances.

Also unanswered is whether a very large national employer operating small subsidiaries in different states could set up one alliance covering those units.

The paper also suggests budgets would be established as a stand-by mechanism to control health care costs, but no details are provided.

But—aside from offering more details on the Clinton health package than ever have been presented—the most striking aspect of the paper is the language used in discussing health insurance companies.

The briefing paper says the Clinton package would eliminate health insurance company "price baiting and gouging" in which insurers can raise and lower rates "at their whim."

In a statement, the Blue Cross & Blue Shield Assn. said it was "surprised and dismayed" at the tone of the briefing paper.

"At every turn, insurers are portrayed as the villains in driving health care costs... We applaud the administration's determination to take the lead in reform, but we must all remember that major changes such as those that now face us require the cooperation of all affected," the association said.

The Health Insurance Assn. of America says that limiting health insurance premium increases would do nothing to attack the roots of health care inflation, which include the aging of the population and the increased use of expensive medical technology.

In general, the briefing paper offers something for everyone. Individuals would get comprehensive, secure coverage; employers' health costs would be controlled; and physicians would have less paperwork and would get lawyers "off their backs."

Much of the paper is aimed at easing the concerns of small employers, the most outspoken opponents of an employer health care mandate.

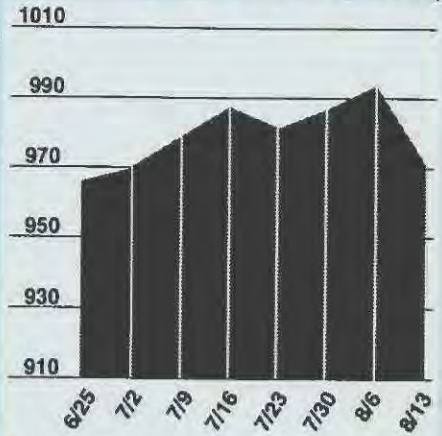
Through a system of health care alliances, small employers would have the same buying power that bigger employers now enjoy, the paper says.

In addition, by requiring all employers to offer health care coverage, the playing field would be leveled.

"Despite considerable obstacles, two-thirds of small businesses provide insurance to their employees. Many of the remaining third would like to provide insurance, but simply can't afford to. Others are simply getting a free ride. It is not fair that the dry cleaner on Main Street that covers its employees is paying more to make up for its rival across town that doesn't pay a thing," the paper says.

The briefing paper also says "efficient" health insurance companies would thrive in a reformed health care system, but health insurance agents may have to change their focus to other insurance products.

BI Insurance Index



Base = 100 on Dec. 29, 1978
Source: Nordby International Inc.

Insurance industry stocks plunged last week, as the Business Insurance Index lost 21.2 points to 970.8 on Aug. 13, from 991.9 on Aug. 6. Advancing issues for the week were led by Kemper Corp., up 8.5%; GAINSCO Inc., up 7.1%; and ACE Ltd., up 6.2%. Declining issues for the week followed: Sierra Health Services, down 12.2%; Wellpoint Health Networks, down 10.8%; and United Healthcare Corp., down 10.6%. The most active issue was U.S. Healthcare, 20 million shares traded. The BI Index lost 2.1%; the NYSE Composite was up 0.32%; the Standard & Poor's 500 gained 0.33%; and the Dow Jones 30 Industrials rose 0.26%.

British Issues

Aug. 12 Companies	Price pence	P/E	Div. pence	Yield %	1 Week	
					High—Low pence	pence
Comml Union	660	N/M	32.5	4.9	661—649	N.A.
Genl Accident	689	N/M	35.7	5.2	694—683	N.A.
Gdn Royal Exch	214	N/M	9.3	4.3	214—203	N.A.
Royal	333	N/M	6.7	2.0	347—333	N.A.
Sun Alliance	392	N/M	19.0	4.8	397—390	N.A.
Brokers						
Bradstock	143	16.7	6.8	4.8	143—143	N.A.
CE Heath	400	19.2	20.5	5.1	400—393	N.A.
Hogg Group	218	19.3	10.9	5.0	218—218	N.A.
JIB Group	213	21.1	10.0	4.7	213—211	N.A.
Lloyd Thompson	334	26.9	7.5	2.2	334—334	N.A.
Lowndes Lmbrt	429	15.3	18.8	4.4	429—425	N.A.
PWS Holdings	66	9.8	5.3	8.0	66—66	N.A.
Sedgwick Grp	202	24.3	8.0	4.0	207—202	N.A.
Steel Brt Jones	254	14.9	17.7	7.0	254—250	N.A.
Willis Corroon	236	22.0	8.8	3.7	240—236	N.A.

Source: Philip Olsen, London

BI Industry Stock Report

AUGUST 9, 1993 THROUGH AUGUST 13, 1993

	Price	Weekly % change		Year to Date % change		Annual High/Low		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	Price	Weekly % change		Year to Date % change		Annual High/Low		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	
		% change	% change	% change	% change	High	Low								High	Low	High	Low									
BROKERS																											
Acordia Inc.	NYS	25.25	1.51	17.44	25.25	15.13	156	0.44	1.74	15	7.01	3.60		Mutual Risk Mgmt. Ltd.	NYS	41.38	-3.78	2.16	46.00	30.50	127	0.28	0.68	21	7.51	5.51	
AEGON N.V.	NYS	24.88	-1.00	-6.13	28.88	23.38	164	1.00	4.02	25	10.00	2.49		NAC Re Corp.	OTC	35.38	-1.74	-12.65	44.75	27.50	217	0.16	0.45	45	13.60	2.60	
Alexander & Alexander	NYS	19.88	4.61	N.A.	20.00	16.50	55	0.00	0.00	25	3.75	5.30		National Re Corp.	NYS	35.13	0.36	18.57	39.63	19.13	217	0.12	0.34	11	N.A.	N.A.	
E.W. Blanch Holdings Inc.	NYS	30.88	3.78	9.29	37.38	21.88	78	0.72	2.33	19	6.35	4.86		Navigators Group	OTC	31.50	-3.08	-3.08	35.75	28.50	8	0.00	0.00	23	15.69	2.01	
Gallagher Arthur J. & Co.	NYS	12.25	-1.01	-21.60	16.88	11.63	60	0.44	3.59	18	3.11	3.94		Nobel Insurance LTD.	OTC	6.88	-1.79	17.02	8.25	4.25	68	0.00	0.00	3	3.91	1.76	
Hib. Rogal & Hamilton	NYS	89.38	1.27	-2.19	97.63	77.50	547	2.69	3.00	21	14.40	6.21		NWNL Companies	NYS	31.13	3.32	22.36	32.44	18.13	570	0.80	2.57	13	22.94	1.36	
Marsh & McLennan	OTC	19.38	-1.90	15.67	21.25	11.25	39	0.40	2.06	35	2.64	7.34		Ohio Casualty Corp.	OTC	67.25	0.00	6.53	68.75	59.00	61	2.84	4.22	12	43.08	1.56	
Poe & Brown	OTC	19.38	-1.90	15.67	21.25	11.25	39	0.40	2.06	35	2.64	7.34		Old Republic Int'l	NYS	24.88	-2.93	0.00	27.38	19.50	224	0.44	1.77	8	18.63	1.34	
	AVERAGE		1.0	2.1										Orion Capital Corp.	NYS	42.75	0.00	20.85	46.38	28.81	33	0.80	1.87	9	28.62	1.49	
INSURERS/REINSURERS																											
ACE Ltd.	NYS	32.38	6.15	N.A.	33.00	25.50	462	0.40	1.24	8	25.37	1.28		Phoenix RE Corp.	OTC	30.25	-7.98	92.06	34.50	9.00	1023	0.20	0.66	-168	13.32	2.27	
AEGON N.V.	NYS	47.38	1.34	13.81	49.38	37.00	36	2.90	6.12	9	34.06	1.39		Provident Life	NYS	29.13	4.95	2.19	31.50	24.75	113	1.04	3.57	11	30.39	0.96	
Aetna Life & Casualty	NYS	59.38	1.93	27.69	60.00	38.00	1089	2.76	4.65	26	67.08	0.89		Re Capital Corp.	OTC	13.75	-3.51	-16.67	16.63	12.25	193	0.00	0.00	-	16.88	0.81	
Allied Group Inc.	OTC	29.75	5.31	40.55	30.34	16.50	738	0.52	1.75	9	11.29	2.64		Reliance Group Holdings	NYS	7.38	5.36	20.41	8.50	4.63	1358	0.32	4.34	3	2.94	2.51	
Allmerica Prop. & Casualty	NYS	57.88	0.22	14.60	62.50	38.00	82	0.44	0.76	5	40.44	1.43		RLI Corp.	NYS	25.00	-2.91	1.01	28.63	18.75	165	0.52	2.08	11	17.92	1.40	
Allstate Corp.	NYS	30.00	-3.23	N.A.	31.75	27.13	1655	0.72	2.40	-53				St. Paul Companies	NYS	90.00	-0.14	16.88	91.00	67.88	255	2.80	3.11	-13	59.79	1.51	
American General	NYS	32.63	3.57	14.47	33.25	23.63	1043	1.08	3.31	13	39.89	0.82		SAFECO Corp.	OTC	64.38	3.62	13.44	66.75	48.75	1466	1.80	2.80	12	35.37	1.82	
American Heritage Life Ins.	NYS	24.50	-1.01	21.49	25.34	18.91	3	0.60	2.45	16	16.51	1.48		SCOR U.S. Corp.	NYS	15.25	-3.17	-12.86	20.75	13.13	10	0.32	2.10	-	14.39	1.06	
American Indemnity/Fin'l	OTC	16.00	4.92	166.67	16.00	4.75	8	0.12	0.75	5	14.43	1.11		Seibels Bruce Group	OTC	0.69	-8.27	-63.31	6.13	0.38	27	0.00	0.00	0	6.22	0.11	
American International (s)	NYS	96.38	0.78	24.62	96.75	61.75	2117	0.40	0.42	17	54.21	1.78		Selective Ins. Group	OTC	27.50	-3.51	25.00	27.75	19.00	149	1.12	4.07	16	20.22	1.36	
American RE Corp.	NYS	35.00	-4.11	-5.41	41.75	31.38	421	0.00	0.00	36	N.A.	N.A.		Statesman Group Inc.	OTC	13.00	2.97	8.33	16.50	6.50	422	0.20	1.54	6	6.71	1.94	
Aon Corp.	NYS	54.38	0.00	0.69	56.75	43.75	255	1.80	3.31	18	27.17	2.00		TIG Holdings	NYS	24.88	0.00	N.A.	26.50	22.88	521	0.00	0.00	-8			
Argonaut Group	OTC	33.50	1.52	9.84	35.25	27.00	49	1.00	2.99	11	21.70	1.54		Tokio Marine & Fire	OTC	65.88	2.33	37.24	65.88	38.13	13	0.00	0.00	-	70.93	0.93	
AYEMCO Group	NYS	16.88	-4.93	-27.81	27.00	16.88	55	0.44	2.61	19	7.33	2.30		Torchmark Corp.	NYS	57.75	-1.28	1.76	64.75	46.38	286	1.12	1.94	15	14.87	3.88	
Baldwin & Lyons Inc.	OTC	43.13	3.92	18.15	44.50	29.50	10	0.48	1.11	11	30.85	1.40		Transatlantic Holdings	NYS	60.25	3.88	7.35	60.25	35.63	76	2.08	0.46	19	21.65	2.76	
Berkley W.R. Corp.	OTC	41.00	-2.96	-4.65	50.00	34.00	290	0.40	0.98	16	23.51	1.74		Traveler's Corp.	NYS	32.38	3.19	18.81	33.00	17.13	1033	1.60	4.94	-5	43.85	0.74	
Berkshire Hathaway Inc.	NYS	16350.00	1.24	39.15	16350.00	16500.00	1	0.00	0.00	-	6437.25	2.54		Trenwick Group Inc.	OTC	43.00	-3.10	5.52	49.75	28.25	84	0.88	2.05	16	23.87	1.80	
Chandler Insurance	OTC	4.75	0.00	0.00	5.13	3.50	1	0.00	0.00	16	8.63	0.55		United Fire & Casualty	OTC	36.75	-3.92	-11.45	43.00	34.75	1	1.00	2.72	85	28.47	1.29	
Chubb Corp.	NYS	92.13	0.41	-3.66	96.38	73.50	544	1.72	1.87	13	40.67																



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