

Business Insurance

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NAIC panel rejects changes to CGL defense coverage

NEW YORK—A National Assn. of Insurance Commissioners working group, responding to protests by agents, has rejected proposed changes to the commercial general liability policy for third-party defense costs contractually assumed by policyholders.

The Insurance Services Office Inc. had filed new policy language that it said "broadened coverage within the indemnity limits of the CGL for reasonable legal costs for which the insured is liable under a hold-harmless agreement" (BI, Feb. 10). Pre-

Continued on next page

Antitrust case review opposed by government

By JUDY GREENWALD

WASHINGTON—Insurance industry defendants named in a massive antitrust suit say there is a good chance the U.S. Supreme Court will review their case despite a Justice Department recommendation not to hear it.

Despite the advice, defendants say several factors cited in the department's Aug. 7 brief could encourage a review.

Among these are the department's disagreement with one of the holdings of the 9th U.S. Circuit Court of Appeals—which overturned a ruling dismissing the litigation—and the department's comments on the importance and complexity of the case.

But the state attorneys general who filed the litigation say the brief clearly reduces the odds of the court taking the case.

The insurance industry defendants are asking the Supreme Court to overturn the 9th Circuit ruling, which reinstated the antitrust action after its dismissal by U.S. District Court Judge William Schwarzer (BI, Feb. 24; Jan. 20; June 24, 1991).

The Solicitor General's office of the Justice Department pre-

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Employers peel back retiree health benefits

By MARK A. HOFMANN

Cost-conscious employers are continuing to reduce retiree medical benefits as retiree health care costs persist in rising at a rate higher than inflation, according to a new survey.

Employers increasingly are likely to require retirees to pay a greater share of their health care costs, the survey says.

However, companies still are reluctant to deal with the new accounting standard for retiree health care plans, according to the 1991 "Foster Higgins Health Care Benefits Survey," to be released today by A. Foster Higgins & Co. Inc.

Only 41% of the private-sector employers responding to the survey have even begun to determine their FAS 106 liability by performing a valuation or forecast or both.

"That means they haven't really dealt with it in a serious way," said Patricia Wilson, a principal in Foster Higgins' Philadelphia office and national practice leader for retiree health care consulting. "Psychologically, I understand. It's not fun. This is something they would like to have go away."

Under FAS 106, promulgated by the Financial Accounting Standards Board, employers will be required to accrue retiree health care obligations as an expense from the time an employee is hired until he or she is eligible for benefits. The rule becomes effective for large employers for plan years beginning after Dec. 15. Employers must fully recognize their accumulated liabilities by 1993 or amortize them over a maximum of 20 years.

Retiree health care benefit costs rose by nearly 9.3% to \$2,486 per retiree in 1991 from \$2,275 in 1990, according to the survey.

While that is more than triple the current general inflation rate, which has been hovering near 3%

Heavy industries, hefty retiree care bills

Retiree health care costs in 1991 at mining and construction firms far exceed the national average of \$2,486 per retiree while costs in the health services industry are much lower.



Source: A. Foster Higgins & Co. Inc.

GRAPHIC BY JOHN HALL

Red ink not fatal for Blues plans

Consultants advise evaluating plans on individual merit

By CHRISTINE WOOLSEY

The financial woes faced by some Blue Cross & Blue Shield plans do not mean the entire BC/BS system is on its way to wrack and ruin, employee benefits experts say.

Benefit consultants are advising employers not to panic despite the attention that a recent Senate subcommittee's hearings have focused on the mismanagement and eventual collapse of a West Virginia BC/BS plan (BI, Aug. 3).

Rather, benefit managers should evaluate health insurers

—regardless of whether they are BC/BS plans or commercial health insurers—on their own merits, consultants advise.

Employers also are being told by their consultants to take with a grain of salt the ratings of BC/BS plans issued by Weiss Research Inc., a West Palm Beach, Fla.-based insurance rating agency. According to the Weiss ratings, released in May, nearly 25% of the 73 independent BC/BS plans are "weak" or "very weak."

Some critics charge the ratings may be flawed because they do not look as closely at individual plans' operations as do ratings of other insurers issued by agencies like A.M. Best Co., Moody's Investors Services Inc. and Standard & Poor's Corp.

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Rush on to repair QE2

By WILLIAM PITT



AP/Wide World Photo

The Queen Elizabeth 2 suffered a 300-foot gash in its hull when it ran aground near Martha's Vineyard, Mass.

LONDON—Repair workers in Boston are engaged in a race against time to make the luxury passenger liner Queen Elizabeth 2 seaworthy again and stem the loss of revenues from voyages canceled after the vessel ran aground Aug. 8.

The Cunard Steamship Co. P.L.C., the QE2's owner, still was optimistic last week that repairs would be completed in time for the liner's scheduled departure Tuesday from New York to Southampton, England. Two intervening transatlantic cruises were canceled.

However, a spokesman for London-based Cunard said this would hinge on the U.S. authorities allowing the vessel to sail with the damage only temporarily repaired. The QE2 is scheduled for complete

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Update

NAIC panel rejects CGL change

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viously, coverage for these risks—such as when a subcontractor holds a general contractor harmless for claims arising from the subcontractor's work—was available only as an endorsement, an ISO spokeswoman maintained.

However, the National Assn. of Casualty & Surety Agents, a Washington-based trade group, protested, contending that existing policy language covers defense costs in such situations. NACSA charged ISO with attempting to incorporate "defense within limits." ISO specifically denies the charge.

According to ISO, "The new language applies only to third-party legal costs the insured has agreed to assume. The insured is still entitled, as always, to 'defense outside of limits.'"

The NAIC CGL Policies Working Group agreed with NACSA and rejected the proposed changes as "defective and ambiguous."

Dominick Yezzi, assistant vp of ISO's commercial casualty department, said late last week that the rejection was "incorrect." ISO continues "to stand behind our previous statement that what we have filed is a broadening of coverage, and that we have not introduced defense within limits since the expense of defending the insured continues to be outside the indemnity limit," he said.

House to consider family leave

WASHINGTON—The House is expected to follow the Senate's lead by September in approving a compromise family leave bill covering employers with 50 or more workers.

The Senate approved S. 5 last Tuesday on a voice vote. The bill, the Family and Medical Leave Act, would require employers with 50 or more employees to permit workers 12 weeks of unpaid family leave annually (BI, Aug. 10). Employers would also have to provide medical coverage for employees on leave, but would be allowed to recover the premiums from workers who did not return to the job.

To qualify for leave, employees must have worked at least 25 hours per week, or a minimum of 1,250 hours, during the previous year. So-called "key employees," the highest-paid 10% of a given workforce, would not be covered by the bill.

The House adjourned last week for the Republican National Convention recess before voting on the bill. Both supporters and opponents of the bill have said that a House vote is unlikely before September. Both the House and Senate passed similar versions of the family leave bill last year with bipartisan support, but lacked a veto-proof majority.

President Bush has threatened to veto the bill despite pleas from some of his strongest supporters in Congress. The president and many employer groups maintain that leave policies should be worked out between employers and workers, not set by law.

PBGC, Icahn talks stall

WASHINGTON—Discussions have stalled between Trans World Airlines Inc. owner Carl Icahn and the Pension Benefit Guaranty Corp. on how much Mr. Icahn should pump into two massively underfunded TWA pension plans before he can sell the ailing airline to employees and creditors.

TWA is willing to pledge its Kansas City, Mo., maintenance base and its international routes as collateral in the event the pension plans are later terminated, and Mr. Icahn is willing to put another \$50 million into the plans, according to TWA attorney Terry Deneen, a partner with Groom & Nordberg in Washington.

A PBGC spokeswoman said Mr. Icahn's proposal is "not a serious offer. His offer is not sufficient protection for the pension plans. The PBGC has no problem with Mr. Icahn stepping down from TWA as long as he steps up to his responsibilities to the pension plans."

The federal agency wants Mr. Icahn to agree to an ongoing funding commitment backed by collateral. If an agreement is not reached, the PBGC could terminate the plans and try to recover its losses from Mr. Icahn and the companies he controls.

The two plans cover more than 42,000 people and have \$1.2 billion in unfunded liabilities, according to the PBGC.

Maine work comp withdrawal

AUGUSTA, Maine—Maine Bonding & Casualty Co. plans to withdraw from the Maine workers compensation market Dec. 31.

The Portland, Me.-based insurer filed a withdrawal request with Insurance Superintendent Brian Atchinson late last month, reserving the right to withdraw earlier if need be, said Grover Czech, vp-government affairs for its parent, Maryland Casualty Co.

The latest withdrawal request came on the heels of a July 1 request by Commercial Union Insurance Co. of Boston (BI, July 20). The insurers are two of the few remaining in the state's residual market, where most policies are written.

Insurers in Maine must leave the market by Dec. 31 to avoid 1993 residual market assessments, which are shared between employers and insurers.

Court supports vacated rulings

SAN FRANCISCO—Appellate courts should routinely vacate trial court judgments when requested to do so as part of a settlement, the California Supreme Court has ruled.

Over a strongly worded dissent, a 6-1 majority said on Aug. 13 that appeals courts should grant requests to vacate rulings absent "extraordinary circumstances," like a compelling public interest.

"The appellate courts have enough to do without deciding cases the parties no longer wish to litigate," wrote Justice Marvin Baxter.

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2 states press forward with health reform ideas

By LOUISE KERTESZ

The states of Washington and Hawaii are pushing ahead with health care reform plans even though the Bush administration dealt a staggering blow to Oregon's reform efforts earlier this month.

Members of a Washington panel are reviewing recommendations for setting up a universal coverage plan in that state, while Hawaii's top health official wants Congress to set up a plan

for all 50 states modeled on the Hawaii universal coverage plan.

Officials in both states say that Oregon's request for a Medicaid waiver for its rationing plan fell victim to presidential politics. They say other states will fare better as pressure grows on Congress to allow reform experiments (BI, Aug. 10).

Officials in Washington and Hawaii are particularly encouraged by the introduction last week of the "State Care Act of 1992," sponsored by Sen. David

Pryor, D-Ark., and Sen. Patrick Leahy, D-Vt. (BI, June 29).

The bill, S. 3180, aims to encourage comprehensive state reform plans. It would develop "a streamlined and expanded 'one-stop-shop' waiver approval process that removes overly burdensome administrative, regulatory and statutory Medicare, Medicaid and Employee Retirement Income Security Act requirements," according to a summary of the bill.

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Study says joint and several liability to hurt economy

Report blasts S&L litigation

By MARK A. HOFMANN

WASHINGTON—Suits against accountants, lawyers and other professionals in connection with failed savings and loans will cost the U.S. economy an average of \$17.8 billion per year through 1996, according to a study commissioned by the American Tort Reform Assn.

Those costs could be curtailed by making the defendants liable only for the portion of damages

that their misconduct actually caused, suggests the business-backed lobbying group.

Consumer groups, on the other hand, contend that joint and several liability is necessary to punish those who committed fraud.

The ATRA study, "The Economic Effects of Scapegoat Litigation," holds that the "increased cost of legal, accounting and investment banking services, due to increased effort and malpractice insurance costs, over the

next five years will raise the cost of new investment on average slightly more than 1.0% annually" from now to 1996.

Small businesses will bear a disproportionate burden of the increase, the study says, because the percentage increase in the cost of raising small amounts of capital will be nearly three times that of raising large amounts.

And accountants, among other peripheral participants, will feel

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IRS rules threaten VEBAs

Proposal would hurt trade groups' plans

By JERRY GEISEL

WASHINGTON—Unbowed by an appellate court ruling against its prior rules, the Internal Revenue Service is proposing new regulations that could cripple the ability of national trade associations to sponsor Voluntary

Employee Beneficiary Associations.

Under the new proposal, trade associations sponsoring nationwide VEBAs essentially would have to break up those VEBAs into smaller trusts that employers in only a very limited geographic area could join.

That would inflate administrative costs and reduce a VEBA's buying power.

VEBAs, which are sponsored

by individual employers as well as trade associations, are a popular way to tax-effectively fund health care and long-term disability benefits. Employers can take tax deductions for contributions, which are used to pay claims or to purchase insurance, like a stop-loss policy.

Under the proposed rules, trade association VEBAs, also known as 501(c)(9) trusts, gen-

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Baby Bells draw up benefit changes

By EILEEN P. GUNN

Increased health care cost sharing and improved preventive care benefits are included in tentative agreements drawn up early last week between four regional telephone companies and their chief union, the Communications Workers of America.

Changes in health care benefits also include expanded mental health, women's health and dependent care programs.

Negotiations between the union and subsidiaries of Southwestern Bell Corp., Bell South Corp., Pacific Telesis Group and Ameritech Corp. were quiet compared with labor talks three years ago, when workers struck several of the so-called Baby Bells over attempts to shift health care costs to employees (BI, Aug. 14, 1989).

Another Baby Bell, Bell Atlantic, was still at the bargaining table late last week. Disagree-

ment over whether a portion of health insurance premiums would be shifted to retirees stalled talks between the Philadelphia-based company and the CWA.

NYNEX Corp. came to terms with labor unions last September, well before contracts expired. Contracts at US West expired at midnight Saturday.

And Southern New England Telecommunications Corp. has

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Surplus lines market report

Insurers, wholesalers specialize to compete with admitted market

By DAVE LENCKUS

After years of negotiating the choppy waters of the soft property/casualty insurance market, and with more rough sailing on the horizon, surplus lines insurers and wholesalers are now getting their sea legs.

Competition remains fierce from the admitted market, and the stagnant economy is cutting into surplus lines business as well.

But, surplus lines market executives are not waiting around for a hardened marketplace or a booming economy. Instead, they are becoming more aggressive in their efforts to maintain and increase premium volume by developing niche products. Some also are improving their distribution systems.

The non-admitted market must come to grips with the soft market and is exploring ways to

maintain premium volume despite adverse underwriting conditions, said Seth D. Freudberg, president and chief executive officer of United National Insurance Co. of Bala Cynwyd, Pa.

"I think the surplus lines market has stopped whining about the soft market and has decided to tighten its belt and focus on different ways of sustaining itself," Mr. Freudberg said. "As an industry, we're focusing more on niches, acquisitions and expanding our production base."

Indeed, a Conning & Co. study scheduled to be released later this month found that specialization defines the surplus lines market today.

Some insurers and wholesalers even are adding personnel to improve customer service, though others are cutting staff to streamline operations.

Despite heated competition from the admitted 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	
	1991	1990		1991	1990		1991	1990
Lexington Insurance Co. American International Group Inc.	\$745,207,428	\$861,468,986	-13.5%	\$770,483,412	\$899,690,202	-14.4%	89.8%	85.5%
Scottsdale Insurance Co. Nationwide Mutual Insurance Co.	517,801,293	531,648,440	-2.6	1,027,553,920	812,663,445	26.4	104.0	109.6
American International Surplus Lines Insurance Co. American International Group Inc.	208,490,844	38,288,931	444.5	242,293,032	76,938,481	214.9	88.2	82.0
General Star Indemnity Co. General Re Corp.	161,395,887	152,473,564	5.9	164,965,585	156,115,897	5.7	95.1	94.8
Reliance Insurance Co. of Illinois Reliance Group Holdings Inc.	140,767,481	159,342,047	-11.7	179,809,280	198,537,304	-9.4	114.4	109.6
United National Insurance Co. American Manufacturing Corp.	128,986,372	105,381,771	22.4	162,631,949	138,019,788	17.8	94.1	95.0
Illinois Insurance Exchange	116,159,143	121,735,229	-4.6	149,099,893	156,994,576	-5.0	97.4	93.7
First State Insurance Co. ITT/Hartford Group Inc.	111,429,439	87,150,257	27.9	282,111,282	272,202,151	3.6	109.4	108.3
Evanston Insurance Co. Markel Corp.	97,981,583	91,923,545	6.6	140,200,609	123,213,136	13.8	116.9	96.7
St. Paul Surplus Lines Insurance Co. The St. Paul Cos. Inc.	95,286,469	94,911,332	0.4	124,251,979	122,913,527	1.1	104.1	103.1

Source: BI survey

GRAPHIC BY CHRIS ROY

Ten largest U.S.-based insurance wholesalers

Brokers Parent company	Premium volume		% change	Gross revenues		% change	Percent surplus lines ¹	
	1991	1990		1991	1990		1991	1990
Swett & Crawford Group The St. Paul Cos. Inc.	\$527,018,000	\$533,861,000	-1.3%	\$51,050,000	\$51,262,000	-0.4%	65.0%	65.0%
Price Forbes North America Sedgwick Group P.L.C.	424,000,000	403,600,000	5.1	38,000,000	36,000,000	5.6	65.0	75.0
Tri-City Insurance Brokers Inc. Privately held	318,888,888	288,888,888	10.4	19,500,000 ^E	17,800,000 ^E	9.6	10.0	10.0
Alexander Howden North America Inc. Alexander & Alexander Services Inc.	277,979,212	255,612,706	8.8	17,184,397	17,046,000	0.8	20.0	28.0
Stewart Smith Group Inc. Willis Corroon P.L.C.	260,000,000	256,000,000	1.6	20,797,000	20,294,000	2.5	63.0	64.0

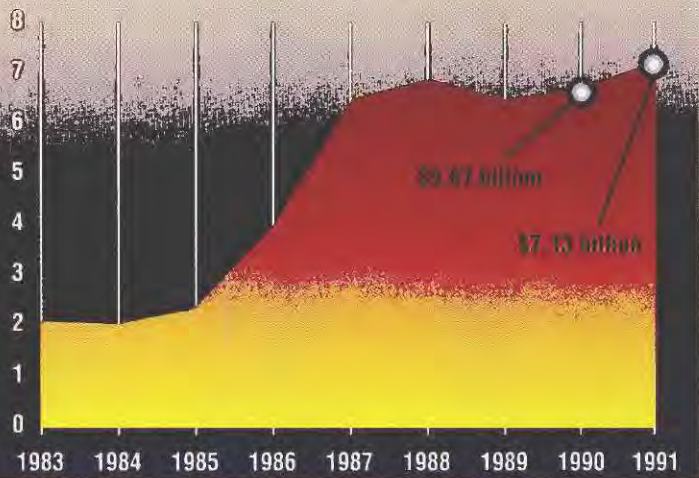
MGAs/Underwriting managers Parent company	Premium volume		% change	Gross revenues		% change	Percent surplus lines	
	1991	1990		1991	1990		1991	1990
The Schinnerer Group Inc. Marsh & McLennan Cos. Inc.	\$452,000,000	\$489,000,000	-7.6%	\$38,500,000 ^E	\$41,565,000 ^E	-7.4%	5.0%	5.0%
The London Agency Inc. Crum & Forster Inc.	393,496,000	419,878,000	-6.3	N/M	N/M	-	10.0	10.0
Crum & Forster Managers Group Crum & Forster Inc.	276,321,000	293,010,000	-5.7	N/M	N/M	-	13.0	21.0
General Star Management Co. General Re Corp.	194,493,754	189,224,310	2.8	N/M	N/M	-	72.2	74.2
K & K Insurance Group Inc. Lincoln National Corp.	162,485,000	150,143,000	8.2	38,054,000	37,027,000	2.8	4.0	4.0

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

GRAPHIC BY CHRIS ROY

Surplus lines premiums

Surplus lines premium volume rose 6.9% in 1991 after two years of slight growth.



Source: BI survey of state insurance departments

GRAPHIC BY KIMBERLY MART

Surplus lines

Continued from previous page
market, surplus lines premium volume rose 6.9% to \$7.13 billion in 1991 from \$6.67 billion in 1990, when volume grew by only 3.7% (see charts, pages 4 and 11).

But, not all surplus lines insurers fared equally. Conning found that premiums for the 65 insurers it surveyed increased only 1.9% in 1991.

According to figures provided to *Business Insurance*, six of the 10 largest U.S.-based surplus line insurers reported growth in direct, non-admitted premiums in 1991 compared to 1990. The largest increase was a whopping 444.5% gain by American International Surplus Lines Insurance Co., an American International Group Inc. unit. Among the other five insurers that reported gains, increases ranged from 0.4% to 27.9%.

Premium declines reported by the other four insurers in the Top 10 ranged from 2.6% to 13.5%.

Two insurers—both of which started writing surplus lines business in the last few years—joined the ranks of the Top 10. AI Surplus rocketed to third place with \$208.5 million of non-admitted direct premiums. And, Reliance Insurance Co. of Illinois, a unit of Reliance Group Holdings Inc., ranked fifth based on \$140.8 million of premium.

Two insurers were knocked off the list: Admiral Insurance Co., the W.R. Berkley Corp. unit that ranked eighth in 1990, and CIGNA Corp. unit California Union Insurance Co., which ranked 10th.

Among wholesalers, there were only a few changes in the rankings.

Broker Alexander Howden North America Inc., an Alexander & Alexander Services Inc. unit, moved into fourth place on the strength of an

8.8% jump in premium volume. Stewart Smith Group Inc., the Willis Corroon P.L.C. unit formerly called Willis Faber Holdings Inc., dropped to fifth place, despite its own 1.6% increase.

Missing from this year's managing general agents/underwriting managers list is Cameron & Colby Inc. The underwriting manager, which ranked No. 4 last year, no longer exists due to restructuring by parent IIT/Hartford Group Inc. (*BI*, Aug. 12, 1991).

General Star Management Co., a General Re Corp. unit, moved up to fourth place. And, K&K Insurance Group Inc., a Lincoln National Corp. unit in Fort Wayne, Ind., debuted in the rankings at No. 5.

Surplus lines market executives say they are moving in the right direction in the face of continuing tough market conditions. Despite hints of rate hardening in isolated lines of business, they expect continuing stiff competitive conditions.

Saying the predictable three- or four-year cycle is over, Kieran P. Burke, president of Tri-City Insurance Brokers Inc. in New York, foresees a market turn by 1994.

"It will be triggered by heavy underwriting losses coupled with insurers being forced to employ risk-based analysis of reserves and capital," he said, referring to proposed risk-based capital regulations (*BI*, June 15).

While the London market has come under some pressure, "we currently do not see any evidence" of a hardening market before the end of 1993, said Warren Stanley, president and chief executive officer of Los Angeles-based broker Swett & Crawford Group. The St. Paul Cos. Inc. unit is the nation's largest wholesaler.

Tremendous capacity in the admitted market will forestall a surplus lines market resurgence "anytime soon," predicted Pennington H. Way III, executive vp of Reliance National Insurance Co., who is responsible for surplus lines business written by Reliance of Illinois.

"The flagship companies are siphoning off more and more surplus lines business, and I see no halt to that," he said. Mr. Way pointed out that Reliance National, as an admitted company, is "making filings every month for lines of business that in the past would be guaranteed surplus lines."

"Across most program lines we are dealing with intense competition and rampant price cutting," said Richard J. Walk, senior vp of The Schinnerer Group Inc. in Chevy Chase, Md. The Marsh & McLennan Cos. Inc. unit ranked No. 1 among MGAs/underwriting managers.

Fortune 500 property/casualty risks are among the first targets of price competition among the specialty underwriting units of admitted insurers and—to a lesser extent—among surplus lines insurers, said Ralph J. Palmieri, president of First State Insurance Co., a Hartford Group unit in Boston.

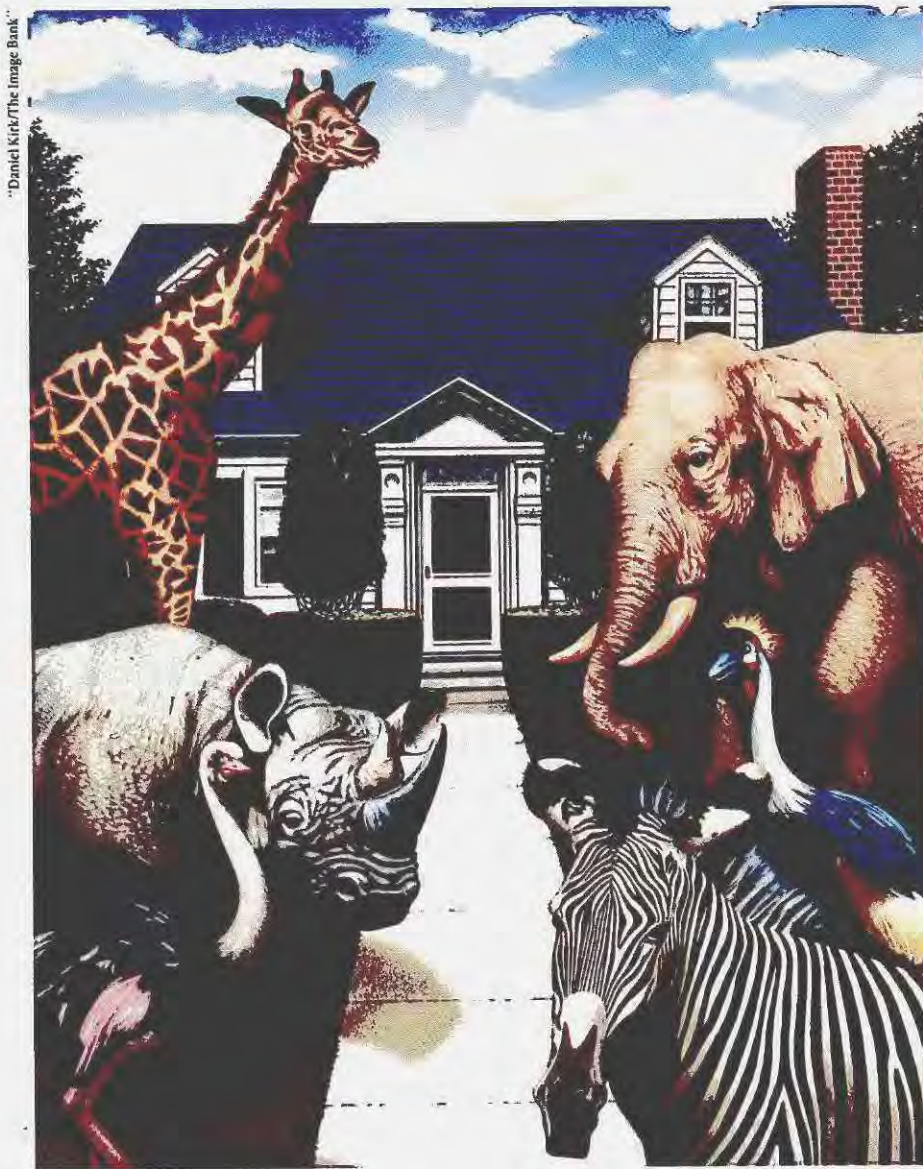
Competition for architects and engineers professional liability business and hospital excess professional liability business also is hotly competitive, Mr. Walk said.

After the H.S. Weavers (Underwriting) Agencies Ltd. line slip shut down in 1990, "we anticipated that some sanity might return to the market," but it did not, he said.

And, when losses at Lloyd's of London began to mount, some hospitals switched to domestic insurers "willing to offer coverages at what we think are totally insufficient rates," Mr. Walk said.

Liability insurance rates for concert promoters, performers and venues also remain "unrealistically

Continued on page 6



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Surplus lines

Continued from page 4
 competitive," said Jerry Tegan, executive vp of K&K.

"People are actually writing (concert coverages) for less than the actual loss cost of a year ago," said Michael S. Mullen, president and CEO of K&K.

But, K&K maintains a walk-away price for all risks and is willing to lose market share for the sake of long-term stability, the MGA's executives say.

One of the biggest differences between admitted insurers and surplus line insurers is that the latter put a greater emphasis on making an underwriting profit, said Kevin P. Brooks, president of General Star Indemnity Co. and General Star Management in Stamford, Conn.

"There is always a price where a carrier simply says, 'Don't need that

one,'" said Edward F. Casey, president of Stewart Smith Group Inc. of Los Angeles.

While some markets say they are adamant about not cutting rates, others say there is still some fat that can be trimmed.

Noting that all risks written by Reliance of Illinois are subjected to "heavy actuarial analysis" that results in very specific pricing guidelines, Mr. Way said: "In some cases, we've found that our rates were higher than they had to be. And, rather than lose the business, we will reduce prices somewhat. But we're not participating in wholesale price reductions or major price reductions."

General Star Indemnity is cutting rates on only a few lines for which the experience has been good, like entertainment business, Mr. Brooks said. But, most of its larger accounts have fled to admitted in-

surers charging lower prices.

Also competing with the surplus lines market are alternative risk financing mechanisms.

"Unlike the last soft market, the captives and risk retention groups that were formed in a previous hard market aren't falling apart," United National's Mr. Freudberg pointed out.

Add the recession to intense rate competition and the market has taken a double hit, surplus lines executives observed. The weak economy reduces demand for capacity as policyholders go out of business and as sales, on which premiums for some coverages are based, dwindle.

"If I was going to be concerned about something, I would be more concerned about the economy than the marketplace," said Orville D. Jones, president and CEO of Crump E&S Group Inc., a Price Forbes North America unit in Dallas. "If

the economy expands, there are new risks to insure—new opportunities."

But, many surplus lines executives are trying to create new opportunities now by developing and aggressively marketing new products.

I think growth is really the target a lot of companies are on, rather than their bottom line, which doesn't help firm the rates up," said Rolland L. Wieggers, president of Scottsdale Insurance Co. of Scottsdale, Ariz., a unit of Nationwide Mutual Insurance Co.

But, that is no easy task.

"We always are striving to grow year over year. But we also have to be realistic in this insurance market that that is a very, very difficult, if not impossible goal," Schinnerer's Mr. Walk said.

Though Scottsdale's new programs are beginning to take hold, growth is "not going to be accomplished without a lot of blood, sweat

and tears," said Vickie Kartchner, vp in charge of the insurer's specialty division.

For Scottsdale, those new products include a program that provides up to \$5 million in attorneys malpractice coverage and professional liability coverages for media professionals.

A new product for AIG unit Lexington Insurance Co. of Boston is a hospital capitation product. It offers stop-loss coverage to hospitals for higher-than-expected costs of treating members of managed care entities with which hospitals have capitation agreements.

General Star Indemnity is expanding into several areas, including liability coverage for daycare centers, sporting events and petroleum storage tank contractors.

Tri-City is venturing into the wrongful termination coverage. "It is often rolled into D&O, but it does not automatically cover the corporation," Mr. Burke said.

In some cases, surplus lines insurers are even entering what has traditionally been the domain of admitted companies. An example is Main Street and "mom and pop" business, which admitted insurers are overlooking in search of more tantalizing business, Mr. Burke explained.

Meanwhile, rates are hardening in some areas.

The property insurance market, while depressed, appears to have hit bottom, and the market for energy risks is tightening, said Lexington President Kevin H. Kelley.

He noted that signs also indicate some rate hardening—by up to 10% to 15%—for directors and officers liability coverage and miscellaneous professional liability coverage, not including lawyers, accountants, and architects and engineers risks.

With the surplus lines market's emphasis on new business, some insurers plan to add to their staffs.

For example, Lexington will be expanding and reorganizing its London office to develop its international property department to take advantage of the firming market for energy risks and other profitable property lines.

And, Scottsdale's specialty underwriting division has grown to 110 employees from 75 a year ago.

Some insurers also are trying to generate more business by using more producers.

"Our philosophy during soft markets is that you...expand your production base and market more aggressively," United National's Mr. Freudberg said.

To expand its special-accident business, Lexington is planning to expand its network of producers and add staff.

A few wholesalers also are adding to their staffs.

Price Forbes' employee count rose to 360 last year from 333 as Crump E&S continued to beef up its brokerage staff and added employees through an acquisition.

Crump E&S will continue to add to its broker ranks and plans to begin recruiting college graduates to train from the ground up, Mr. Jones said.

Other insurers and wholesalers, though, are streamlining their operations to increase efficiency.

For example, First State cut its staff by about 7% to 335 by the end of last year from 358 a year earlier, largely through attrition.

Reduced overhead and a 12% staff cut—to 580 in 1991 from 661 in 1990—enabled Swett & Crawford to boost its revenues per employee 13% despite lower premium volume.

And, increased automation has allowed K&K to cut staff—mostly clerical workers—by 21% to 346 in 1991 from 438 in 1990.

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Opinions

Later is better for IRS rules

WHEN BENEFITS regulations that employers need to help them comply with federal law are more than three years overdue, yet another delay is not normally good news.

But the Internal Revenue Service's decision to delay its pension non-discrimination rules by one year to January 1994 is a welcome development (*BI*, Aug. 10).

Through the delay, the IRS is avoiding what surely would have been a repeat of the political firestorm generated last year when the agency proposed what were supposed to be "final" pension non-discrimination regulations.

Even though the IRS itself missed the congressional deadline to publish the rules by three years, it wanted employers in a matter of weeks to master and comply with hundreds of pages of bureaucratic gobbledygook.

The congressional reaction to the IRS' demand for immediate compliance—nothing less than unmitigated gall on the part of the IRS—was swift. Legislators, prodded by employers, warned the IRS that if it didn't delay the non-discrimination rules, Congress would.

The IRS got the message and earlier this year delayed the regulations' effective date until January 1993.

It's already August, and the IRS still is a long way from a promised rewrite of the regulations. If it were to publish a new batch of regulations later this year, employers again would face the same problem: They would be expected to shortly comply with rules that it took the IRS a lot longer to promulgate.

Delaying the rules' effective date until 1994—assuming the IRS can get its act together and publish the new rules well before then—will give employers sufficient time to properly analyze the rules and map out compliance strategies.

A delay serves another important purpose: It will



"OH, ALL RIGHT... WE'LL FILL IT FIRST!!"

give the IRS more time to produce a better set of rules. Even the IRS admits its earlier rules were way too complex. While we don't think the new rules can be laid out in six—or even 60—pages, the explanation shouldn't take more than 600 pages, as the first set did.

If the Bush administration's goal is to simplify the government regulations that businesses must follow, it should turn its scrutiny to the IRS' pension regulations.

Happily, the IRS already has begun a simplification process. In May, for example, it proposed to give most employers the option of running the non-discrimination tests every three years rather than annually.

Delaying the effective date of the rules will give employers a new opportunity to provide comments to the IRS.

Letters

New approaches needed for mental health UR

To the editor: The article, "Hospital Chain Sues Insurers over Mental Health Claims" (*BI*, July 27), reminded me of how difficult it is to rationalize the treatment of mental conditions, and I will be most interested to see how the legal struggle eventually is resolved.

I do think it's only fair that someone tells Dr. Leo H. Bradman that his suggested solution to the problems created by current efforts to apply managed care techniques to the treatment of mental illness is not a new one.

Back in the early 1980s, the American Psychiatric Assn. and the American Psychological Assn., both of which are provider organizations, established national utilization review programs under a contract with the Civilian Health Program of the Uniformed Services, better known as CHAMPUS.

All review work was done by practicing members of the two associations. Review criteria were developed by committees set up by each association. Both

programs experienced a period of success and rapid growth. A number of major insurers contracted with the associations for their UR services. The early work of these two programs provided the foundation for many of today's success managed behavioral care organizations.

However, both programs faced constant resistance from a significant sector of the associations' memberships. The resistance eventually led to the demise of both programs: The psychologists' program was terminated in 1986, while the psychiatrists' program survived until 1989 when it, too, was terminated due to member pressure.

By early 1989, the resistance to managed care within the American Psychiatric Assn. peaked. There were demands that the APA be proactive and fight the growing managed care industry rather

than take an active role in shaping the future of managed behavioral health. To do so, the association had to terminate its own UR activities. The program was terminated and replaced by a "hot line" for members to call in complaints against managed care with the hope that an egregious case would be uncovered and that appropriate legal action could be taken.

I would only suggest that observers review the history of these two provider efforts at utilization review before advocating the establishment of provider-sponsored utilization review as the solution to the problems of managed behavioral health care.

Norman R. Penner

Former Director
Office of Quality Assurance
American Psychiatric Assn.
Novato, Calif.

Hardship fund will not pay losses

To the editor: An Aug. 3 story, "Un-easy Vote of Confidence Seen at Lloyd's," reports that a "hardship" fund under consideration at Lloyd's of London "is designed to help beleaguered members pay their portion of billions of pounds in losses."

On behalf of the brokers that are sponsoring the proposed fund, I wish to say this is not the fund's purpose. Brokers should not, and will not, meet insurance losses.

All contributions from brokers will be made available to the Lloyd's hardship committee and will be used to provide a better standard of living to those individuals who have made every endeavor to meet their underwriting losses and, as a result, are suffering hardship.

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The soft market has not stalled surplus lines premium growth, with 1991 premiums rising at nearly double the rate of growth reported for 1990.

State insurance departments surveyed by *Business Insurance* reported that nationwide surplus lines premiums totaled \$7.13 billion in 1991, up 6.9% from a restated \$6.67 billion in 1990. That 1990 volume is 3.7% greater than restated 1989 premiums of \$6.43 billion.

Many state insurance departments restate their original figures as more accurate information becomes available during the year.

California in 1991 again had the largest surplus lines premium volume of all states—\$1.47 billion, down 2% from \$1.5 billion in 1990.

Texas, with the second-largest volume, saw surplus lines premiums surge 55% to \$1.1 billion from \$706.7 million in 1990.

In addition to Texas, other jurisdictions with sizable gains in surplus lines pre-

Surplus lines growth reported by states

Volume rises 6.9% despite soft market

mium volume in 1991 were: South Dakota, up a whopping 124.7%; District of Columbia, 64.9%; Iowa, 24.5%; Tennessee, 22.8%; and Nevada, 20.9%.

A total of 34 jurisdictions posted higher surplus lines premiums last year.

The states with the largest declines in surplus lines premium volume were: Michigan, down 16.4%; West Virginia, 16%; North Dakota, 15.8%; Oklahoma, 13.3%; and Vermont, 10.6%.

Overall, 17 states posted lower surplus

lines volume in 1991.

Separately, 12 states reported that changes to surplus lines laws were enacted in 1991.

These ranged from small changes in the language of surplus lines statutes to changes in surplus lines brokers' filing requirements to hikes in taxes on surplus lines premiums.

For example, Colorado raised its tax rate to 3% from 2%, effective this year, while Kansas raised its tax rate to 6%

from 4%, effective July 1, 1992.

And Wyoming introduced a law requiring surplus lines insurers to have minimum capital or surplus of \$3.5 million or an equal amount in a U.S. trust account administered by a "recognized financial institution," up from \$500,000.

California has proposed a similar change, which would require surplus lines insurers to have a minimum capital and surplus of \$15 million with at least \$5.4 million in funds maintained in a U.S. trust account (*BI*, Aug. 3; Nov. 11, 1991).

Proposals to change surplus lines statutes are pending in five states, including California. They range from proposals to adopt National Assn. of Insurance Commissioners' model laws to legislation that would allow disability coverage to be written by surplus lines insurers.

And, according to the Pennsylvania Insurance Department, legislation is pending in the state that aims to modernize the state's 1966 surplus lines law.

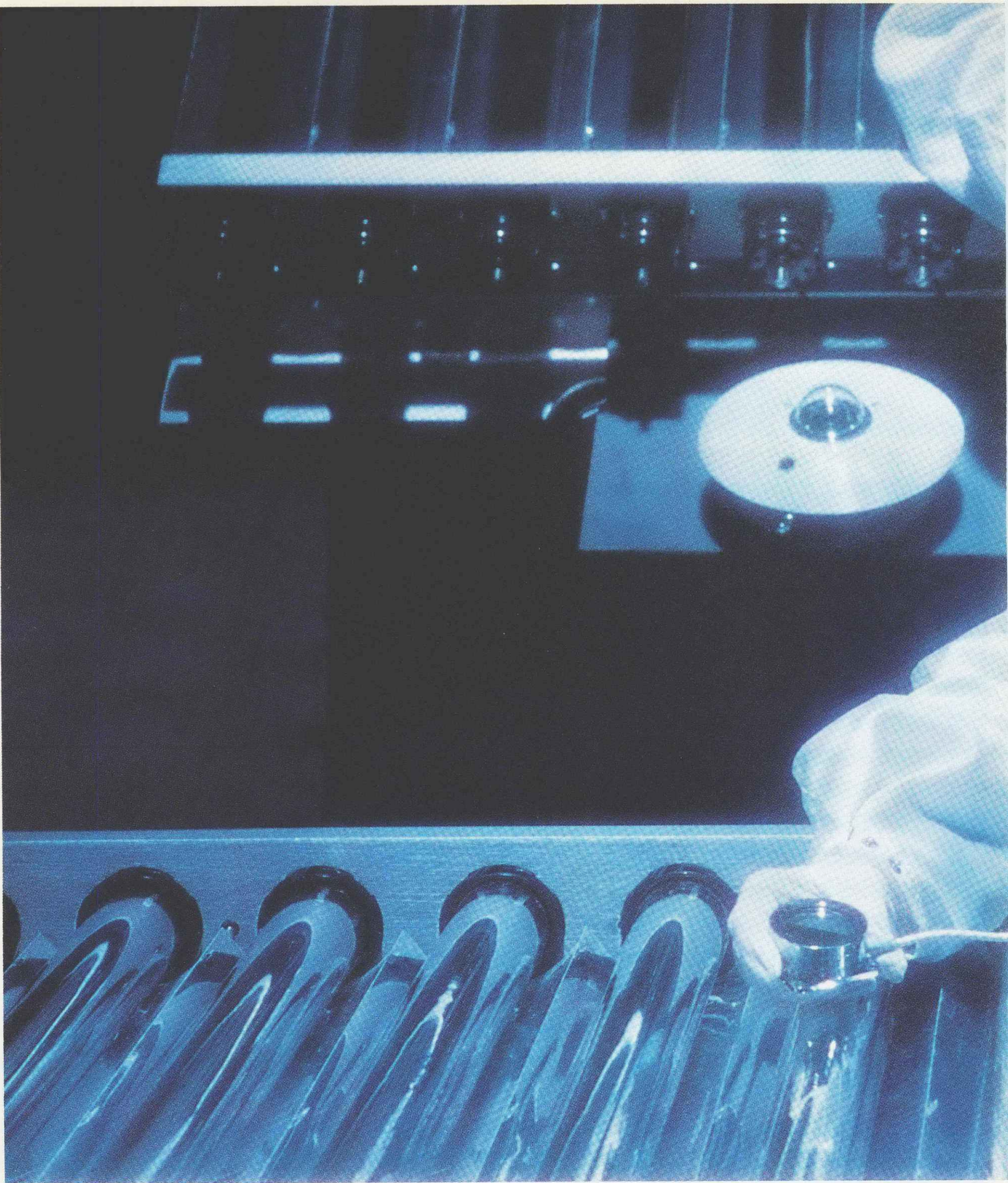
Surplus lines premiums and taxes by state

	Surplus lines premiums					Surplus lines taxes			
	1991	1990	1989	90-91 % change	89-91 % change	1991	1990	1989	% tax rate
Alabama	\$114,888,600	\$102,541,350	\$102,546,900	12.0%	12.0%	\$4,595,544	\$4,101,654	\$4,101,876	4.00%
Alaska	\$46,654,187	\$45,603,800	\$54,807,000	2.3%	-14.9%	\$1,480,322	\$992,200	\$1,100,000	2.70%
Arizona	\$71,318,940	\$64,404,416	\$56,457,248	10.7%	26.3%	\$2,139,568	\$1,932,132	\$1,693,717	3.00%
Arkansas	\$44,265,226 ¹	\$40,426,980	\$41,723,486	9.5%	6.1%	\$1,802,136 ¹	\$1,643,832	\$1,708,495	4.00%
California	\$1,471,526,643	\$1,501,170,500	\$1,283,814,933	-2.0%	14.6%	\$44,145,799	\$45,035,115	\$38,514,448	3.00%
Colorado	\$92,976,642	\$83,031,609	\$90,116,743	12.0%	3.2%	\$1,859,533	\$1,658,632	\$1,802,334	2.00%
Connecticut	\$73,773,579	\$72,250,426	\$68,303,805	2.1%	8.0%	\$2,846,593	\$2,669,563	\$2,744,146	4.00%
Delaware	\$12,155,371	\$11,418,052	\$10,575,346	6.5%	14.9%	\$243,107	\$228,361	\$211,449	2.00%
District of Columbia ²	\$60,511,900	\$36,705,228	\$54,446,350	64.9%	11.1%	\$1,210,238	\$734,105	\$1,088,927	2.00%
Florida	\$442,439,594 ¹	\$487,164,270	\$507,925,483	-9.2%	-12.9%	\$20,659,281 ¹	\$16,127,636	\$13,444,125	5.00% ³
Georgia	\$174,846,250	\$147,454,120	\$159,446,155	18.6%	9.7%	\$6,993,850	\$5,898,165	\$6,377,846	4.00%
Hawaii	\$54,718,394	\$46,713,878	\$44,302,523	17.1%	23.5%	\$2,560,821	\$2,186,210	\$2,073,358	4.68%
Idaho	\$17,603,787	\$15,861,981	\$15,894,010	11.0%	10.8%	\$527,979	\$438,764	\$558,834	3.00%
Illinois	\$277,690,719	\$291,211,257	\$300,513,098	-4.6%	-7.6%	\$8,555,817	\$8,973,860	\$9,015,393	3.00% ⁴
Indiana	\$80,562,814	\$75,128,333	\$75,419,260	7.2%	6.8%	\$2,014,070	\$1,878,208	\$1,885,481	2.50%
Iowa	\$35,386,381	\$28,422,066	\$31,820,890	24.5%	11.2%	\$707,728	\$568,441	\$636,418	2.00%
Kansas ⁵	\$41,904,614	\$37,402,044	\$38,550,094	12.0%	8.7%	\$1,676,185	\$1,496,088	\$1,542,004	4.00%
Kentucky	\$36,799,182	\$38,960,000	\$39,243,416	-5.5%	-6.2%	\$1,103,975	\$1,169,800	\$1,177,302	3.00%
Louisiana	\$302,949,034	\$259,362,651	\$253,407,000	16.8%	19.6%	\$15,147,452	\$12,968,133	\$12,670,350	5.00%
Maine	\$16,393,765	\$17,226,760	\$15,080,000	-4.8%	8.7%	\$491,813	\$510,836	\$438,711	3.00%
Maryland	\$81,210,095	\$84,476,667	\$89,379,657	-3.9%	-9.1%	\$2,436,303	\$2,534,300	\$2,681,390	3.00%
Massachusetts	\$164,191,289	\$178,818,834	\$185,199,848	-8.2%	-11.3%	\$6,567,652	\$7,152,753	\$7,407,994	4.00%
Michigan	\$304,464,059 ¹	\$363,991,308	\$311,334,711	-16.4%	-2.2%	\$6,089,823 ¹	\$7,278,369	\$6,247,947	2.00%
Minnesota	\$85,006,437	\$78,998,722	\$69,792,911	7.6%	21.8%	\$2,550,193	\$2,369,962	\$2,093,787	3.00%
Mississippi	\$42,843,790	\$40,209,561	\$45,870,730	6.6%	-6.6%	\$1,671,603	\$1,560,097	\$1,777,686	4.00% ⁵
Missouri	\$113,619,615	\$108,255,788	\$117,872,259	5.0%	-3.6%	\$5,680,981	\$5,412,789	\$5,893,613	5.00%
Montana	\$11,631,318	\$12,116,509	\$10,333,692	-4.0%	12.6%	\$361,780	\$374,024	\$325,237	3.10%
Nebraska	\$19,186,883	\$18,649,521	\$19,675,433	2.9%	-2.5%	\$575,606 ⁷	\$544,205	\$590,264	3.00% ⁸
Nevada ⁵	\$28,900,000	\$23,900,000	\$25,440,849	20.9%	13.6%	\$1,011,800	\$838,500	\$809,702	3.50%
New Hampshire	\$27,858,137	\$26,850,347	\$23,223,970	3.8%	20.0%	\$557,444	\$542,304	\$465,312	2.00%
New Jersey ⁹	\$211,758,202	\$192,637,797	\$194,507,281	9.9%	8.9%	\$7,190,623	\$7,348,063	\$5,802,329	3.00%
New Mexico	\$21,471,860	\$20,239,111	\$18,045,237	6.1%	19.0%	\$644,156	\$607,173	\$541,357	3.00%
New York	\$427,341,112	\$461,688,565	\$520,659,678	-7.4%	-17.9%	\$15,384,280	\$16,620,788	\$18,743,748	3.60%
North Carolina	\$86,425,437	\$77,915,284	\$75,112,201	10.9%	15.1%	\$4,321,267	\$3,895,763	\$3,755,611	5.00%
North Dakota	\$5,437,920	\$6,460,252	\$7,905,152	-15.8%	-31.2%	\$95,590	\$112,917	\$137,014	1.75%
Ohio	\$21,571,107	\$20,450,244	\$21,461,754	5.5%	0.5%	\$1,083,126	\$1,043,256	\$1,238,877	5.00%
Oklahoma ⁵	\$56,918,809 ¹	\$65,684,966	\$56,881,683	-13.3%	0.1%	\$3,415,129 ¹	\$3,941,098	\$3,412,901	6.00%
Oregon	\$71,270,546	\$67,205,161	\$79,429,616	6.0%	-10.3%	\$1,603,590	\$1,512,128	\$1,787,178	2.25%
Pennsylvania	\$267,000,000	\$240,000,000	\$230,000,000	11.3%	16.1%	\$8,010,000	\$7,101,825	\$6,838,069	3.00%
Rhode Island	\$24,933,000	\$24,233,000	\$75,567,000	2.9%	-67.0%	\$748,000	\$727,000	\$2,267,000	3.00%
South Carolina	\$65,823,625	\$59,911,607	\$49,173,568	9.9%	33.9%	\$2,632,945	\$2,396,464	\$1,966,942	4.00%
South Dakota	\$13,263,584	\$5,903,680	\$7,589,796	124.7%	74.8%	\$331,589	\$147,592	\$189,745	2.50%
Tennessee	\$76,500,436	\$62,314,300	\$60,657,133 ¹	22.8%	26.1%	\$2,074,963	\$1,869,429	\$1,819,714 ¹	2.50% ¹⁰
Texas	\$1,095,684,315	\$706,734,381	\$592,322,899	55.0%	85.0%	\$52,403,293	\$34,834,015	\$27,234,499	4.85% ¹¹
Utah	\$28,882,199	\$26,654,044	\$28,311,530	8.4%	2.0%	\$1,227,493	\$1,132,797	\$1,203,240	4.25%
Vermont	\$11,631,977	\$13,011,398	\$13,313,585	-10.6%	-12.6%	\$348,959	\$390,342	\$399,407	3.00%
Virginia	\$71,207,430	\$74,591,625	\$63,878,000	-4.5%	11.5%	\$1,602,167	\$1,678,312	\$1,441,031	2.25%
Washington	\$120,747,504	\$104,082,098	\$97,472,889	16.0%	23.9%	\$2,414,950	\$2,082,449	\$1,951,175	2.00%
West Virginia	\$17,880,408 ¹	\$21,279,631	\$22,291,305	-16.0%	-19.8%	\$715,216 ¹	\$851,185	\$891,652	4.00%
Wisconsin	\$80,835,081	\$73,851,395	\$69,142,669	9.5%	16.9%	\$2,415,994	\$2,210,352	\$2,073,855	3.00% ¹²
Wyoming	\$8,374,310	\$8,387,463	\$8,410,960	-0.2%	-0.4%	\$258,767	\$259,174	\$259,899	3.00%
TOTALS/AVERAGES	\$7,133,236,108	\$6,671,962,979	\$6,434,651,736	6.9%	10.9%	\$257,187,094	\$230,581,161	\$215,033,388	

¹ State insurance department estimate ² Fiscal year ends Sept. 30 ³ 3% before July 1, 1990 ⁴ 3% plus 1% on fire coverage ⁵ Fiscal year ends June 30 ⁶ 3% on direct placements ⁷ BI estimate ⁸ 3% plus 0.75% on fire coverage ⁹ Premiums exclude direct placements, taxes include direct placements ¹⁰ 2.5% on liability, 3.25% on property 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

Source: BI survey

GRAPHIC BY CHRIS ROY



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Competition cited for drop in premium

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	1991	1990
Gross premiums...	\$770,483,412	\$899,690,202
Non-admitted...	\$745,207,428	\$861,468,986
Commercial risks...	100%	100%
Net premiums...	\$263,313,910	\$293,613,353
Paid-in capital...	\$4,100,000	\$4,100,000
Capital & surplus...	\$404,197,366	\$323,234,956
Employees	191	226
Combined ratio...	89.8%	85.5%
Rating agency...	NA	85.4%
Net income...	\$91,439,566	\$75,732,062
Best's rating	A++	A+
S&P rating	AAA	NA

After suffering through another year of soft-market doldrums, Lexington Insurance Co. President Kevin H. Kelley is cautiously optimistic that contraction in the London market and Lexington's specialization strategy will bolster 1992 results.

Gross premiums at Lexington, a unit of American International Group Inc., dropped 14.4% to \$770.5 million last year from \$899.7 million in 1990.

Much of the decline stemmed from competitors zeroing in on the London market excess casualty business Lexington had picked up

following the 1990 collapse of H.S. Weavers (Underwriting) Agencies Ltd., Mr. Kelley said.

"A lot of the drop was a result of losing a lot of London business to other markets," he noted.

But the insurer also "lost ground" in other areas, he said. "Last year was a particularly trying year. It was a very flat market."

Despite the soft-market struggle, Lexington maintained its position as far and away the largest U.S. surplus lines insurer.

Of Lexington's total direct written premium volume of \$746.4 mil-

lion last year, all was non-admitted except \$1.2 million written in Delaware, the only state in which the insurer is licensed. That is down 13.5% from \$861.5 million in direct, non-admitted premiums in 1990.

While the market for the general run of casualty and property risks shows no signs of improvement so far in 1992, Mr. Kelley expressed tentative optimism about certain market segments.

"I think 1992 will be better, though the environment is not all that dissimilar" to 1991, he said.

The property market, while depressed, appears to have hit bottom, and the market for energy risks is tightening, he noted.

While energy risks represented roughly 5% to 10% of Lexington's property insurance volume last year, this business may increase to 15% or more this year, he said.

The contraction of pro-rata property reinsurance capacity, particularly at Lloyd's of London and elsewhere in London, should set the stage for tightening in the surplus lines market, he said.

"London is really at the core of my optimism," he explained.

Some casualty lines, meanwhile, are also showing signs of improvement, notably directors and officers liability and miscellaneous professional liability, not including lawyers, accountants, and architects and engineers risks, he said.

Lexington is getting rate increases ranging from 10% to 50% on both D&O and miscellaneous professional liability business, depending on the nature of the risk, Mr. Kelley said.

The insurer is also looking for growth in various health care-related lines, he added.

Lexington's growth plans also include an expansion and reorganization of its London office, Mr. Kelley noted.

The insurer is adding staff in London to develop its international property department to take advantage of the firming market there for energy risks and other profitable property lines.

In addition, Lexington has divided its London casualty underwriting operations into a general casualty division and a specialty lines casualty unit.

"The more focused one is, the more likely one is to gain," Mr. Kelley said, explaining the moves.

Mr. Kelley emphasized specialization as the key to growth and profitability in a soft market.

"Those of us who have played the niche game long enough will continue to see niche opportunities," he said. "Specialization works, and the more focused, the more specialized you are, the more likely you are to insulate yourself from the general underwriting cycle.

"We continue to see more players trying to do the same thing, and it's not easy." Mr. Kelley noted that the underwriting of tough surplus lines risks requires not only underwriting expertise but a strong capital base.

Lexington's policyholder surplus jumped 25% to \$404.2 million at the end of 1992 from \$323.2 million at year-end 1991. The insurer wrote at a net premium-to-surplus ratio of 0.65-to-1 last year and 0.91-to-1 in 1990.

"If you are underwriting high-risk business, you need that much more capital to provide that safety and solvency margin to your policyholders," Mr. Kelley observed.

"We continue to see opportunities in this market, but we have to work harder to get at them," he summed up. "But I'm encouraged by what I see happening in London and the repercussions in the domestic market as a consequence of that.

"I feel better now than I've felt in the last couple of years, though I'm not dancing."

Liability lines continued to account for the vast majority of Lexington's business in 1992, producing \$649.1 million of its total gross premiums, down 15.2% from \$765 million in 1990, according to its statutory financial statement.

The mix of this business has changed little since 1990: About 70% of Lexington's casualty book continues to consist of excess and umbrella risks, while 20% consists of transportation risks written on

Continued on page 18

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Continued from previous page

an occurrence form, and 10% consists of primary liability risks, Mr. Kelley said.

Lexington has increased its maximum gross limit on excess and umbrella risks to \$20 million for both claims-made and occurrence coverage, he said. Previously, it had offered a \$15 million gross limit for risks written on a claims-made form and \$10 million for those on an occurrence form.

Maximum net and treaty capacity for D&O risks remains unchanged at \$5 million, he added.

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

Lexington's property premiums, meanwhile, fell 8.5% last year to \$121.4 million from \$132.6 million in 1990.

The insurer continues to offer property limits of up to \$20 million, with additional capacity available with facultative reinsurance.

Lexington reported no property and liability combined lines premium in 1991 after writing \$2.1 million in 1990, according to the statement.

Lexington divides its business among several divisions, the results of which varied last year. These include:

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

Gross premiums from this division expanded to between \$75 million and \$80 million from \$51 million in 1990, and will probably rise by another 20% to 25% in 1992, ac-

ording to Mr. Kelley.

Rates on this business are rising as medical costs increase, but can't rise so high that clients can't afford the coverage, he noted.

"We have to stay ahead of the medical inflation curve, and that's not always easy," he said.

To expand its special-accident business, Lexington is planning to add staff and expand its network of producers, and is pushing to come up with new products.

One of these, a hospital capitation product, offers stop-loss coverage to hospitals to insure against higher-than-expected costs of treating members of health maintenance organizations, preferred provider organizations and other managed-care entities with which they have capitation agreements.

"Now is the time to look at new products, not when revenues are sinking," Mr. Kelley observed.

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

Gross premiums in this division were "essentially flat" last year, changing little from \$10.5 million in 1990, Mr. Kelley said.

Although Lexington is adding staff and realigning its London underwriting operations to spur growth, international division volume will probably change little in 1992, he predicted.

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

Program business includes coverages for mental health clinics, social service agencies and HMOs,

and for liquor-law liability coverage.

The insurer has recently introduced a national errors and omissions program for bail bondsmen. However, it lost an architects and engineers professional liability program after the program administrator moved it to Western World Insurance Co., Mr. Kelley reported.

"When the market gets competitive, companies tend to look at blocks of business more aggressively," he said, explaining the increased competition for program business.

Program division gross premiums dropped roughly 5% to about \$79.5 million last year from about \$83.7 million in 1990. Volume so far in 1992 is flat, Mr. Kelley said.

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

Gross volume in this division is down about 5% to \$176.7 million from the \$186 million written in 1990, he reported. However, Mr. Kelley said he expects the division's results to improve somewhat this year as it adds to staff.

Overall, layoffs and attrition cut Lexington's staff to 191 at year end from 226 in 1990, Mr. Kelley said.

Even with the additions to staff in its London office and its various divisions, Lexington will probably finish this year with head count unchanged or up only slightly, he predicted.

In addition to the total \$746.4 million in direct premiums written last year, Lexington assumed \$24.1 million in reinsurance premiums, \$21.2 million of which was from other AIG units.

Lexington ceded a total of \$507.2

million to affiliated and non-affiliated reinsurers last year, leaving it with net written premium volume of \$263.3 million, down 10.3% from \$293.6 million in 1990.

Under National Assn. of Insurance Commissioners rules, Lexington reported \$27.3 million in recoverables overdue from authorized reinsurers last year and took a \$5.5 million penalty.

Lexington continued to produce solid operating results despite continued fierce market competition and declining volume.

Earned premium volume dropped a marginal 1.3% to \$281 million last year from \$284.8 million in 1990.

Losses, loss adjustment expenses and other underwriting expenses, meanwhile, expanded 2.4% to \$249.3 million from \$243.5 million in 1990.

These results translated to a 1991 statutory loss ratio of 82.1% and an expense ratio of 7.7%, producing a combined ratio of 89.8%. This was a slight deterioration from the 85.5% combined ratio recorded in 1990.

Lexington thus produced a net underwriting gain of \$31.6 million last year, down 23.2% from \$41.2 million in 1990.

Investment gains made up for some of the erosion in underwriting results, jumping 33.5% to \$87.9 million from \$65.8 million in 1990. After adding these gains and figuring in other gains, losses and taxes, Lexington finished the year with net income of \$91.4 million, up 20.7% from \$75.7 million in 1990.

Lexington paid a \$36.7 million dividend to its parent company last year, compared with an \$11.5 mil-

lion dividend in 1990, according to the insurer's statement.

The slowdown in growth continued in the first quarter of this year, with earned premiums sliding 18.5% to \$56 million from \$68.6 million in the first quarter of 1991, according to its statutory first-quarter statement.

Losses, loss adjustment expenses and other underwriting expenses, meanwhile, fell 17.8% to \$49 million from \$59.7 million in the first quarter of last year. This produced an underwriting gain for the quarter of \$7 million, down 22.6% from \$9 million in the previous year's first quarter.

After investment gains, other gains and losses and taxes, Lexington finished the quarter with net income of \$27.5 million, up 29.5% from \$21.3 million in the first quarter of 1991.

Despite the increase in net income, Lexington's surplus rose only \$1.7 million to \$405.9 million in the first quarter, largely because the insurer reported a \$13.1 million unrealized capital loss and paid a \$12.8 million dividend to its parent, the statement shows.

Mr. Kelley said the insurer showed some growth at the end of the second quarter and posted "nominal" gains in July.

In addition to Mr. Kelley, top Lexington officers include Richard Bucilla and Richard Jodoin, executive vps; and Nicholas Anselmo and Patrick Foley, senior vps.

Lexington, founded in 1965, carries a rating by A.M. Best Co. of A+++. It was also assigned a AAA claims-paying ability rating by Standard & Poor's Corp. this year.

—By Douglas McLeod



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AAMGA

Scottsdale Insurance Co.

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

	1991	1990
Gross premiums	\$1.03 billion	\$812,663,445
Non-admitted	\$517,801,293	\$531,648,440
Commercial risks	95.5%	96.4%
Net premiums	\$288,543,879	\$83,906,406
Paid-in capital	\$6,027,200	\$6,027,200
Capital & surplus	\$147,178,919	\$154,896,627
Employees	778	692
Combined ratio	104.0%	109.6%
Rating agency	105.0%	110.5%
Net income	(\$6,006,808)	\$6,983,687
Best's rating	A+	A+
S&P rating	AA	AA

Scottsdale Insurance Co.'s phenomenal growth is slowing a bit amid the persistent soft property/casualty insurance market.

Scottsdale's direct, non-admitted premiums decreased slightly last year, with volume dropping 2.6% to \$517.8 million in 1991 from \$531.6 million in 1990.

All of the dip, however, is not attributable to the soft market.

An undetermined amount of business that previously was written on a surplus lines basis had to be written on an admitted basis by sister company National Casualty Co. in Los Angeles because of changing requirements in some states, said James R. Kapeller, Scottsdale's vp and treasurer.

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.

But the decline in non-admitted premiums doesn't tarnish Scottsdale's track record from the last 10 years.

Scottsdale has grown from a two-man underwriting shop writing less than \$2 million in premiums in 1982 to a sophisticated insurance operation that now employs 778 people and underwrites more than a half-billion dollars of direct written premiums each year.

Scottsdale's book of business is divided into "general business," written mostly by general agents with binding authority, and "specialty business," written by a 3-year-old in-house specialty underwriting division.

General business accounts for about two-thirds of Scottsdale's volume and specialty underwriting makes up the remainder.

In 1991, general business slumped while specialty underwriting grew, said Scottsdale President Rolland L. Wiegiers.

"Not a lot of growth, but some modest growth and good underwriting results" is how Mr. Wiegiers summed up the specialty division's 1991 performance.

The market as a whole in 1991 "was competitive, like it is this year," he added.

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

Scottsdale stays away from

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.

Around 25% of Scottsdale's gross premium volume comes from National Casualty.

In creating an arrangement for the specialty division similar to the link it has with National Casualty for general business, Scottsdale took over the management of Nationwide unit Nationwide Indemnity Insurance Co. and changed its name to Scottsdale Indemnity Insurance Co.

Later this year, Scottsdale Indemnity will begin ceding 100% of its business to Scottsdale. The indemnity company will be used as a licensed vehicle for the specialty underwriting division, Mr. Wiegiers explained.

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

The insurer offers up to \$1 million in property or liability limits for general underwriting business. If a policyholder seeks higher limits, the account is transferred to the specialty underwriting division.

The specialty division also writes any property/casualty accounts with deductibles or self-insured retentions exceeding \$25,000.

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

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 for the division.

The general underwriting division has been hardest hit by the soft insurance market because admitted insurers are scrambling for business traditionally written by surplus lines insurers like Scottsdale, said Mr. Wiegiers.

"The standard market is writing a lot of business we would be writing in a firm market," said Mr. Wiegiers. "A lot of the big premium-dollar policies are targeted" by admitted insurers, he noted.

As a result of the heavy competition, the general underwriting division "has not shown any growth. Pricing is as competitive as it was last year and we don't see evidence of any change on the horizon," Mr. Wiegiers said.

And while competition for established specialty business is intense as well, new programs have helped the specialty division grow in niches that competitors are only just now discovering, Mr. Wiegiers pointed out.

However, some of those programs are beginning to attract a lot of attention from the competition, said Vickie Kartchner, vp in charge of the specialty division.

A new program that provides up to \$5 million in malpractice limits for attorneys is facing heavy competition and has shown less growth than expected, Ms. Kartchner said.

Much of the coverage is written only to limits of \$1 million, she said.

Scottsdale also has begun writing professional liability coverages for media professionals as part of a book of business that was taken over by Aon when it acquired Media/Professional Insurance Inc. of Kansas City, Mo., earlier this year.

That book of business also includes a small amount of real estate agents' E&O coverage.

Scottsdale offers up to \$10 million in capacity for these accounts.

Other areas expected to grow are the specialty division's new property department and a transportation department that provides automobile liability insurance to round out packages written outside the division, Ms. Kartchner noted.

Professional liability premiums amounted to approximately \$120 million last year and continue to make up the bulk of the specialty division's writings.

Police professional liability remains the division's biggest line of business, though that line of coverage is also becoming competitive, said Ms. Kartchner.

Much of that competition is engaging in "unrealistic and inappropriate pricing and underwriting methods that we just can't compete with," she pointed out. For example, she said, some renewal business was lost to other insurers writing at half the price charged by Scottsdale.

Police professional liability coverage has gained publicity following the Rodney King beating in Los Angeles, and apparently some insurers believe they can provide expertise in underwriting the coverage, Ms. Kartchner speculates.

"A lot of them really don't know that much about law enforcement liability," she remarked. "We've done such in-depth pricing studies on this book that we know where we need to be."

Ms. Kartchner said she expects many of the risks will return to Scottsdale once competitors realize they will have to raise rates.

Scottsdale also is sticking to its pricing for extended auto warranty coverage for new car dealers, Ms. Kartchner said. "We've experienced good growth in the line. We could have experienced a lot more growth if we had been more cavalier in our approach, but we're trying to be very conservative in the way we underwrite the line."

She said Scottsdale's pricing on the warranty coverage "is not always attractive, but it's been a good program for us."

An environmental liability insurance program that covers underground storage tank owners in Washington state has not generated a hoped-for response because the Environmental Protection Agency has delayed its deadline for requiring the coverage, Ms. Kartchner said.

The coverage provides tank owners with per-occurrence limits of \$1 million with a \$2 million aggregate. Reinsurance support for the program is provided by a special state fund (BI, Oct. 21, 1991).

Scottsdale's specialty division can write property limits of up to \$5 million, but Ms. Kartchner said most of its limits are written well below that.

The same limits are available on the casualty side, but it generally writes \$1 million in limits for primary coverage and \$2 million for excess coverage.

Aon Reinsurance Agency han-

dles most of the specialty division's casualty reinsurance placements, while E.W. Blanch places the property and transportation reinsurance.

"We can retain up to \$1 million," Ms. Kartchner said of the specialty division, but the division generally retains less risk, she noted.

As the specialty division adds new programs, it also is adding employees to help research and administer the new products. The division now has 110 employees, up from 75 a year ago.

The property/casualty insurance market remains hotly competitive, Mr. Wiegiers pointed out, and Scottsdale doesn't see that changing anytime soon.

"There's still too much money in the industry to see any pressure on the rates," he said, referring to insurers' capacity, and a market change doesn't appear to be on the horizon. "I don't see anything through '93, really. Surplus in the industry is increasing. While there's a lot of red ink, there's still a lot of money in it."

Ms. Kartchner said the remainder of 1992 looks "bleak" as many insurers see their first-half results as inadequate and continue their competitive ways in an attempt to boost results by year-end.

"I think growth is really the target a lot of companies are on," agreed Mr. Wiegiers, "rather than their bottom line, which doesn't help firm the rates up."

While it won't end the year with record results, Scottsdale expects to fare pretty well in 1992, Ms. Kartchner said.

"We're starting to see some of the new programs take hold," said Ms. Kartchner, "and I think we're going to end the year on a positive note. But it's not going to be accomplished without a lot of blood, sweat and tears."

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

While the statement shows Scottsdale's combined ratio improved to 104% in 1991 from 109.6% in 1990, the insurer's combined ratio on a stand-alone basis actually weakened to 100.8% from 97.7% in 1990.

Gross premiums rose 2.6% to \$1.03 billion from \$812.7 million in 1991. Net premiums rose 244% to \$288.5 million from \$83.9 million.

Scottsdale reported a net loss after pooling of \$6 million in 1991, compared with a net income of \$7 million in 1990.

The net loss, along with other charges, cut Scottsdale's policyholder surplus to \$147.2 million at year-end 1991, compared with \$154.9 million a year earlier.

According to its 1991 annual statement, Scottsdale took a \$9.6 million charge for unauthorized reinsurance and a \$96,000 penalty for authorized reinsurance more than 90 days past due.

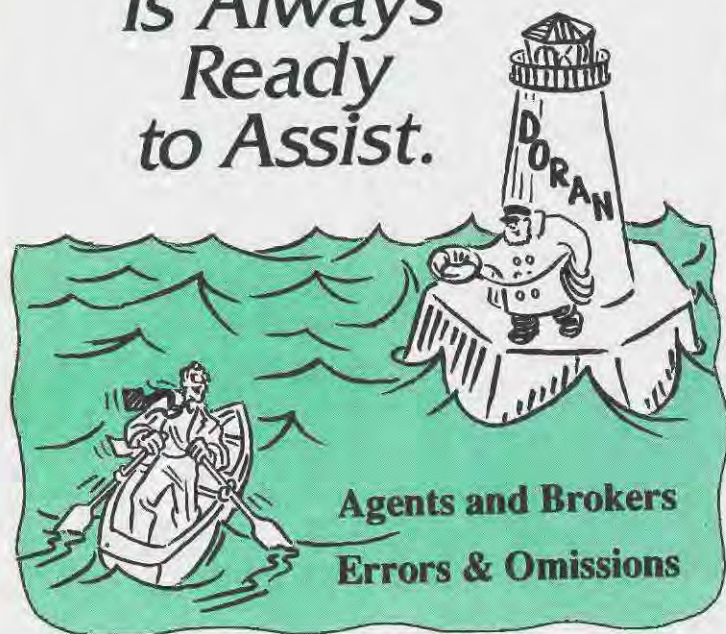
Scottsdale is approved as a non-admitted insurer in all states except Arizona, Delaware and Ohio, where it writes on an admitted basis.

In addition to Mr. Wiegiers and Ms. Kartchner, principal officers at Scottsdale are Gordon E. McCutchan, secretary; James R. Kapeller, treasurer; and Jack A. King, assistant secretary.

Scottsdale received an A+ rating from A.M. Best Co. as part of Nationwide Corp.

—By Michael Bradford

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Trends & Issues

Issue Date: October 26

BI will devote this spotlight report to the most important trends and issues taking shape in the global reinsurance market. *BI* will focus on the amount of capital in the reinsurance marketplace, how it is deployed and what changes can be expected. What's more, *BI* will report on the state of the U.S. and European markets and developments in financial reinsurance worldwide. Included will be *BI's* Directory of Reinsurance Brokers.

Ad Closing: October 13

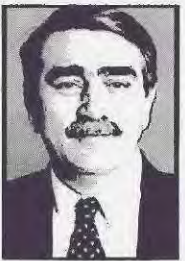
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Surplus Lines Insurance Co.**

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	1991	1990
Gross premiums...	\$242,293,032	\$76,938,481
Non-admitted...	\$208,490,844	\$38,288,931
Commercial risks...	100%	100%
Net Premiums...	\$39,780,920	\$13,016,837
Paid-in capital...	\$5,002,500	\$1,500,000
Capital & surplus...	\$118,455,775	\$112,229,717
Employees...	0	0
Combined ratio...	88.2%	82.0%
Rating Agency...	88.1%	82.0%
Net income...	\$6,732,697	\$6,182,486
Best's rating...	A++	A+

Yet, despite these niches, "we're pretty much a general market," said Mr. Tizzio. "The only thing I guess we don't really write to any degree is the architects errors and omissions and any of the Resolution Trust Corp. E&O covers that are in the market."



'We think, as time goes by, the flight to quality will become more evident in the way producers do business and with whom they do business,' says Thomas R. Tizzio.

While AI Surplus writes professional liability coverages for law firms, it "kind of shies away from the jumbo giants," he said.

For accounting firms, the story is similar. "Obviously, we're not in the Big Six," said Mr. Tizzio. "We haven't become that heroic

yet." Other types of programs underwritten by AI Surplus include financial institutions coverages and commercial crime insurance, which Mr. Tizzio called "a significant line for us."

All of the programs written by AI Surplus are growing, he said, except lawyers' liability. "We are carving out a niche within the program area. We think that is very attractive to us. The fact that we are part of the AIG is certainly a major attraction to producers," said Mr. Tizzio.

"We think, as time goes by, the flight to quality will become more evident in the way producers do business and with whom they do business. I think solvency issues are very, very im-

portant in the surplus lines world, and while there are a few like AIG that have the highest ratings, we expect to see significant business because of it," he said.

Mr. Tizzio said that AI Surplus generally can offer up to \$5 million in limits to a policyholder, of which it retains \$1 million. However, AI Surplus can arrange facultative reinsurance when appropriate to support limits of up to \$10 million.

Mr. Tizzio said that AI Surplus' major producers include
Continued on next page

A good name is hard to beat for a new player in the surplus lines insurance market.

Just ask Thomas R. Tizzio, president of American International Surplus Lines Insurance Co.

The fact that the insurer happens to borrow the "American International" from parent American International Group Inc. is a key factor in its spectacular growth, explained Mr. Tizzio, who is also president of the parent company.

AI Surplus, which specializes in liability insurance, wrote \$208.5 million in direct, non-admitted premiums last year, up from \$38.3 million in 1990. The 444.5% increase followed an even more spectacular 8,000% increase in 1990 from \$445,353 in non-admitted premiums in 1989.

The surge has catapulted AI Surplus to No. 3 spot in the *Business Insurance* ranking of the largest U.S. surplus lines insurers.

AI Surplus is the second AIG unit in the Top 10; the other, Lexington Insurance Co., has held the No. 1 spot for 12 years (see story, page 14).

The two AIG subsidiaries are not direct competitors. "There are some product differentiations; there are different producers" dealing with the two companies, said Mr. Tizzio.

He cited a "flight to quality" among wholesalers as a key reason for the rapid growth of AI Surplus, which is domiciled in Alaska and based in Jersey City, N.J.

"Solvency issues are abundant in the surplus lines world. AI Surplus, being part of the AIG Group, is very attractive," he said. "We are an alternative to the alternate market. I would think most people would rather buy their insurance from somebody financially sound as opposed to some of the risk retention groups that are struggling.

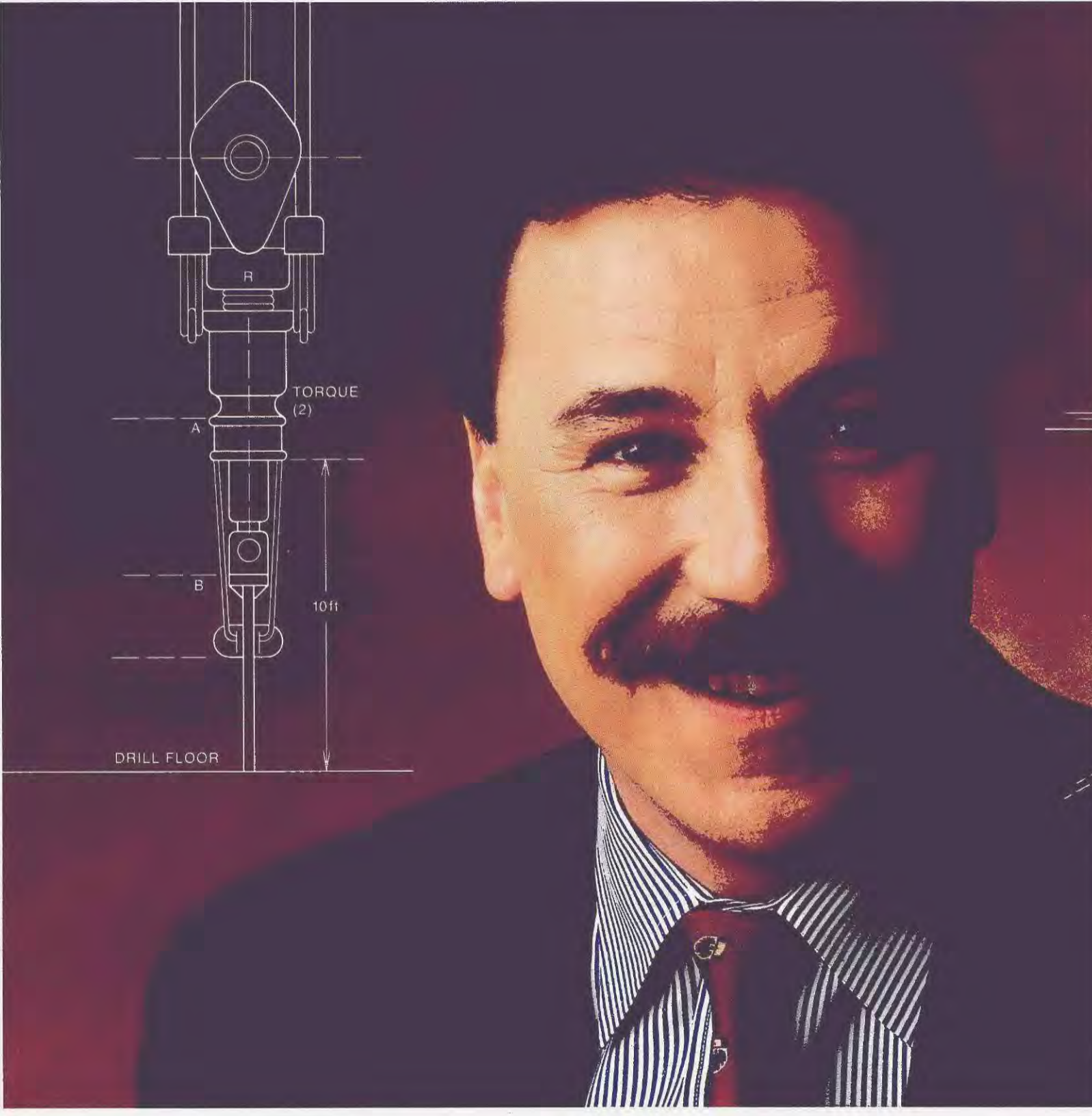
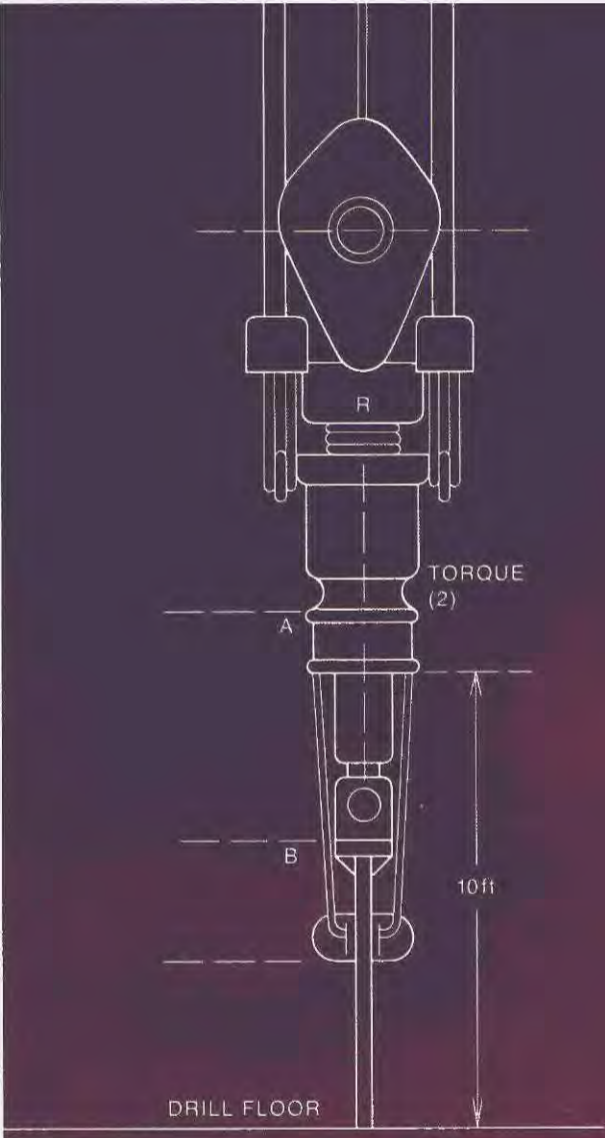
"We have the ability to deal with unique risks in the way they have to be dealt with. We have the broad capacity of AIG support and a special niche to underwrite programs," he said.

Although new to this market, AI Surplus is offering a variety of liability insurance programs targeted to specific industries and professions, in addition to what Mr. Tizzio called "standard property/casualty business."

For example, AI Surplus has become "very active" in health care-related liability coverages, concentrating specifically on hospital professional liability, he said.

Mr. Tizzio said that the insurer is also offering a number of other professional liability programs, including coverage for investment advisers and mutual fund managers.

THE H O M



OLD PROS ON

Continued from previous page
 "most of the standard major surplus lines producers." He cited Swett & Crawford Group and Stewart Smith Group Inc., as examples.

He also said that AI Surplus works with most of the alphabet brokers' surplus lines affiliates.

AI Surplus, which carries AIG's A+ + rating from A.M. Best Co., participates in pooling arrangements with other AIG units. According to its 1991 annual statement, AI Surplus took no penalty for overdue authorized reinsurance in 1991 and took a \$1 million

charge for unauthorized reinsurance.

Mr. Tizzio pointed out that profit, rather than a preset minimum price, guides pricing.

"We tend to look at a risk on a per-account basis, so we really don't have a published walkaway price list. Our underwriters are looking at things on a risk basis. We expect each account to produce a profit," he said.

"If it doesn't, we don't write it," he said. "We can't cut rates too long and stay in business. We haven't cut any rates."

AI Surplus reported gross pre-

miums of \$242.3 million in 1991, up 214.9% from \$76.9 million the previous year. The 1991 gross premiums consisted of \$210.7 million in direct business and \$31.6 million in reinsurance assumed from other AIG units.

Of AI Surplus' gross premiums, \$234.9 million were categorized as liability lines, \$1.9 million were property lines, \$1.6 million were combined lines and \$3.9 million were classified as other lines, mostly fidelity business.

Net premiums grew 205.6% to \$39.8 million in 1991 from \$13 million in 1990.

Net income grew slightly to \$6.7 million last year from \$6.2 million the previous year.

Surplus grew to \$118.5 million in 1991 from \$112.2 million in 1990, mainly as a result of retained earnings.

The insurer's statutory combined ratio deteriorated somewhat to 88.2% in 1991 from 82.0% in 1990.

In addition to Mr. Tizzio, principal officers are Francis T. Rosene, senior vp; Patrick J. Foley, senior vp and general counsel; Armand G. Pepin, treasurer and comptroller; and Elizabeth M. Tuck, secretary.

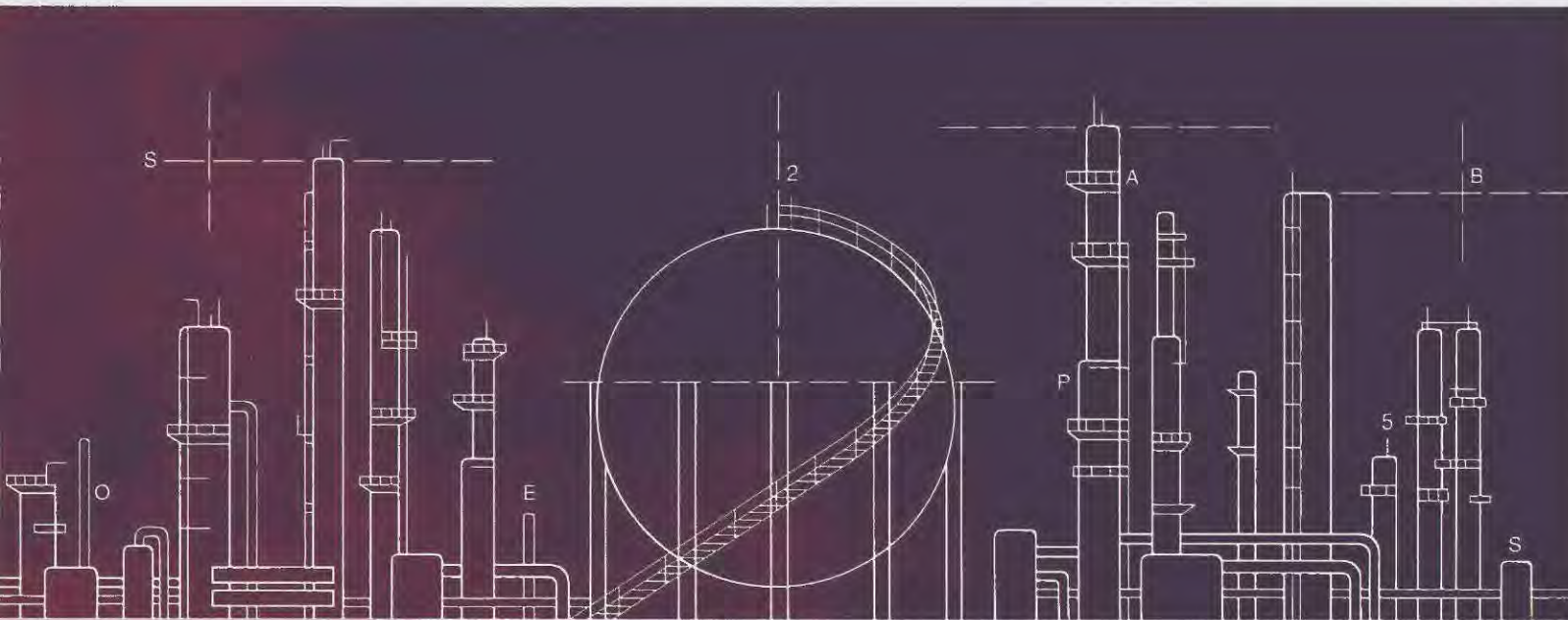
—By Mark A. Hofmann

General Star Indemnity Co.

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

	1991	1990
Gross premiums	\$164,965,585	\$156,115,897
Non-admitted	\$161,395,887	\$152,473,564
Commercial risks	93%	95%
Net premiums	\$98,179,672	\$95,057,352
Paid-in capital	\$5,000,000	\$5,000,000
Capital & surplus	\$171,456,576	\$145,301,415
Employees	N/A	N/A
Combined ratio	95.1%	94.8%
Rating agency	94.6%	94.4%
Net income	\$28,978,656	\$23,377,787
Best's rating	A + +	A +
S&P's rating	BBBq	BBBq

E T O D A Y



Chief of our drill team.

Dave Whiting started as a Fire Protection engineer when he went into insurance over 18 years ago.

So it's not surprising that as Vice President/Energy Department at The Home, he takes an engineer's approach to underwriting.

"In my area, On-Shore Property Coverage, we work with clients in petrochemicals, refining and mining, among other things," Dave explains.

"And clearly, that takes technical know-how."

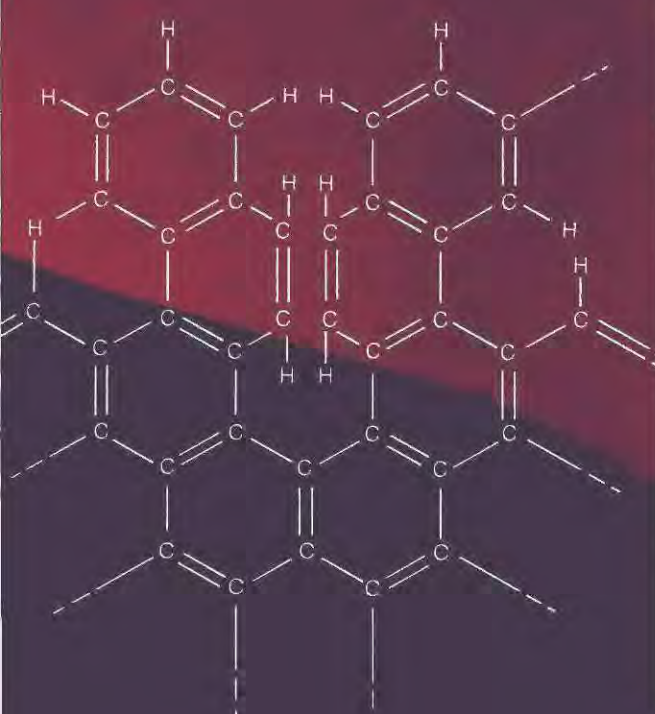
Indeed, it was precisely this know-how that enabled Dave to pioneer the underwriting of horizontal drilling—a new technique being used by some of his worldwide oil clients.

At The Home we're increasingly concentrating on underwriting complex commercial risks and specialty accounts like these. And especially for multinational clients who operate far afield.

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Home Insurance



A N E W T E A M

General Star Indemnity Co. is pulling through the soft property/casualty insurance market by holding the line on rate cuts and expanding into several new areas.

"Right now, it is a significant juggle," said President Kevin P. Brooks. "We have had five years of a very tough market."

General Star Indemnity's recipe for success: "act fairly conservative and price-conscious and emphasize and re-emphasize that the goal is not just to survive but to achieve an underwriting profit," said Mr. Brooks.

This recipe enabled General Star Indemnity to maintain steady growth in 1991.

Premiums written on a direct, non-admitted basis rose for the fourth straight year, climbing 5.9% to \$161.4 million in 1991 from \$152.5 million the previous year.

However, General Star Indemnity dropped a notch to fourth place among the largest U.S.-based surplus lines insurers, falling behind rapidly growing American International Surplus Lines Insurance Co. (see story, page 22).

Gross written premiums—which also reflect business written in Connecticut where General Star Indemnity is an admitted insurer—increased 5.7% to \$165 million in 1991 from \$156.1 million in 1990.

Much of the insurer's growth came from its purchase in July 1990 of a large book of property business from Royal Insurance Group (BI, Aug. 12, 1991).

The acquisition of the Royal business was responsible for a roughly \$10 million increase in gross premium volume in the second half of 1990 and about a \$20 million increase in 1991, said Mr. Brooks.

This business was merged with General Star Indemnity's own small property department, which wrote only \$1.1 million in gross premiums prior to the acquisition, he explained.

Mr. Brooks said General Star Indemnity has only one main goal: "to remain a financially healthy and viable surplus lines market."

"This says more about who we are than any of the numbers," he said.

"What sets us apart from other surplus lines insurers is that we have a deep commitment to the financial security and the quality of the promises we make to insureds and producers," he said.

So far this philosophy has paid off, enabling the insurer to post healthy results for 1991.

General Star Indemnity posted a 95.1% statutory combined ratio for 1991, a slight deterioration from the 94.8% combined ratio in 1990. A.M. Best Co. calculated General Star Indemnity's combined ratios at 94.6% in 1991 and 94.4% in 1990.

Meanwhile, net income soared 24% to \$29 million from \$23.4 million.

The increase in profit was the
Continued on next page

Continued from previous page
 result of gains in both investment and underwriting income, said Mr. Brooks.

Net premium volume increased 3.3% to \$98.2 million from \$95.1 million in 1990.

In addition, General Star Indemnity increased its policyholder surplus 18% to \$171.5 at the end of 1991 from \$145.3 million a year earlier through retained earnings.

General Star Indemnity's strong surplus is what allowed the insurer to acquire the Royal property business in 1990, as well as the surplus lines business of Constitution State Management Corp., a Travelers Corp. unit, in 1989 (BI, Aug. 14, 1989).

The surplus lines insurer is divided into four separate departments: primary, excess, facilities and property.

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

On the excess side, General Star Indemnity can typically offer umbrella and excess liability limits of \$5 million, but it can arrange higher limits.

"Typically we write umbrellas or follow-form excess coverage in the first-layer," said Mr. Brooks.

Some 52% of the excess contracts cover owners, landlords and tenants liability as well as manufacturers and contractors risks; 37% cover auto risks; and 7% cover product liability risks. This is virtually unchanged from 1991.

The property department, which is now 90% composed of the Royal book of business, offers in-house limits of \$3 million, down from \$5 million a year ago. With facultative reinsurance the insurer can offer property limits of up to \$20 million.

The facilities department, which is composed of the Constitution State business, writes 84% casualty business and 16% property.

The department offers limits of \$1 million for casualty risks, while

it can write more than \$1 million in limits for property risks.

The insurer does business with about 200 producers, the vast majority of which are small, regional brokers, in line with the insurer's focus on small to medium-sized risks, said Mr. Brooks.

"We have a producer base that in both soft and hard markets has been extremely loyal to us," he said.

While nobody knows exactly when the market will harden, Mr. Brooks said it is critical that General Star Indemnity be ready.

"There is usually a brief window of opportunity for surplus lines insurers" when the market hardens, he explained. "We have to be ready with the staff and operations in place.

"The big question right now is how do we hold down expenses and costs and get ready for that window of opportunity," said Mr. Brooks.

General Star Indemnity is a price-conscious organization and is

only cutting rates on a few lines where experience has been good, such as excess auto and entertainment liability, he said. However, the company will not cut rates by more than 10% for any risk, he said.

Because General Star Indemnity firmly believes in walking away from an account rather than pricing coverage too low, many large accounts have been lost to admitted insurance companies, Mr. Brooks said.

"We have lost most of our big accounts" he said.

As a result, much of the General Star Indemnity's current business is now made up of small to medium-sized accounts, whose premiums range from \$2,000 to \$40,000, he said. Just one year ago, the average-sized account had a premium of \$30,000 to \$100,000.

But at the same time General Star Indemnity is seeing its large risks flee to the standard market, the company is welcoming many new risks.

"We are focusing on the areas that are less competitive," said Mr. Brooks.

The company also has begun writing several new lines of business—including liability coverage for daycare centers, sporting events and petroleum storage tank contractors—meeting with mixed success.

And, there are certain classes of business written by General Star Indemnity that always will remain in the surplus lines market, said Mr. Brooks. These risks include high-risk excess auto liability, high-hazard property risks, and errors and omissions coverages, he said.

Generally, risks for which claims frequency is low but for which the exposure is severe will remain in the surplus lines market, explained Mr. Brooks.

Currently, General Star Indemnity is focusing on expanding into several new lines that fit this profile.

Daycare liability coverage is an example. General Star will write policies with \$300,000, \$500,000 or \$1 million per-claim limits. The program is produced by Professional Coverage Managers in New York.

The minimum premiums are \$500, \$600 and \$700, respectively. There is no deductible, and defense costs are included within policy limits.

The program is written on a non-admitted basis by General Star Indemnity in 17 states and on an admitted basis by affiliate General Star National Insurance Co. in 33 states.

The policy specifically provides coverage for claims stemming from abuse and molestation as well as corporal punishment.

General Star Indemnity has just launched a major marketing effort to alert daycare centers to the new product, and Mr. Brooks said response has been positive so far.

"This area will grow in the future," he predicted.

However, another new product launched by General Star Indemnity is not going so well.

While the insurer is attempting to enter the market for sporting event liability coverage, the effort "is not going famously," Mr. Brooks said.

Vp Ron Austin attributes the lackluster results to the fact that "four or five competitors entered this area" at the same time as General Star Indemnity.

"Today there are six or seven markets going after this line," he said.

General Star Indemnity capital-

ized on its experience writing excess professional liability coverage for police officers, public officials and school board members to begin primary insurance programs for these groups.

The police officers coverage is written on a occurrence form, said Vp Samuel C. Anderson, while the coverage for public officials and school board members is claims-made. The insurer offers \$1 million in limits for all three coverages.

"We have looked at writing primary coverage in these lines for several years, but to do so would have caused us to compete with our own producer," explained Mr. Brooks. "When this producer sold this business, we took the opportunity to enter the market."

Another new market for General Star Indemnity is primary liability coverage for petroleum storage tank contractors, which repair or replace old tanks and perform pollution cleanup work.

The program offers limits of \$1 million per claim/\$3 million aggregate. Defense costs are included within policy limits.

The policy covers both gradual and sudden and accidental pollution incidents that occur while the contractor is removing a tank or immediately afterward. However, the policy does not cover pollution problems that occur during transportation or disposal of hazardous waste.

A \$2,500 to \$5,000 deductible is required depending on the size of the account.

Premiums are based on the contractor's receipts. The minimum premium is \$15,000 and the average premium is \$40,000.

General Star Indemnity's efforts to fill new market niches enabled it to report healthy growth for the first half of 1992. Gross premiums increased 23% to \$86.5 million from \$70.3 million in the first six months of 1991.

For the past three years, General Star Indemnity has steadily increased the amount of risk it retains so it can keep its underwriting profits in house, Mr. Brooks said.

The insurer retained an average of 64% of its business in 1991, up from 61% the previous year and about 35% in 1986.

"We will continue to increase the percentage of risk we retain by three to four points a year," said Mr. Brooks.

Affiliate General Reinsurance Corp. is the company's primary reinsurer, though reinsurance is also ceded to about 10 non-affiliated reinsurers. All outside reinsurance is brokered by Alexander Re Intermediaries, a unit of Alexander & Alexander Services Inc.

General Star Indemnity happily reports that it has virtually no reinsurance recoverable problems. The insurer took a \$46 charge for \$232 in overdue authorized reinsurance and reported \$1.5 million for unauthorized reinsurance.

General Star Indemnity has no employees of its own. All employees work for General Star Management Co., which also underwrites on behalf of affiliate General Star National (see story, page 51).

General Star Management had 234 employees at year-end 1990, up 8.8% from 215 year-end 1989.

In addition to Messrs. Brooks, Anderson and Austin, General Star Indemnity's principal officers are Michael J. Mugglebee, Adin M. Tooker, Patricia H. Roberts, vps; Elmer E. Hess and Charles N. Venezia, second vps.

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

—By Stacy Gordon

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**Reliance Insurance Co.
of Illinois**

233 S. Wacker Drive, Chicago, Ill.,
60606; 312-876-0886;
fax: 312-876-0923

	1991	1990
Gross premiums	\$179,809,280	\$198,537,304
Non-admitted	\$140,767,481	\$159,324,047
Commercial risks	100%	100%
Net premiums	\$14,622,884	\$14,024,371
Paid-in capital	\$4,100,000	\$2,000,000
Capital & surplus	\$12,213,017	\$12,732,945
Employees	NA	NA
Combined ratio	114.4%	109.6%
Rating agency	114%	110%
Net income	\$932,456	(\$48,169)
Best's rating	A-	A-
S&P rating	BBB+	A-

As it expands its major lines of business and continues to receive new risks from its sister companies, Reliance Insurance Co. of Illinois hopes to make a big impact on the surplus lines market in the years ahead.

"We definitely want to grow in architects and engineers, we definitely want to grow in miscellaneous professionals, we definitely want to grow in lawyers liability and we definitely want to grow in the true E&S general liability products area," summed up Pennington H. Way III, who is executive vp of sister company Reliance National Insurance Co. of New York and oversees its surplus lines operations.

Reliance National underwrites specialty and standard commercial lines coverages through several Reliance Group Holdings Inc. subsidiaries, including Reliance of Illinois. In fact, Reliance of Illinois has no employees of its own and is operated by Reliance National staff.

In addition to expanding the lines of business it insures, Mr. Way said Reliance of Illinois hopes to broaden its geographic reach. The company is seeking approval as a non-admitted insurer in New Jersey, one of four states in which it was not an admitted or an approved non-admitted underwriter in 1991.

"We would very much like it to be approved. Our goal is definitely to have surplus lines available in New Jersey," he said.

The company also has applications pending in New Hampshire and Rhode Island to become an approved non-admitted insurer, he said.

And, in addition to its domicile of Illinois, Reliance of Illinois as of Jan. 1 became an admitted insurer in a second state: Massachusetts.

Reliance of Illinois's gross premiums fell 9.4% to \$179.8 million last year.

On a direct, non-admitted basis, it wrote \$140.77 million in 1991, down 11.7% from \$159.3 million the previous year.

Despite the decline, Reliance of Illinois placed fifth on *BI's* 1992 ranking of the Top 10 surplus lines insurers.

Mr. Way was unable to pinpoint a reason for the decline.

"We do not budget specific premiums for Reliance of Illinois. When we do our budgeting process, we budget Reliance National in total, and we don't really break it down among the various companies in the group," Mr. Way explained. "So when a premium volume slips, we don't necessarily know why. I wouldn't think that would be something that would continue; I look at that as an aberration."

"I would think given the growth of Reliance National over the past several years, the growth would have to be there in

Reliance of Illinois," he said.

"It's very hard to categorize" the risks insured by Reliance of Illinois given the intertwined relationship between it and Reliance National, Mr. Way noted.

Each Reliance National department "has the option of going surplus lines or admitted. If surplus lines is not saleable, then we'll have to go the admitted paper route if we want to write that business," he explained.

"From the variety of things that we do, we're really hard to categorize. It's probably safe to

say that every underwriting division within Reliance National has made use of the Reliance of Illinois," he said. "Reliance National is an organization that will generally entertain most risks, and we have an underwriting department capable of dealing with most risks" except personal lines, he added.

Three Reliance National departments write professional liability risks, according to Mr. Way: architects and engineers; lawyers; and miscellaneous.

In addition, the health care department writes medical mal-

practice coverage.

"What falls into miscellaneous is everything that doesn't fall elsewhere: It's not health care, the profession is not legal, it's not architects and engineers," said Mr. Way. He said that consultants of all kinds, real estate professionals and travel agents would all fall into this category.

Of the three professional liability departments, architects and engineers and miscellaneous generate the most surplus lines premium volume, Mr. Way said.

Reliance of Illinois will write limits of up to \$10 million for the

architects and engineers program, with a minimum deductible of \$10,000 and a minimum premium of \$20,000.

The miscellaneous professional liability program also offers limits of up to \$10 million with deductibles starting at \$10,000 and a minimum premium of \$10,000.

Umbrella coverage is another big area for Reliance. About 40% of Reliance National's umbrella book of business is written on a non-admitted basis. Reliance of Illinois will write both lead and

Continued on next page

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New York, New York

Continued from previous page
 excess umbrellas with limits ranging to \$10 million, said Mr. Way.

A primary/buffer department at Reliance National, which provides coverage for "tough general liability and tough products-type risks excess of self-insured retentions," also underwrites through Reliance of Illinois, he said.

This department provides coverages for pharmaceuticals, chemicals, toys, "people-eating machines—anything from farm equipment to bows and arrows and guns, maybe products that go into railroad cars," Mr. Way said.

"It's the old traditional surplus lines type of business that's been picked off by the admitted market in recent years," Mr. Way explained, though he estimated that 85% of the primary/buffer department's premium volume still is written on a surplus lines basis.

Available limits vary by program.

Reliance of Illinois also provides coverage on a non-admitted basis for a general aviation and agricultural aviation insurance program administered by Memphis, Tenn.-based Continental Aviation Underwriters. For general aviation risks, it writes \$1 million in liability and \$350,000 in hull coverage. And for agricultural aviation risks, like crop dusters, it offers \$500,000 in liability limits and \$150,000 in hull limits.

In addition, Reliance of Illinois insures risks written by a relatively new Reliance National department—recreation and leisure—that offers a variety of specialty products including liability coverage for amateur sports and so-called "pay for play" events, like amusement parks or rock concerts. Limits vary by risk.

Reliance is also marketing a

wrongful termination liability insurance program for mid-sized corporations, he said. It offers \$1 million in limits on an admitted or

'We have the ability to entertain almost' any type of coverage 'as long as it will make money at the end of the day,' says Pennington Way.



non-admitted basis, with a \$25,000 minimum deductible.

Besides the liability products, "We have a full range of property departments, some of which will be written on a surplus lines basis." A fireworks manufacturer, for example, would be written on a non-admitted basis, he said.

Reliance National's health care department, which writes medical malpractice coverage for hospitals and other institutions, makes "little use" of surplus paper, Mr. Way noted.

"We have the ability to entertain almost" any type of coverage "as long as it will make money at the end of the day," Mr. Way said.

"There are those who might accuse us of being premium-mongers, but you can take it to the bank that we are extremely bottom-line driven and have a very large actuarial department that has looked at every nook and cranny of the things that we do. That gives the underwriters a measure of comfort," said Mr. Way.

"Where we think the profit potential is much greater, we're more aggressive," said Mr. Way, who noted that Reliance of Illinois does not set a walk-away price "per se." Instead, all risks are subjected to "heavy actuarial analysis" that results in specific rate guidelines.

"When the risk won't generate that much premium, we walk away. In some cases, we've found that our rates were higher than they had to be. And rather than lose the business, we will reduce prices somewhat. But we're not participating in wholesale price reductions or major price reductions."

Numerous brokers and wholesalers are approved to place risks with Reliance National.

"I think it's safe to say that all large retail producers have gone through the process. The same thing holds true for wholesale producers. There are literally hundreds of wholesale producers who have received approval from Reliance National," said Mr. Way. "We're now going through a culling out process and we'll probably start eliminating some of them for lack of interest."

Mr. Way said the insurer has had "no major changes" in its reinsurance relationships. He estimated Reliance of Illinois has "upwards of 50" reinsurance treaties. It also participates in an intercompany reinsurance pooling arrangement with other Reliance units.

Its annual statement shows Reliance of Illinois took no penalty for overdue authorized reinsurance and only a \$324,453 charge for unauthorized reinsurance.

In addition to the \$150.8 million in direct premiums written last year, Reliance of Illinois assumed \$14.6 million of reinsurance from affiliates and \$14.4 million from non-affiliates.

Net written premiums totaled \$14.6 million last year, up 4.3% from \$14 million in 1990.

The insurer's net income climbed to \$932,456 in 1991 from a net loss of \$48,169 in 1990. Policyholders surplus declined slightly to \$12.2 million last year, from \$12.7 million in 1990. Reliance of Illinois paid a \$1.3 million dividend to its parent last year.

The company's statutory combined ratio also deteriorated to 114.4% in 1991 from 1990's 109.6%. The combined ratio as determined by A.M. Best Co. slipped to 114% in 1991 from 110% in 1990.

Reliance of Illinois holds an A- rating from Best, and has a BBB+ claims-paying ability rating from Standard & Poor's Corp.

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

—By Mark A. Hofmann

United National Insurance Co.

3 Bala Plaza East, Suite 300, Bala Cynwyd, Pa. 19004; 215-664-1500; fax: 215-660-8882

	1991	1990
Gross premiums...	\$162,631,949	\$138,019,788
Non-admitted...	\$128,986,372	\$105,381,771
Commercial risks...	94%	95%
Net premiums...	\$42,355,538	\$35,666,406
Paid-in capital...	\$5,000,000	\$5,000,000
Capital & surplus...	\$129,262,859	\$119,794,125
Employees...	115	109
Combined ratio...	94.1%	95%
Rating agency...	93.7%	94.4%
Net income...	\$15,840,265	\$14,404,355
Best's rating...	A+	A+

United National Insurance Co. is continuing to fend off the effects of the soft property/casualty insurance market not by cutting prices, but by making a concentrated effort to expand its production sources.

Company officials call 1991 a "super" year despite the market doldrums. United National's performance reflects positively on the relationships it has built with wholesale brokers and managing general agents throughout the country, the executives say.

Gross premiums written on a direct, non-admitted basis increased 22.4% to \$129 million in 1991 from \$105.4 million in 1990. Leading that surge were increases in primary general liability and umbrella and excess liability insurance volume.

Despite the growth, United National, which last fall moved its headquarters to the Philadelphia suburb of Bala Cynwyd, slipped one spot to No. 7 in the *Business Insurance* ranking of the largest U.S.-based surplus lines insurers.

United National's gross premium volume also grew in 1991 to \$162.6 million, a 17.8% increase from \$138 million the previous year.

And, probably most pleasing to the company's brain trust, United National's net income rose by 9.7% to \$15.8 million from \$14.4 million in 1990, mostly as a result of stable underwriting profits and investment income.

Also contributing to the higher earnings in 1991 was the fact that prior-year loss reserves did not need to be strengthened. United National increased casualty loss reserves for prior years by about \$2 million in 1990.

"Given the quality and safety of our investment portfolio, we were very pleased with our average investment yield last year. That, combined with flat underwriting earnings, is pleasing," said Chairman Raymond L. Freudberg.

"Last year was really a super year for us. We experienced sizable growth in two areas where we have been working quite hard for the past several years," said his son Seth D. Freudberg, president and chief executive officer.

"Our philosophy during soft markets is that you don't cut prices to increase your underwritings. Instead, you expand your production base and market more aggressively," he explained.

Last year, United National cemented new business relationships with about 10 producers. It now works with about 50 wholesalers and managing general agents across the country.

"We're hungry for business. Our motto is never say never. We understand very well that our

Continued on next page



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Continued from previous page
function in the insurance marketplace is to be there as a market for most types of tough-to-place risks. But at the same time, we're adamant about not cutting prices," Seth Freudberg said.

In 1990, United National raised rates up to 20% on most new primary casualty accounts as well as some renewals (BI, Aug. 12, 1991). However, "last year, we simply kept rates the same," said Seth Freudberg. "We couldn't

very well impose another rate hike during a soft market, but at least we didn't get involved in price cutting."

United National is sticking to that approach again this year and it appears to be paying off. Gross premium volume through the first half of 1992 was \$76 million, up 11.8% from \$62.6 million for the same period last year. And over the same period, premiums written on a non-admitted basis rose 20.9% to \$59 million from \$48.8 million.

Midyear net income of \$8.3 million is about on a par with last year.

"As the saying goes, if it ain't broke, we're not going to fix it. Our long-standing philosophy of expanding the production base, strengthening internal staff and always exploring new niches seems to be working. Despite no good market signs for surplus lines insurers, we're prepared to stay the course," said Seth Freudberg.

Ray Freudberg agreed that surplus lines insurers continue to operate in a nasty environment. Competition, he said, remains heated and continues to come from all angles.

"The bulk of our competition is coming from the admitted market. A good number of admitted companies are writing business that was formerly surplus lines business," Ray Freudberg said, citing malpractice insurance for hospitals and some classes of owners, landlords and tenants liability insurance as two examples.

"Risk retention groups, captives and more insureds taking large self-insured retentions are also cutting into our business," he added.

As a result, United National and its producers can't afford to sit back and let the business come to them, said Seth Freudberg. "We're trying like mad to get the word out to our producers about what we're willing to write. We put out a monthly flash report of business written. Anything a producer sees on this report, we're willing to look at."

About the only business United National wants no part of is workers compensation and private passenger automobile insurance.

About 90% of United National's premiums are generated by wholesale brokers and MGAs.

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

ISRS produces mostly excess liability insurance business with about \$5 million in limits. However, United National occasionally writes higher limits for business brokered by ISRS, said Seth Freudberg.

"More than half of this cover-

age is coming in on top of business written by licensed insurers, and more recently it has been coming in on top of self-insured retentions of \$1 million to \$5 million," said Ray Freudberg.

Towson, Md.-based Financial Institution Services Corp. continues to be the source of a successful program that offers banks and other lenders up to \$5 million in property protection for repossessed properties and collateral.

Begun in 1990, the program continues to grow nicely, said Seth Freudberg. "We expanded it last year to include fire insur-

Continued on next page



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Continued from previous page
 ance for lender-owned dwellings."

Two unrelated producers are the starting point for an excess hospital professional liability program.

Doran Excess Underwriters Inc. of Mechanicsburg, Pa., and Myron F. Steves & Co. of Houston both market this program on behalf of United National. United National typically writes more than \$10 million in limits, normally excess of a \$1 million attachment point.

Doran Excess also produces an errors and omissions coverage program for specialized insurance agents and wholesalers. The program offers up to \$5 million in claims-made coverage, although most policies have a \$1 million limit.

"It's only for specialized producers, so it's very focused. Therefore, it has been producing excellent results," Ray Freudberg noted.

A program United National kicked off last November provides physical damage coverage for fleets of trucks.

The program, which is produced by Transportation Underwriters Inc. of Indianapolis, provides physical damage coverage based on the actual cash value of the insured rig, typically

about \$50,000 per vehicle. Fleets normally range in size from five to 100 rigs, according to Seth Freudberg.

"While we don't like auto liability, at least with auto physical damage you know where you stand right away," he

sive in the acquisition arena, United National recently acquired J.H. Ferguson & Associates of Evanston, Ill., one of its leading producers. Under the June 30 deal, American Insurance Services Inc., United National's parent holding company,

United National retained about 33% of its direct, non-admitted premium volume. 'It could be higher, but when you're exposed to large limits in the excess area like we are, we have to reinsure to greater levels,' says Seth Freudberg.

said.

Centrex Underwriters Inc. of Memphis, Tenn., continues to produce most of the liquor liability business underwritten by United National.

Under the program, United National offers up to \$1 million in liquor liability limits for package stores, taverns, restaurants and hotels in 23 states.

Two other MGAs write similar liquor liability limits in Florida and Georgia.

The insurance company also offers \$50,000 in limits to small liquor liability risks in Pennsylvania.

Although not normally aggres-

sive in the acquisition arena, United National recently acquired J.H. Ferguson & Associates.

"Acquiring Ferguson gives us more direct access to their network of wholesalers and producers," explained Seth Freudberg.

J.H. Ferguson produces all types of property business, with a special focus on vacant properties and sites in renovation. It can write up to \$750,000 in limits automatically and up to \$4 million with permission from United National.

J.H. Ferguson also can write up to \$1 million in E&O coverage for real estate title researchers, librarians and testing laboratories.

"Their excellent judgment as an underwriter and a wide network of surplus lines industry contacts is going to make a great contribution to the expansion of our business," said Kevin L. Tate, senior vp.

A breakdown of United National's 1991 non-admitted business shows that more than half—54%, or nearly \$70 million—stemmed from underwriting umbrella and excess liability coverage.

Various forms of primary liability coverages accounted for \$48 million, or about 37% of the company's non-admitted book of business. In 1990, primary liability accounted for only about 25% of the book.

Approximately \$11 million, or 9%, of United National's premiums were derived from miscellaneous coverages like special multiperil packages, liquor liability, property coverage and personal lines.

United National retained about 33% of its direct, non-admitted premium volume.

"One third is our standard retention," according to Seth Freudberg. "It could be higher, but when you're exposed to large limits in the excess area like we are, we have to reinsure to greater levels."

The surplus lines insurer's treaty reinsurers in 1991 remained: Employers Reinsurance Corp. of Overland Park, Kan., and Constitution Reinsurance Corp. of New York.

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

United National reported no penalty for overdue authorized reinsurance last year, and charges for unauthorized reinsurance totaled less than \$100,000.

The company's statutory combined ratio was 94.1% in 1991, down from 95% the previous year.

Its loss ratio improved to 65.5%, from 69.9% the previous year, mostly as a result of the company not adding to reserves for prior years in 1990.

However, the insurer's expense ratio climbed to 28.6% from 25.1%, primarily because of the company's November move to Bala Cynwyd and because it paid slightly higher commissions to brokers.

United National boosted its policyholders surplus to \$129.3 million, a 7.9% increase from \$119.8 million in 1990. That increase was in addition to the payment of an \$8.2 million dividend to its parent, American Manufacturing Corp. of Philadelphia.

United National writes on a non-admitted basis in all states except Pennsylvania.

Subsidiaries Diamond State Insurance Co. and Hallmark Insurance Co. Inc. are both approved, non-admitted insurers in Pennsylvania, giving the United National Group the capability to write on a surplus lines basis in all 50 states.

United National employed 115 people last year, up from 109 the prior year.

Besides Raymond and Seth Freudberg and Mr. Tate, top executives of the surplus lines insurer include Daniel J. Kelleher, treasurer, and Patricia M. Rodman, vp-underwriting.

—By Michael Schachner

Illinois Insurance Exchange		
	1991	1990
Gross premiums...	\$149,099,893	\$156,994,576
Non-admitted...	\$116,159,143	\$121,735,229
Commercial risks...	100%	100%
Net premiums...	\$111,931,788	\$129,215,941
Paid-in capital...	\$19,147,344	\$17,759,844
Capital & surplus...	\$122,289,257	\$123,128,186
Employees...	35	40
Combined ratio...	97.4%	93.7%
Net income...	\$14,556,195	\$23,594,061
Best's rating...	NA	NA

311 S. Wacker Drive, Suite 400, Chicago, Ill. 60606; 312-408-8000; fax: 312-408-8044

In its 10th year, the Illinois Insurance Exchange faces new opportunities as well as some continuing problems.

Among the opportunities: two new members, bringing to 13 the number of active syndicates, up from 11 at year-end; and new products, including several environmental coverages.

But ongoing problems include: the lasting soft market, which led to a decline in gross premiums in 1991; heightened scrutiny of non-admitted insurers in some states; and a complex coverage dispute involving six syndicates.

The IIE's 11 active syndicates wrote \$149.1 million in gross premiums in 1991, down 5% from \$157 million written by those syndicates in 1990. Gross premiums written by IIE syndicates peaked at \$263 million in 1986.

Premiums written on a direct, non-admitted basis fell 4.6% to \$116.2 million last year from \$121.7 million in 1990.

Because of that decline, the IIE slipped to No. 7 from No. 4 in the Business Insurance ranking of the largest U.S.-based surplus lines insurers.

The IIE's active syndicates posted \$111.9 million in net written premiums in 1991, down from \$129.2 million written by those syndicates in 1990.

Direct insurance continues to provide 85% of IIE volume, with reinsurance comprising only 15%.

The aggregate statutory combined ratio for the exchange deteriorated to 97.4% from 93.7% in 1990.

A 45.6% drop in net investment income to \$14.8 million in 1991 from \$27.2 million the previous year contributed to a sharp decline in net income. Syndicates' net income was down 38.1% to \$14.6 million from \$23.6 million in 1990.

Policyholder surplus fell slightly to \$122.3 million from \$123.1 million 1990.

"The 1991 results are typical of the surplus lines business in current market conditions," said James M. Skelton, president and chief operating officer of the exchange. "The fact that premium volume has continued to decline over the last three years has had an impact on asset growth, surplus growth and net income."

But IIE syndicates are operating as they should in the current market, refusing to cut rates to retain business, Mr. Skelton said. "The syndicates are not out buying business; they are letting it go."

Slow times have also taken their toll on the exchange itself: The number of exchange employees has declined, primarily through attrition, to about 35 currently from about 50 in the late 1980s.

When the Illinois Legislature created the exchange in 1979, it envisioned a Lloyd's of London-styled market writing hard-to-

Continued on next page

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place risks with the backing of non-traditional capital.

Most syndicates at the time the IIE opened its doors in 1982, though, were established by large insurers or managing general agents. Eventually, individual investors began to form syndicates. That has fostered a prudent approach to underwriting that has kept the IIE afloat while exchanges in New York and Florida failed, Mr. Skelton said.

The IIE's continuing appeal, even in the soft market, is underscored by the addition of two new syndicates in the first quarter of 1992.

Environmental Risk Insurance Co., a risk retention group domiciled in New Mexico, in January became ERIC Syndicate Inc., which is managed by ERIC Group Inc. of Englewood, Colo. The syndicate provides environmental insurance products, including asbestos abatement liability insurance and property transfer liability coverages.

The other newcomer, Prime Syndicate Inc., is the first to sell shares to non-insurance industry investors through an investment firm. The syndicate was formed by Hamilton Investments Inc., a Chicago financial services company headed by Gordon Teach, who is also chairman of the IIE's board of trustees.

Mr. Teach, who has been a public trustee since 1987, is not an investor in the syndicate.

Prime Syndicate shares were offered in 60 units of \$250,000, half in cash and half in letters of credit. Some half-units were also sold (BI, June 1).

Over the past two years, existing syndicates have made "great strides," said John Snyder, senior vp of the property/casualty department at A.M. Best Co. Oldwick, N.J.-based Best last year issued letter-grade ratings

to some IIE syndicates for the first time, based on 1990 results.

Best upgraded two syndicates in 1992: Classic Syndicate Inc. to B++ from B+; and First Oak Brook Corp. Syndicate Inc. to 6 from 5 on its Financial Performance Index, which Best applies to some insurers not eligible for letter ratings.

But Resure Inc., the only IIE syndicate to receive an "excellent" rating in 1991, was downgraded to B++ from A-.

Most of the remaining syndicates have not been operating

long enough to be eligible for letter grades.

As they mature, the syndicates further the IIE's goal of being one of the nation's largest insurance facilities for unusual and hard-to-place risks.

Including ERIC's new environmental coverages, nearly 350 different types of insurance, covering everything from acupuncture operations to youth outreach programs, are available from the exchange's 13 active syndicates.

A 14th syndicate, RCA Syndi-

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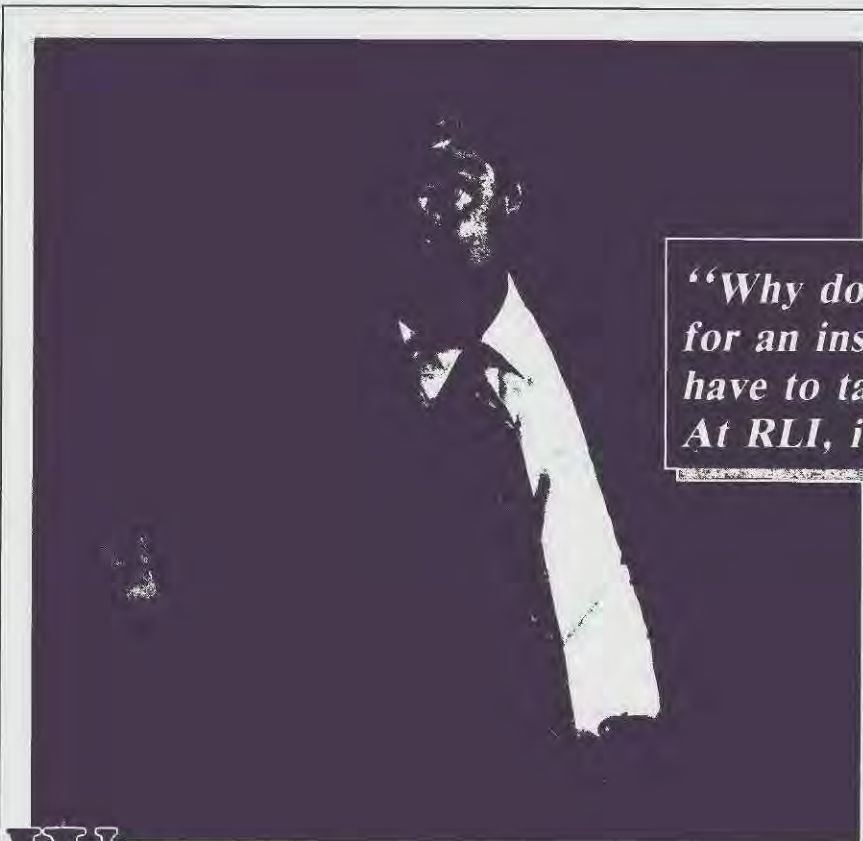
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When I take off my hat as "insurance company president" and put on my "insurance consumer" hat, I'm appalled by what I see. I buy a commercial policy and it takes three or four months to get it. When I get it, my

college education isn't enough for me to wade through the confusing verbiage. It's about time we started doing something about consumers' problems. It's time we started to demonstrate our care and compassion through our service. At RLI, that's just what we're doing. And we begin with fast service. There's no reason policy turnaround should be as high as 90 days. Our underwriters consistently succeed



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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 (loss)		Net income (loss)	
	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991	1990
Classic Syndicate Inc.	\$23,955	\$23,155	\$20,300	\$14,861	\$17,061	\$17,154	1.19:1	.87:1	104.2%	91.8%	\$2,234	\$5,477	\$(695)	\$3,917
Britamco Underwriters Inc.	22,265	27,899	21,267	25,850	26,482	19,043	.80:1	1.36:1	90.9	105.1	8,956	7,404	8,003	4,149
Transco Syndicate #1 Ltd.	19,401	29,922	16,285	30,615	15,080	15,943	1.08:1	1.92:1	96.7	95.9	4,339	4,570	5,099	4,274
First Oak Brook Corp. Syndicate Inc.	18,505	19,937	11,391	10,822	7,798	5,752	1.46:1	1.88:1	102.8	97.8	416	377	(29)	(114)
First Mercury Syndicate Inc.	16,672	18,073	14,786	16,794	17,520	20,483	.84:1	.82:1	103.2	89.3	4,893	4,436	2,853	3,717
Resure Inc.	12,280	6,898	8,030	3,620	6,038	5,720	1.33:1	.63:1	95.0	96.7	1,512	151	1,097	293
Geneva Underwriters Syndicate Inc.	9,816	8,012	3,557	6,484	8,555	11,619	.42:1	.56:1	43.5	73.2	(5,019)	1,379	(1,921)	3,287
Geneva Assurance Syndicate Inc.	9,816	7,966	3,443	6,403	9,545	14,260	.36:1	.45:1	42.0	65.2	(4,371)	1,612	(1,161)	3,857
Agora Syndicate Inc.	9,297	4,629	6,300	3,996	4,007	4,174	1.57:1	.96:1	106.7	107.9	447	436	(239)	(269)
Comprehensive Ensurers Market Syndicate Inc.	3,710	5,693	3,520	4,979	4,268	3,807	.83:1	1.31:1	104.2	105.0	567	641	695	278
AAI Syndicate #1 Ltd.	3,384	4,810	3,052	4,792	5,934	5,173	.51:1	.93:1	119.7	94.0	819	726	854	205
Total active syndicates	149,100	156,995	111,931	129,216	122,288	123,129	.92:1	1.02:1	97.4	93.7	14,793	27,209	14,470	23,594

Source: Illinois Insurance Exchange

GRAPHIC BY KIMBERLY MART

Continued from previous page
cate No. 1 Ltd., is inactive and is running off its business.

Alliance Syndicate Inc., which was the ninth-largest IIE syndicate in 1990, last year received permission to withdraw from the exchange and merge with its parent, Alliance General Insurance Co. (BI, Feb. 25, 1991).

Seventy percent of the IIE syndicates' business is casualty coverage, and they typically can put to-

gether up to \$5 million in limits, said Mr. Skelton. Limits of \$10 million to \$15 million may be available if all of them cooperate.

Casualty coverages include professional liability for architects, blood banks, corporate attorneys, environmental consultants and directors and officers of a variety of institutions; product liability; and ocean marine liability.

Syndicates also write liability coverages to protect river rafters;

spectators at auto and snowmobile races; and auctioneers errors and omissions.

The remaining 30% of the IIE's business is property coverage, including comprehensive multiperil and boiler and machinery. The IIE's aggregate capacity for property risks generally is \$5 million.

The IIE currently writes coverage as a non-admitted insurer in 42 states. Although the IIE is eligible to write coverages in most

states, at least four states—California, Colorado, Nevada and Florida—only allow certain syndicates to write coverages.

The exchange uses a "lead-follow" system, in which a broker places a risk by taking it to a lead underwriter for a syndicate that writes that type of business. That underwriter sets policy terms, after which other syndicates can participate in the coverage.

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

Most of the major producers of exchange business are the syndicates themselves, although 140 brokers have been authorized to submit business to the exchange.

Edgewater Insurance Services Ltd., which is a contract underwriter for Resure, recently introduced a new software program—INFOEDGE—that allows brokers to submit coverage requests electronically.

Submissions to the exchange have increased significantly in the past two or three months, said Mr. Skelton, who is optimistic the market may firm yet this year.

First-quarter gross premiums increased to \$39.3 million, up about 11%, he said. Direct written premiums increased about 10%, according to Mr. Skelton, who cited the addition of ERIC for the gain.

Net written premiums for the first quarter fell 4% from the year-earlier period to \$31.1 million, as syndicates ceded more reinsurance.

"The exchange expects to improve written premium levels and overall growth this year," Mr. Skelton said.

Other small signs that the market may be hardening include reports from London that reinsurance is getting tougher to place, he said.

A hardening market may curb the increased regulatory scrutiny that typically develops during a soft market, Mr. Skelton said.

For example, regulators in California, Maryland and Michigan appear to want to raise minimum capitalization requirements for all surplus lines insurers, according to Best's Mr. Snyder.

In fact, at hearings in California late last month, Mr. Skelton testified against a proposal to raise the surplus requirements for non-admitted insurers to \$15 million (BI, Aug. 3). Only four IIE syndicates would currently meet this standard.

IIE syndicates write more risks in California than in any other state, with nearly \$40 million in

direct non-admitted premiums written in 1991.

Mr. Skelton said he is "fairly confident" that regulators will ultimately give some credit for the exchange's guaranty fund, which had about \$29 million available at year-end to cover claims against failed syndicates.

Other states are tightening acceptable capital requirements.

Since 1990, "a lot of syndicates have made great strides in reducing their reliance on letters of credit and replacing the dollar amount with contributions of capital or securities," noted Best's Mr. Snyder.

At the end of 1991, only four syndicates relied on LOCs as part of their capital, he said: First Mer-



Because submissions to the exchange are increasing, James Skelton is optimistic the market may firm in the second half of this year.

cury Syndicate Inc., with a \$5.8 million LOC; AAI, \$3.6 million; Comprehensive Ensurers Market Syndicate Inc., \$2.7 million; and Agora Syndicate Inc., \$500,000.

Meanwhile, six syndicates are embroiled in a complex legal dispute over their responsibility to pay claims and expenses under excess medical malpractice policies written for a pool of physicians and health care practitioners.

The syndicates argue that they were not made fully aware of the scope of the risk and terms of the coverage when it was placed.

Currently, the syndicates are appealing an order by U.S. District Court Judge Ann Claire Williams that requires them to administer, defend and pay all pending claims from the pool, which now total \$3.5 million. The total is expected to grow, said Frank Heap of Bell, Boyd & Lloyd in Chicago, who represents the syndicates.

The syndicates involved are Geneva Assurance Syndicate Inc., Geneva Underwriters Syndicate Inc., Classic Syndicate Inc., First Oak Brook, Agora and AAI.

The coverage was placed by Irving E. Shainberg, a former executive vp of Associated Agencies Inc. in Chicago, who resigned late last year as vice chairman of the IIE board of directors. He was assisted by Tri-City Brokerage of Illinois, court papers show.

"The exchange is engaged in a comprehensive inquiry into the situation," Mr. Skelton said.

—By Meg Fletcher

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First State Insurance Co.

150 Federal St., Boston, Mass.
02110-1753; 617-526-7600;
fax: 617-526-0600

	1991	1990
Gross premiums	\$282,111,282	\$272,202,151
Non-admitted	\$111,429,439	\$87,150,257
Commercial risks	100%	100%
Net premiums	\$145,768,071	\$147,054,176
Paid-in capital	\$5,000,000	\$5,000,000
Capital & surplus	\$153,332,170	\$133,656,375
Employees	335	358
Combined ratio	109.4%	108.3%
Rating agency	110.8%	109.6%
Net income	\$19,996,239	\$16,004,135
Best's rating	A+	A+
S&P rating	AAA	AAA

First State Insurance Co. is zeroing in on smaller risks, primary liability coverages, and new products and programs to generate growth as the soft property/casualty insurance market drags into another year.

Nevertheless, a shift away from more competitive large-account and excess casualty risks has hardly meant booming business for First State, a unit of ITT/Hartford Group Inc.

The insurer saw its direct non-admitted premium volume rise 27.9% to \$111.4 million last year from \$87.2 million in 1990, after falling from \$119.8 million in 1989.

Last year's increase moved First State up a notch to No. 8 in the *Business Insurance* ranking of the largest U.S.-based surplus lines insurers. Still, the insurer is far short of its No. 6 ranking in 1990 and No. 4 in 1989.

And most of the 1991 increase resulted from the commutation of a block of business with a Teledyne Inc. unit, which had produced a drain of more than \$20 million in First State's 1990 direct premiums.

Without the deduction from 1990 volume caused by the commutation, direct non-admitted business would have changed relatively little between 1990 and 1991.

"It was more of the same last year," observed Lawrence S. Doyle, the company's chief executive officer.

"The soft market is certainly continuing for all of us, whether we are admitted or non-admitted," said Ralph J. Palmieri, its president.

Fortune 500 property/casualty risks are among the first targets of price competition among the specialty underwriting units of admitted insurers and—to a lesser extent—among surplus lines insurers, Mr. Palmieri noted.

First State writes "very little" of this business, and what little it has consists mainly of long-standing renewal accounts, he said.

Instead, the insurer has focused on writing business for small and medium-sized clients with \$5 million to \$50 million in annual sales and average annual excess casualty premiums of \$35,000, Mr. Palmieri said.

Many of these smaller accounts are start-up businesses that have a hard time finding coverage in the admitted market because they lack track records, he noted.

The recession hasn't put much of a crimp in this business, he added. "There's always enough, believe it or not."

Meanwhile, excess casualty business—while still the largest part of First State's liability business—is shrinking as a percentage of the overall book as the insurer expands the primary lia-

bility programs it introduced in 1988.

First State is losing roughly \$15 million to \$20 million per year in excess casualty business for various reasons, including price competition. Replacing the lost volume is primary liability business, Mr. Doyle said.

"We lose a little at a time, but we have been losing a little at a time for five years," Mr. Doyle said of excess liability lines, where First State writes gross limits of up to \$10 million and a net line of \$4.6 million.

Primary business includes manufacturers and contractors; owners, landlords and tenants; and a relatively small volume of product liability risks, with most coverage written on an occurrence form with limits of \$1 million per occurrence and \$2 million per occurrence and \$2 million per occurrence and \$2 million per occurrence.

Continued on next page

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Aon Reinsurance Agency, Inc.
206/343-5541

Continued from previous page
 lion annual aggregate, Mr. Palmieri noted.

Greater market penetration—First State now offers the primary liability program in 48 states, up from 28 a year ago—has produced “steady” if unspectacular growth, he said.

“We have not had much of a problem writing enough business at our established pricing levels,” Mr. Palmieri said of the primary business.

First State is also looking for growth in its programs, which include:

- A legal malpractice program for Massachusetts lawyers. The program was formerly endorsed by the Massachusetts Bar Assn., but First State lost the endorsement to a Crum & Forster Inc. unit last year.

Nevertheless, the insurer has managed to hold on to about 60% of the business—which formerly produced about \$28.5 million in gross premiums—with the balance going to Crum & Forster and other markets, according to Mr. Palmieri.

- A property/casualty program for nursing homes. The program is now written only in Massachusetts, though First State is looking at expanding into other states. The program provides primary liability limits of \$1 million per occurrence and umbrella limits of up to \$10 million, with property coverage of up to \$10 million.

- A liquor liability program with a \$1 million primary limit. The program draws most of its business from Massachusetts, but is available in nine other

states and may expand to two or three more states, according to Mr. Palmieri.

Other programs offered by First State include a truck physical damage program and errors and omissions programs for employee benefits administrators, trustees and officers of mutual savings banks, and freight forwarders.

Coverages First State will not write include directors and officers liability, environmental impairment liability, financial guarantee and medical malpractice insurance.

Meanwhile, the insurer con-

tinues to provide property coverage with a maximum gross line of \$7.5 million and a net line of \$1.5 million.

First State and its admitted market counterpart, New England Insurance Co., are both managed by First State Management Group, which was created last year as part of an internal reorganization.

First State, New England Insurance and affiliate New England Reinsurance Corp. were previously managed by Boston-based Cameron & Colby Co. Inc., another Hartford unit. With the reorganization, though, New En-

gland Re has become self-managed, First State and New England Insurance operate through First State Management, and Cameron & Colby has been phased out.

First State, licensed only in California and Delaware, and New England Insurance, licensed in all states except California, write essentially the same types of business and are used “interchangeably,” depending on whether the client wants an admitted or non-admitted market, Mr. Palmieri said.

First State's California direct premium volume dropped

\$2 million.

Overall, First State wrote direct premiums of \$136.3 million last year, of which \$111.4 million was on a non-admitted basis. This was up 8.9% from total 1990 direct premiums of \$125.1 million, of which \$87.2 million was non-admitted.

Liability business continues to represent the vast majority of First State's direct writings: “Other liability” lines accounted for \$104.4 million of last year's direct premiums, while inland marine accounted for \$13.5 million, property insurance for \$9.9 million, allied lines for \$7.6 million and automobile coverages for \$927,911.

First State cedes all of its direct premiums to a pool that is managed by Hartford Fire Insurance Co. and includes First State, Hartford Fire and 14 other Hartford units. Under the pooling arrangement, each participating insurer assumes as reinsurance a percentage of the pool's premiums and bears a proportional share of the pool's losses and expenses.

For 1991, First State assumed \$145.8 million in reinsurance premiums from the pool. When added to direct volume, this gave it gross premiums of \$282.1 million for the year, up 3.6% from \$272.2 million in 1990.

After ceding the direct business to the pool, First State finished the year with net premiums of \$145.8 million—its share of the pool business—a marginal decline from \$147.1 million in 1990.

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

First State's share of the pool business—on which its results are based—includes several lines of coverage it does not write on a direct basis, among them workers compensation, commercial multiperil and homeowners.

The insurer reported a 1991 loss ratio of 80.2% and an expense ratio of 29.2%, producing a statutory combined ratio of 109.4%. This represents a slight deterioration from 108.3% in 1990.

Its net income rose nearly 25% to about \$20 million from \$16 million in 1990.

Policyholder surplus stood at \$153.3 million at the end of last year, up 14.7% from \$133.7 million at year-end 1990. Retained earnings accounted for the gain.

The insurer carries an A+ rating from A.M. Best Co. and an AAA claims paying ability rating from Standard & Poor's Corp.

First State had reduced its staff about 7% to 335 by the end of last year from 358 a year earlier, largely through attrition, according to Mr. Palmieri.

To control costs, the company is doing “pretty much what every company on the street is doing these days,” he observed.

Mr. Palmieri added that the demise of Cameron & Colby and the separation of New England Re from First State and New England Insurance has produced “hardly a ripple of impact on our ability to do business.”

The realignment has actually allowed each company to get a better grip on its operating expenses, Mr. Doyle said.

In addition to Mr. Doyle and Mr. Palmieri, First State officers include Lynford M. Richardson, executive vp and controller, and Peter P. Coghlan, executive vp.

—By Douglas McLeod

Evanston Insurance Co.

Shand Morahan Plaza, 1007 Church St., Evanston, Ill., 60201; 708-866-2800; fax 708-866-0778

	1991	1990
Gross premiums	\$140,200,609	\$123,213,136
Non-admitted	\$97,981,583	\$91,923,545
Commercial risks	98.3%	98.7%
Net premiums	\$96,458,628	\$98,193,020
Paid-in capital	\$8,251,229	\$8,251,229
Capital & surplus	\$86,302,998	\$72,784,396
Employees	198	265
Combined ratio	116.9%	96.7%
Net income	\$2,582,556	\$10,267,833
Best's rating	B++	B+

Dropping two notches among the ranks of the largest U.S. surplus lines insurers doesn't bother Evanston Insurance Co.

“Let volume fall where it does,” said Paul W. Springman, president of the Markel Corp. unit. “You have to be careful and pick and choose your spots and use your capital wisely.”

Direct, non-admitted premium volume for the Evanston, Ill., based insurer grew 6.6% last year to \$98 million from \$91.9 million in 1990. But that performance caused it to slip to No. 9 among the largest U.S. surplus lines insurers from No. 7 last year.

Rather than chasing premium volume, Mr. Springman said, Evanston strives to “produce underwriting profits each year.”

It fell short of that goal last year because of losses associated with two now-discontinued programs, and Mr. Springman is hoping this year will be different.

About three-quarters of Evanston's business is produced by Markel-owned underwriting manager Shand, Morahan & Co., which manages Evanston and provides all underwriting, claims handling, accounting, management information system and administrative services.

Shand, which was among the 10 largest U.S. wholesalers for much of the 1980s, reported premium volume of \$102 million in 1991, up 4.4% from \$97.7 million in 1990.

Three lines of business accounted for the growth in surplus lines premiums produced by Shand and written by Evanston, according to Mr. Springman: medical malpractice coverage, errors and omissions coverage for insurance company officials and Evanston's specialty casualty coverages.

Evanston's total gross premium volume grew 13.8% last year to \$140.2 million from \$123.2 million in 1990.

Mr. Springman attributes the vast majority of this growth to Evanston's participation in a pooling arrangement with Insurance Co. of Evanston, a sister insurer that is admitted in 46 states.

The two insurers are pooling business produced by another associated company, Markel Rhulen Underwriters & Brokers, of Monticello, N.Y. The majority of Markel Rhulen's book of business is liability coverage for summer camps, daycare centers and social service agencies, as well as agricultural and equine coverage.

Evanston's net written volume dropped 1.8% to \$96.5 million in 1991 from \$98.2 million the previous year.

Its underwriting results headed south last year, with its statutory combined ratio climbing to 116.9% from 96.7%.

About half of the deterioration, said Mr. Springman, can be
Continued on next page

The demise of Cameron & Colby and the separation of New England Re from First State and New England Insurance has produced 'hardly a ripple of impact on our ability to do business,' Mr. Palmieri says.

continues to provide property coverage with a maximum gross line of \$7.5 million and a net line of \$1.5 million.

First State and its admitted market counterpart, New England Insurance Co., are both managed by First State Management Group, which was created last year as part of an internal reorganization.

First State, New England Insurance and affiliate New England Reinsurance Corp. were previously managed by Boston-based Cameron & Colby Co. Inc., another Hartford unit. With the reorganization, though, New En-

gland Re has become self-managed, First State and New England Insurance operate through First State Management, and Cameron & Colby has been phased out.

First State, licensed only in California and Delaware, and New England Insurance, licensed in all states except California, write essentially the same types of business and are used “interchangeably,” depending on whether the client wants an admitted or non-admitted market, Mr. Palmieri said.

First State's California direct premium volume dropped sharply to \$24.7 million last year from \$37.7 million in 1990, largely because New England Insurance gave up its license in the state and clients preferring a non-admitted market were shifted to that company.

New England Insurance's direct California premiums—its only non-admitted volume—rose to \$11.3 million in 1991 from \$2.3 million in 1990.

Meanwhile, First State's commutation of business with a Teledyne unit resulted in negative \$23.6 million in Rhode Island direct volume in 1990. Last year, Rhode Island volume had risen to

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Continued from previous page attributed to Evanston's participation in an association motorcycle liability program produced by American Underwriting Managers Inc., an underwriting manager in Waukesha, Wis., that is owned by Markel. The program, which was underwritten by Evanston and Insurance Co. of Evanston under a pooling arrangement, was discontinued late last year.

Also contributing to underwriting losses were environmental impairment liability policies written by Evanston during the early 1980s. The EIL program was discontinued in 1985.

Because of the underwriting losses, Evanston's net income plummeted a whopping 74.9% last year to \$2.6 million from \$10.3 million in 1990.

On an optimistic note, Mr. Springman pointed out that both of the programs that caused the underwriting loss last year have been discontinued and the insurer's core business, professional liability coverage, "continues to produce nice underwriting profits."

Despite the net loss, Evanston's policyholder surplus rose 18.6% to \$86.3 million at year-end 1991 from \$72.8 million a year earlier. Mr. Springman credits both realized and unrealized capital gains for the increase, noting that "the stock market was more favorable in 1991 than 1990."

Evanston concentrates on writing a variety of professional liability coverages, including:

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

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

"Specified" medical professional liability coverage is written for specialized medical facilities like blood banks, mobile kidney dialysis units, hospices and visiting nurse associations as well as for health care professionals like psychologists and X-ray technicians. 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 special program that provides professional liability insurance to physicians "with special needs." This includes doctors with previous alcohol or chemical dependency problems, those who practice medicine in several states or those who have been hit with a previous claim.

This group of physicians is "a real growing segment within the medical field," Mr. Springman commented.

Limits written for this program are the same as for the regular individual medical malpractice program.

- "Specified professions" errors and omissions liability coverage for firms like employment agencies and executive search firms, collection agencies, public relations firms, insurance consultants, claims adjusters, tax preparers and zoo and museum exhibit designers. Evanston writes limits of \$5 million per claim/\$5 million aggregate in most cases, with higher limits offered selectively.

- 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. Although Evanston writes coverage for all kinds of brokers, it is concentrating on managing general agents and wholesale brokers, Mr. Springman noted.

- Insurance company and financial institution E&O and directors and officers liability coverage, with limits of \$5 million per claim/\$5 million aggregate.

Under this program, Evanston writes coverage for: startup insurance companies and companies with loss problems or those that do not have a rating from A.M. Best Co.; mutual funds and investment advisers; savings and loans; and not-for-profit institutions.

Corporate D&O coverage, with
Continued on next page

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Continued from previous page
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 companies that make products like computer equipment, trailer hitches, forklifts, tractors, firearms, chemicals, exercise equipment, toys and condoms. Limits are \$2 million per claim/\$2 million aggregate for most accounts.

Evanston 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 for these risks, which include coverage for manufacturers of space-hab containers where astronauts work; coverage for transporters of wildlife, including whales; and liquor liability coverage for riverboat gambling casinos.

About 75% of Evanston's business is generated by wholesale brokers, with the remainder generated by retail specialists that handle only one or two lines of business, like a producer that specializes in architects and engineers professional liability insurance.

Evanston retains a maximum of \$1.5 million per risk. It purchases reinsurance from several different A-rated U.S. reinsurers, Mr.

Springman said.

Evanston took no charges for unauthorized or overdue authorized reinsurance in 1991.

By offering early retirement and eliminating jobs, Evanston cut its staff by a quarter last year to 198 from 265 in 1990.

Some jobs were eliminated after a new computer system was installed and others became unnecessary when Evanston was acquired by Markel at the end of 1990, said Mr. Springman.

Longtime Evanston and Shand Chief Executive Officer Joseph J. Prochaska is leaving the two companies at the end of September. He will be succeeded by Anthony Markel, president and chief operating officer of Markel Corp.

Besides Mr. Springman and Mr. Markel, Evanston's other principal officers include Richard A. Adler, executive vp; Steven K. Lauer, executive vp and chief financial officer; and Michael A. Rozenberg, executive vp.

Evanston is admitted only in Illinois.

Evanston also operates two subsidiaries: Insurance Co. of Evanston and Markel Rhulen Insurance Co., an Illinois-domiciled insurer that also writes on a non-admitted basis.

A.M. Best Co. has upgraded Evanston to B+ + from B+ last year.

—By Deborah Shalowitz

St. Paul Surplus Lines Insurance Co.

385 Washington St., St. Paul, Minn.
55102-1396; 612-228-3103;
fax: 612-292-8315

	1991	1990
Gross premium...	\$124,251,979	\$122,913,527
Non-admitted...	\$95,286,469	\$94,911,332
Commercial risks...	100%	100%
Net premiums...	\$28,965,510	\$28,002,195
Paid-in capital...	\$4,100,000	\$4,100,000
Capital & surplus...	\$37,838,719	\$30,907,526
Employees...	231	212
Combined ratio...	104.1%	103.1%
Net income...	\$6,843,307	\$6,701,726
Best's rating...	A+	A+

St. Paul Surplus Lines Insurance Co.'s non-admitted premium volume was as flat as the overall marketplace in 1991.

Janet R. Nelson, president and chief operating officer, blamed the continued soft property/casualty insurance market and increasing competition from admitted insurers for the company's lackluster 1991 results.

"In general, we found the marketplace amply competitive, active and aggressive so our growth was limited," she said.

However, growth last year in directors and officers liability and energy insurance business at least helped keep St. Paul's premium volume from declining, Ms. Nelson noted.

Gross premiums written on a direct, non-admitted basis rose only slightly to \$95.3 million last year, from \$94.9 million in 1990. The 0.4% increase was the smallest among the 10 largest surplus lines insurers that reported a gain.

That performance caused St. Paul Surplus Lines to drop four notches to the No. 10 spot in *BI*'s ranking of the 10 largest U.S.-based surplus lines insurers.

Gross premium volume also increased only slightly to \$124.3 million in 1991, up 1.1% from \$122.9 million the previous year. Business had slowed even more early this year: premium volume for the first six months declined 9.1% to \$54.6 million from \$60.1 million a year ago.

St. Paul Surplus Lines' business is written by three divisions of underwriting manager St. Paul Specialty Underwriting Inc.: the Surplus Lines Division, which wrote about \$60 million—or two-thirds—of the insurer's direct, non-admitted premiums in 1991; the Athena Division, which wrote about \$25 million; and the Professional Liability Underwriting Division, which wrote about \$10 million.

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

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

The Surplus Lines Division writes a wide variety of property and casualty coverages for St. Paul Surplus Lines through a national network of 35 wholesale brokers. The Athena Division and the Professional Liability Underwriting Division write business produced exclusively through Swett & Crawford Group, a wholesale brokerage unit of The St. Paul Cos. Inc. based in Los Angeles (see story, page 42).

The Professional Liability Di-

vision also writes other non-medical professional liability coverages for St. Paul Fire & Marine Insurance Co.

The Professional Liability Underwriting Division experienced a "modest increase" in its D&O book of business in 1991. Volume for both D&O and errors and omissions coverages were up about 6%, said Steve Brady, vp of the division.

"The disruption in the D&O marketplace"—namely the huge losses resulting from the savings and loan debacle—were a major factor behind the division's growth, Ms. Nelson said. But, she noted, "There still remains ample capacity for D&O."

Prices are up for "difficult" D&O accounts, particularly those with financial institution exposures, Mr. Brady said. While the division is carefully scrutinizing D&O risks, it is not introducing any new restrictions in its policy language, he noted.

The Professional Liability Underwriting Division offers \$15 million in capacity, with a \$5,000 minimum premium.

The Athena Division also experienced an increase in premium volume, primarily due to the success of two recently introduced energy risk coverages, said Richard Gustafson, vp of the division.

Those two products—operator's extra expense and rig physical damage coverages—"are doing well" this year, he said, and are expected to continue to perform well in 1993.

The Athena Division offers \$25 million in capacity for operator's extra-expense coverage and \$5 million for rig physical damage coverage.

Mr. Gustafson attributed the success of those products in part to the "worldwide reduction in capacity" for energy, oil and petrochemical coverages.

Such coverages were typically underwritten by the London market. As capacity for energy risks in London has contracted, St. Paul has been able to fill some of the void, Ms. Nelson said.

In addition, the Athena Division's primary and excess liability products are expected to do well again this year.

About 80% of the Athena Division's book is casualty business, which is split evenly between primary and excess coverage. Liquor liability and Main Street umbrella risks constitute the bulk of the division's business, with the remainder made up of energy risks and railroad protective liability insurance.

Competition for other products written by the Athena Division continues to "ebb and flow," Mr. Gustafson said. "Umbrella coverage for small- to medium-hazard risks comes and goes. But, we continue to try to find additional opportunities and classes of business."

The division can offer up to \$10 million in capacity for casualty risks and \$1 million for standard property risks.

Minimum premium requirements vary depending on the coverage, Mr. Gustafson said, noting that an umbrella product may have a \$1,250 minimum premium for the first \$1 million in coverage, while other classes could have minimum premiums as high as \$25,000.

Meanwhile, the Surplus Lines Division's overall results were less impressive.

"We were down—but only slightly," explained Robert J.

Cecconi, senior vp and head of the division. The division was able to keep the decline to a minimum by maintaining a strong renewal retention rate, he said.

"We continue to bleed a little on our umbrella business," Mr. Cecconi said, noting that umbrella volume was down roughly 20% because excess casualty risks continue to flow to the admitted market.

Of the division's \$60 million in direct, non-admitted premiums, 80% comes from casualty business, while 20% is produced by property coverage.

Heavy manufacturing risks make up the bulk of the Surplus Lines Division's casualty business, with consumer products accounting for about 25% and medical product liability risks accounting for about 10%.

The division offers \$10 million in capacity for casualty risks and \$13 million in capacity for property risks.

The Surplus Lines Division has not stopped underwriting any particular type of risk over the last year, Mr. Cecconi said. However, he noted, it does not generally underwrite pollution coverage or financial guarantee insurance.

"We don't anticipate any changes in 1992," Mr. Cecconi said. "We will continue to work hard and work on holding onto our renewals. And, we'll continue to look for opportunities to meet buyers face to face."

Additionally, St. Paul Surplus Lines will continue to stress the value of its services—including claims and risk management expertise drawn from its parent company, he said.

Having the St. Paul name is a "strength from a financial perspective and from a marketplace recognition perspective," Ms. Nelson pointed out.

St. Paul Surplus Lines' top producers include Swett & Crawford; Travis-Pedersen & Associates Inc.; Wood & Co. Inc.; James H. Bryson & Associates; and Sherwood Insurance Services.

In 1991, St. Paul Surplus Lines ceded \$71 million in premiums to affiliates and \$24.3 million in premiums to unrelated reinsurers. In turn, its parent ceded nearly \$29 million in premiums to St. Paul Surplus Lines.

According to its annual statement, St. Paul Surplus Lines reported a charge of \$410,776 for unauthorized reinsurance and a penalty of \$14,375 for overdue authorized reinsurance.

Net written premium volume, which includes intercompany pooling among St. Paul Cos. Inc. units, increased 3.4% to nearly \$29 million from \$28 million in 1990.

St. Paul Surplus Lines' net income rose 2.1% to \$6.8 million from \$6.7 million in 1990.

The company's policyholder surplus jumped 22.4% to \$37.8 million at year-end from \$30.9 million a year earlier, primarily because of retained earnings.

But the insurer's statutory combined ratio—after pooling—deteriorated to 104.1% in 1991 from 103.1% the previous year.

The insurer's employee count rose to 231 employees at year-end 1991 from 212 in 1990.

St. Paul Surplus Lines is an approved, non-admitted insurer in all states except Delaware. It carries an A+ rating from A.M. Best Co., and a AAA claims-paying ability rating from Standard & Poor's Corp.

—By Christine Woolsey

The Jefferson Insurance Group



A
(Excellent)
CLASS VII
1992
A.M.
Best
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Administrative Office: Harborside Financial Center
702 Plaza 3, Jersey City, NJ 07311-3892
Telephone: (201) 433-7677, Fax: (201) 332-0488



Annual directory of excess/surplus insurance writers

A

Acceptance Insurance Co.

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

	1991	1990
Gross premiums...	\$65,690,789	\$62,848,049
Non-admitted...	\$45,277,495	\$50,367,583
Commercial risks...	69%	80%
Net premiums...	\$43,071,580	\$47,996,065
Paid-in capital...	\$2,809,760	\$2,809,760
Capital & surplus...	\$26,708,123	\$25,736,961
Employees...	105	85
Combined ratio 1...	103.3%	93.4%
Combined ratio 2...	103.3%	93.4%
Net income...	\$2,904,935	\$3,804,245
Best's rating...	A-	A-
S&P's rating...	NA	Bq

Founded: 1979.

Parent company: Acceptance Holdings Inc.

Specialties: Small contractors, liquor, legal liability.

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

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

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

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

	1991	1990
Gross premiums...	\$84,958,766	\$105,810,608
Non-admitted...	\$74,566,169	\$88,415,488
Commercial risks...	87.8%	83.6%
Net premiums...	\$38,669,606	\$51,742,443
Paid-in capital...	\$3,000,000	\$3,000,000
Capital & surplus...	\$95,771,492	\$79,635,356
Employees...	128	121
Combined ratio 1...	108.4%	110.7%
Combined ratio 2...	98.8%	102.8%
Net income...	\$20,403,183	\$13,766,650
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 SIR charged first party accounts.

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

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

Admitted in: Delaware, New Jersey.

Principal officers: Michael J. Snead, chairman; John J. Murphy Jr., senior vp/secretary; Kathleen Crawford, vp/treasurer; Albert V. Sonsini, vp-underwriting services; John J. Kinsella, Armin W. Blumberg, Harold M. Mork, regional vps.

Contact: Albert V. Sonsini.

Adriatic Insurance Co.

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

	1991	1990
Gross premiums...	\$16,331,958	\$22,567,287
Non-admitted...	\$15,763,282	\$21,342,672
Commercial risks...	90%	84%

Net premiums...	\$13,382,068	\$18,503,129
Paid-in capital...	\$1,500,000	\$1,500,000
Capital & surplus...	\$13,738,282	\$10,950,755
Employees...	18	19
Combined ratio 1...	87.1%	88.5%
Combined ratio 2...	85.6%	88.3%
Net income...	\$2,493,551	\$2,573,899
Best's rating...	A-	A-

Founded: 1979.

Parent company: Anglesey Corp.
Specialties: Short and long haul truck physical damage, individual and fleet.

Approved non-admitted in: Ala-
Continued on next page

PROFESSIONALS SERVING PROFESSIONALS™ ACCIDENT COVERAGES UPDATE

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Vice President
(212) 530-7273



HOME INSURANCE
SPECIALTY LINES DIVISION

SUMMARY OF THE FINANCIAL YEAR 1991

GENERALI

THE INSURER WITHOUT FRONTIERS.

The Generali Group has continued its expansion in the various countries in which it operates. In Italy it was the majority partner in the foundation of AssiBa, a Life company which in its business will use the network of financial advisers and branches of the Banca Commerciale Italiana.

In Austria and Germany, on the basis of the agreement reached with the RAS Group, arrangements were made for the reorganisation of the two groups' presence. In exchange for shareholdings in local companies we acquired control of Interunfall Versicherung AG of Vienna, Interunfall Allgemeine Versicherungs-

AG of Hamburg and Münchener Lebensversicherung AG of Munich. In Belgium, Greece, Switzerland, Hungary, Argentina and Mexico further expansion was carried out through the acquisition of majority holdings or the foundation of new companies.

In Spain an agreement was signed with the Banco Central Hispanoamericano which led to the setting up of the Central Hispano-Generali Holding de Entidades de Seguros, embracing six insurance companies with 200 billion pesetas' worth of business.

1991 CONSOLIDATED STATEMENT

	1991	1990
ASSETS (000 US\$)*		
Building and farm property	7,048,474	4,942,379
Fixed-interest securities	24,159,767	17,716,132
Shares (including Associates)	6,111,651	5,188,192
Mortgage and policy loans	2,600,602	2,142,225
Deposits with Ceding Companies	545,767	509,420
Bank deposits	2,236,710	1,898,552
Accounts receivable and other assets	4,852,722	4,109,091
Total	47,555,693	36,505,991
LIABILITIES (000 US\$)*		
Provisions for insurance liabilities	34,832,244	28,339,939
Reinsurance deposits	591,324	304,326
Other liabilities	3,358,579	2,458,013
Minority shareholders' interest	1,483,006	869,841
Shareholders' surplus	6,800,638	4,127,483
Profit for the year	489,902	406,389
Total	47,555,693	36,505,991

* All figures have been converted at the rate of exchange of Lire 1,151.06 to the US\$.

■ This statement consolidates 74 insurance companies (including 7 Europ Assistance companies) operating in some 40 markets, 21 holding companies, 21 property companies and 3 agricultural concerns.

■ Gross premiums totalled US\$ 13,904.6m, an increase of 17.1% over 1990, 39% in Life insurance and 61% in Non-Life.

■ Benefits expenses totalled US\$ 7,576.4m.

■ Policy reserves increased by US\$ 3,980.4m.

■ Commissions and general expenses totalled US\$ 3,517.1m, an increase of 12% over 1990.

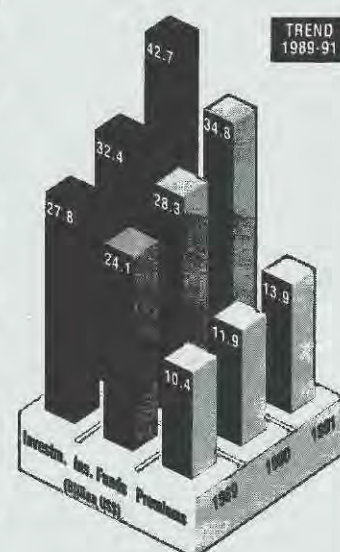
■ Investment income totalled US\$ 3,253.9m, an increase of 25.2% over 1990.

■ Investments totalled US\$ 42,703 m, against which provisions for insurance liabilities totalled US\$ 34,832.2m.

■ Underlying equity of the companies included in the consolidated group totalled US\$ 8,773.5m, of which 83.1% belongs to the Parent Company.

■ The year's profit of US\$ 489.9m (20.6% more than in 1990) was the result of:

(in millions of US\$)*	1991	1990
Parent Company's profit	330.6	305.1
Profit of the other Companies	327.1	1,073.5
Consolidation adjustments	- 73.7	- 904.0
Consolidated profit	584.0	474.6
Minority shareholdings	- 94.1	- 68.2
Profit for the year	489.9	406.4



Central Head Office in Trieste (Italy)

The Generali Group operates in the United States through: Assicurazioni Generali U.S. Branch, BMA-Business Men's Assurance and Generali Underwriters Inc.



THE INSURER WITHOUT FRONTIERS.

Spotlight report

Continued from previous page
 bama, Arizona, Arkansas, California, Colorado, District of Columbia, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Missouri, Nebraska, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, Wyoming.

Admitted in: Delaware, Mississippi, Nevada, New Mexico.
Principal officers: Joseph E. Taylor, president; Anthony V. Ciervo, secretary; Steven M. Harris, treasurer.
Contact: Dennis L. Boyce.

Agricultural Excess & Surplus Insurance Co.
 45 E. 47th St., Cincinnati, Ohio 45202; 513-579-6300;
 fax: 513-579-6314

	1991	1990
Gross premiums...	\$53,295,944	\$50,558,930
Non-admitted...	\$52,258,842	\$49,413,530
Commercial risks...	98.1%	98.7%
Net premiums...	\$1,037,102	\$1,062,829
Paid-in capital...	\$4,100,000	\$4,100,000
Capital & surplus...	\$10,726,063	\$10,046,923
Employees...	35	36
Combined ratio 1...	105.8%	108%
Combined ratio 2...	NA	108.4%
Net income...	\$686,823	\$688,950
Best's rating...	NA	A+

Founded: 1979.
Parent company: Great American Insurance Co.

Specialties: Pollution liability for underground storage tanks.

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

Admitted in: Delaware.
Principal officers: Richard Koscielniak, president; Robert Adams, senior vp; Gary Gruber, senior vp/treasurer; Donald Larson, John Twomey, senior vps.
Contact: Alan Jaeger.

Alliance General Insurance Co.

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

	1991	1990
Gross premiums...	\$11,588,661	\$10,217,735
Non-admitted...	\$10,672,393	\$7,050,427
Commercial risks...	92%	69%
Net premiums...	\$3,989,464	\$3,091,458
Paid-in capital...	\$1,500,000	\$1,500,000
Capital & surplus...	\$8,244,977	\$6,851,107
Employees...	NA	NA
Combined ratio 1...	99.3%	93%
Combined ratio 2...	99%	92%
Net income...	\$1,467,079	\$1,264,714
Best's rating...	B+	B+

Founded: 1984.
Specialties: Product liability.
Approved non-admitted in: Alabama, 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, Ore-

gon, Pennsylvania, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, Wisconsin, Wyoming.

Admitted in: Illinois.
Principal officers: Donald V. McCann; Eric W. Rahn; Denise M. LeBeau; Jeffrey M. Josephs.
Contact: Eric W. Rahn.

Alpine Insurance Co.

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

	1991	1990
Gross premiums...	\$2,247,227	\$4,178,814
Non-admitted...	\$1,981,665	\$3,023,072
Commercial risks...	88.2%	72.3%
Net premiums...	\$3,747,257	\$6,447,080
Paid-in capital...	\$1,800,000	\$1,800,000
Capital & surplus...	\$9,488,868	\$7,892,488
Combined ratio 1...	61.1%	99.8%
Combined ratio 2...	61.1%	99.8%
Net income...	\$2,020,053	\$771,406
Best's rating...	A-	A-

Founded: 1986.
Parent company: Exstar Financial Corp.
Specialties: Architects and engineers professional liability.

Approved non-admitted in: All states except Alaska, Connecticut, Hawaii, Illinois, New Jersey, New York, New Jersey, New Hampshire, Maine.

Admitted in: Illinois.
Principal officers: John T. Clark, president; Peter J. O'Shaughnessy, executive vp; Craig L. Rice, treasurer; Richard G. Kersten, secretary; Richard P. Shemitis, senior vp-underwriting.
Contact: John T. Clark, president.

American Empire Surplus Lines Insurance Co.

P.O. Box 5370, Cincinnati, Ohio 45201; 513-369-3000; fax: 513-369-3034

	1991	1990
Gross premiums...	\$62,113,522	\$77,860,252
Non-admitted...	\$51,966,678	\$67,663,457
Commercial risks...	100%	100%
Net premiums...	\$36,742,901	\$47,146,996
Paid-in capital...	\$4,100,000	\$4,100,000
Capital & surplus...	\$134,630,571	\$114,234,297
Employees...	82	85
Combined ratio 1...	37.5%	71.3%
Combined ratio 2...	37.3%	70.8%
Net income...	\$445,162	\$28,418,204
Best's rating...	A	A

Founded: 1977.
Parent company: Great American Insurance Co.
Subsidiaries: American Empire Insurance Co., Stonewall Surplus Lines Insurance Co., Fidelity Environmental Insurance Co.
Approved non-admitted in: All states except Delaware.
Admitted in: Delaware.
Principal officers: Joseph M.

Walsh, chairman; Walter E. Snyder, president; Chester A. Nalepa, senior vp (claims); Robert A. Nelson, senior vp.
Contact: Walter E. Snyder.

American Excess Insurance Assn.

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

	1991	1990
Gross premiums...	\$40,000,000	\$40,000,000
Excess liability...	100%	100%
Admitted...	100%	100%
Employees...	17	18
Excess liability...	9	9

Founded: 1986.
Specialties: Everything except airlines, water transportation and railroads.

Admitted in: All states except North Dakota, Texas, Wyoming.
Principal officers: H.D. Hanson, president; C.N. Greene, vp; N. Colgan, secretary.

American International Surplus Lines Insurance Co.

Harborside Financial Center, 401 Plaza 3, Jersey City, N.J. 07311; 201-309-1100; fax: 201-309-1186

See profile on page 22.

Associated International Insurance Co.

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

	1991	1990
Gross premiums...	\$80,248,502	\$85,546,829
Excess liability...	56%	57%
Admitted...	42%	37%
Net premiums...	\$40,029,155	\$38,455,836
Paid-in capital...	\$2,500,000	\$2,500,000
Capital & surplus...	\$36,967,557	\$29,754,969
Employees...	40	40
Excess liability...	5	4
Combined ratio 1...	87.7%	93.2%
Combined ratio 2...	87.6%	93.3%
Net income...	\$8,845,366	\$4,631,055
Best's rating...	A-	A-

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

Specialties: Self-insured retentions, excess or buffer layers, umbrella, architects and engineers errors and omissions, special programs, commercial DIC, fire.

Admitted in: California.
Non-admitted in: All states except California, Rhode Island, Maine.
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

California Union Insurance Co.

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

	1991	1990
Gross premiums...	\$67,694,144	\$88,185,569
Non-admitted...	\$55,436,549	\$78,300,888
Commercial risks...	81.9%	88.8%
Net premiums...	\$17,056,374	\$24,915,785
Paid-in capital...	\$4,500,000	\$4,500,000
Capital & surplus...	\$41,336,135	\$31,843,562
Combined ratio 1...	100%	108.8%
Combined ratio 2...	NA	108.8%
Net income...	\$7,899,430	\$5,912,910
Best's rating...	NA	A

Continued on next page

Terms in directory explained

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

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

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

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

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

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

Statutory net income is derived after 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 total number of employees (and for excess insurers, the number involved in excess liability underwriting) is also given.

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

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

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

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

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

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C I S

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Continued from previous page

Founded: 1956.
Parent company: CIGNA Corp.
Specialties: Large, complex, commercial and industrial risks requiring specially designed coverages, terms and conditions and underwriting expertise.
Approved non-admitted in: All states except California.
Admitted in: California.
Principal officers: J. Michael Rogers, president; Nicolas Yuschenkoff, senior vp; Isao Kenneth Kitagawa, Robert S. Cernok, Larry Wolterstorff, vps.
Contact: Nicolas Yuschenkoff.

Cardinal Casualty Co.

4420 Sherwin Road, Willoughby, Ohio 44094; 804-261-7000; fax: 804-266-4458

	1991	1990
Gross premiums	\$9,943,933	\$10,960,888
Net premiums	\$8,877,080	\$9,602,593
Paid-in capital	\$1,500,000	\$1,000,000
Capital & surplus	\$5,245,051	\$5,084,111
Combined ratio 1	109%	103.5%
Net income	\$289,907	(\$547,379)

Founded: 1978.
Parent company: Figgie International Inc.
Specialties: Bars, restaurant and taverns, daycare center, bed and breakfast establishment, convenience stores, motel, auto repair garages, security guards, contractors, pest control operators, UST contractors, tank manufacturing, industrial machine manufacturing, chemical blenders, machine shops, trailer manufacturing.
Admitted in: District of Columbia, Florida, Georgia, Indiana, Ohio.
Non-admitted in: Illinois, Oregon, Virginia, West Virginia, Wisconsin.
Principal officers: Geoffrey D. Cahill, Edward Desch, John A. Dunbar, John K. Latham Jr., F. Douglas Wall.

Casualty Indemnity Exchange

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

	1991	1990
Gross premiums	\$35,241,517	\$34,613,698
Non-admitted	\$14,581,291	\$17,720,235
Commercial risks	100%	100%
Net premiums	\$30,933,352	\$29,587,361
Capital & surplus	\$15,908,240	\$13,818,483
Combined ratio 1	102.8%	103.6%
Combined ratio 2	102.8%	103.6%
Net income	\$1,425,058	\$1,290,418
Best's rating	A	A-

Founded: 1977.
Specialties: Pest control, public entity business, daycare, restaurants.
Approved non-admitted in: Florida, Hawaii, Idaho, Massachusetts, Iowa, Montana, Oklahoma.
Admitted in: Alabama, District of Columbia, Illinois, Indiana, Missouri, Nebraska, Nevada, North Dakota, Rhode Island, Texas, Utah.
Principal officers: V. Joan Firley, president; Warren Dampf, senior vp/secretary; Robert Gooderl, chief operating officer/treasurer; Randy Snodgrass, chief financial officer; Darnell Pettengill, David Johnson, vps.
Contact: Randy Snodgrass.

Colony Insurance Co.

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

	1991	1990
Gross premiums	\$23,805,928	\$20,370,367
Non-admitted	\$21,909,251	\$19,866,730
Commercial risks	92%	97.5%
Net premiums	\$15,681,206	\$10,969,424
Paid-in capital	\$2,000,000	\$2,000,000
Capital & surplus	\$5,247,040	\$5,163,552
Combined ratio 1	98.6%	107.8%
Net income	\$164,294	\$56,665

Founded: 1962.
Parent company: Figgie International Inc.
Specialties: Bars, restaurants and taverns, daycare centers, bed and breakfast, convenience stores, motels, auto repair garages, security guards, contractors, pest control operators, UST contractors, tank manufacturing, industrial machine manufacturing, chemical blenders, machine shops, trailer manufacturing.
Subsidiaries: Cardinal Casualty Co., Glen Allen, Va.
Approved non-admitted in: All states except Alaska, California, Connecticut, Delaware, Hawaii, Idaho, Maine, Massachusetts, Minnesota, New Mexico, New York, New

Hampshire, New Jersey, Ohio, South Carolina, Vermont, Rhode Island, Pennsylvania, Virginia, Washington.
Admitted in: Virginia, Washington.
Principal officers: Geoffrey D. Cahill, Edward Desch, John A. Dunbar, John K. Latham Jr., F. Douglas Wall.

Columbia Casualty Co.

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

	1991	1990
Gross premiums	\$167,334,663	\$185,503,666
Non-admitted	\$27,649,613	\$24,306,747
Commercial risks	100%	100%
Net premiums	\$139,287,508	\$160,587,332
Paid-in capital	\$4,100,000	\$4,100,000
Capital & surplus	\$144,945,305	\$117,639,240
Employees	25	25
Combined ratio 1	116.3%	112.8%
Combined ratio 2	117.8%	114.9%
Net income	\$26,935,109	\$15,331,746
Best's rating	A+	A+
S&P's rating	AAA	AAA

Continued on next page

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13245 Riverside Drive, Suite 310, P.O. Box 6058,
 Sherman Oaks, CA 91413
 818-985-2324/1-800-621-2324

Continued from previous page
Founded: 1974.
Parent company: Continental Casualty Co.
Approved non-admitted in: All states except Illinois and Louisiana.
Admitted in: Illinois.
Principal officers: Edward J. Noha, chairman; Noel W. Prather, president; Jon T. Carothers, Dennis H. Chookaszian, Donald M. Lowry, vps.
Contact: N.W. Prather.

F

Fireman's Fund Insurance Co.

777 San Marin Drive, Novato, Calif. 94998; 415-899-2000; fax: 415-491-5729

	1991	1990
Gross premiums...	\$3.24 billion	\$3.38 billion
Excess liability...	5.3%	5.8%
Admitted...	100%	100%
Net premiums...	\$2.59 billion	\$2.73 billion
Employees...	9,800	10,000
Excess liability...	290	278
Combined ratio 1...	121%	119%
Net income...	\$126,297,401	(\$14,102,588)
Best's rating...	A	A
S&P's rating...	AA+	AAA

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 on-shore petrochemical risks.

Subsidiaries: Fireman's Fund Insurance Co. of Texas, Fireman's Fund Insurance Co. of New Jersey, Fireman's Fund Indemnity Corp., Southern Fund Insurance Corp., San Francisco Reinsurance Co., San Francisco Automobile Insurance Co., National Surety Corp., Warner Insurance Co., Midway Insurance Co. of Illinois, The American Insurance Co., Fireman's Fund Insurance Co. of Iowa, Fireman's Fund Insurance Co. of Georgia, Fireman's Fund Insurance Co. of Hawaii Inc., Fireman's Fund Insurance Co. of Louisiana, Fireman's Fund Insurance Co. of Ohio; Fireman's Fund Insurance Co. of Wisconsin, American Automobile Insurance Co., Associated Indemnity Corp., Interstate

Fire & Casualty Co., Interstate Indemnity Co., Chicago Insurance Co.
Admitted in: All states.
Non-admitted in: All states except Illinois, New Hampshire.
Principal officers: Herbert F. Hansmeyer, chairman/president/ chief executive officer; Raymond Barrette, president-personal insurance division; Gary E. Black, executive vp-claims; Timothy T.M. Koo, president of specialty insurance division; John F. Meyer, executive vp/ chief executive officer; Thomas E. Rowel, president of commercial insurance division; Joe L. Stinnette Jr., executive vp/ chief administrative officer.

First Specialty Insurance Corp.

P.O. Box 2938, 5200 Metcalf, Overland Park, Kansas 66201-1338; 913-676-5800; fax: 913-676-5880

	1991	1990
Gross premiums...	\$15,178,024	\$9,064,298
Non-admitted...	\$10,871,968	\$6,461,765
Commercial risks...	72%	71%
Net premiums...	\$3,341,176	\$1,527,334
Paid-in capital...	\$5,000,000	\$5,000,000
Capital & surplus...	\$17,270,832	\$16,163,918
Employees...	8	6
Combined ratio 1...	84.6%	79.4%
Combined ratio 2...	NA	79.4%
Net income...	\$1,110,554	\$1,070,365
Best's rating...	A++V	A+V

Founded: 1989.
Parent company: Employers Reinsurance Corp.

Specialties: Excess casualty, products, umbrella liability, excess hospital professional/malpractice liability.

Approved non-admitted in: All states except Alaska, Arkansas, Delaware, Mississippi, Missouri, Nevada, Oklahoma, New Hampshire, New Mexico, Rhode Island.

Admitted in: Missouri.
Principal officers: Michael G. Fitt, chairman/ chief executive officer; Denis J. deBarconelli, president/ chief operating officer; John M. Connelly, secretary; Gary R. Teaney, treasurer; Sharon L. Butler, comptroller.

First State Insurance Co.

150 Federal St., Boston, Mass. 02110-1753; 617-526-7600; fax: 617-526-0600

See profile on page 31.

Front Royal Insurance Co.

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

	1991	1990
Gross premiums...	\$329,395	\$200,915
Non-admitted...	\$259,937	\$138,346
Commercial risks...	78.9%	68.9%
Net premiums...	\$182,276	\$47,143
Paid-in capital...	\$1,500,000	\$1,500,000
Capital & surplus...	\$5,676,349	\$5,547,609
Combined ratio 1...	125.1%	1793.4%
Net income...	\$131,098	(\$341,173)
Best's rating...	NA1	NA1

Founded: 1989.
Parent company: Front Royal Inc.
Specialties: Environmental Impairment Liability.
Subsidiaries: Environmental Insurance Management Inc., Sterling, Va.; Edgerton Environmental Services Inc., Cary, N.C.

Approved non-admitted in: Alabama, District of Columbia, Georgia, Hawaii, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Missouri, Montana, Mississippi, New York, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Texas, West Virginia, Wisconsin, Wyoming.

Admitted in: Virginia, Arizona.
Principal officers: John J. Metelski, president; J. Adam Abram, chief executive officer; Albert W. Gard III, executive vp; Karen A. Bavis, secretary/treasurer.
Contact: Karen A. Bavis.

G

General Star Indemnity Co.

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

See profile on page 23.

General Star National Insurance Co.

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

	1991	1990
Gross premiums...	\$59,094,823	\$58,337,164
Excess liability...	83%	90%
Admitted...	100%	100%
Net premiums...	\$26,267,406	\$21,086,067
Paid-in capital...	\$4,000,000	\$4,000,000
Capital & surplus...	\$55,144,760	\$49,119,542
Combined ratio 1...	94.9%	97.1%
Combined ratio 2...	95.1%	97.1%
Net income...	\$7,139,950	\$6,576,928
Best's rating...	A++	A+

Founded: 1985.
Parent company: General Re Corp.

Specialties: Day care, entertainment risks, substandard/high hazard property, excess auto, buffer layers.

Admitted in: All states.
Principal officers: Kevin P. Brooks, president.
Contact: Mary Ann Brown.

Gulf States Insurance Co.

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

	1991	1990
Gross premiums...	\$8,950,291	\$8,380,470
Non-admitted...	\$6,855,199	\$6,398,713
Commercial risks...	90%	90%
Net premiums...	\$3,662,557	\$3,463,170
Paid-in capital...	\$500,000	\$500,000
Capital & surplus...	\$2,003,190	\$1,827,554
Employees...	10	10
Combined ratio 1...	102.3%	92.4%
Net income...	(\$13,476)	\$302,182
Best's rating...	NA	FPI4

Founded: 1986.
Parent company: Texas General Agency.

Specialties: Small to medium contractors including remodeling and home builders.

Approved non-admitted in: Texas, Alabama.

Admitted in: Oklahoma.
Principal officers: Donald E. Meyer, president; Don A. Cangelosi, secretary; Janice E. Webre, treasurer; Sam M. Cangelosi, vp.
Contact: Sam M. Cangelosi.

H

Hamilton Insurance Co.

5101 Wisconsin Ave., N.W., Washington, D.C.; 202-537-8930; fax: 202-362-6470

	1991	1990
Gross premiums...	\$10,020,744	\$7,093,628
Net premiums...	\$7,473,861	\$4,501,333
Paid-in capital...	\$1,500,000	\$1,000,000
Capital & surplus...	\$3,861,771	\$3,797,395
Combined ratio 1...	97.1%	104.1%
Net income...	\$149,630	\$70,141

Founded: 1959.
Parent company: Figgie International Inc.

Specialties: Bars, restaurant and taverns, daycare centers, bed and breakfast establishments, convenience stores, motels, auto repair garages, security guards, contractors, pest control operators.

Admitted in: Alabama, Arkansas, Arizona, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Massachusetts, Mississippi, Missouri, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Virginia.

Non-admitted in: Ohio.
Principal officers: Geoffrey D. Cahill, Edward Desch, John A. Dunbar, John K. Latham Jr., F. Douglas Wall.

Health Providers Insurance Co.

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

	1991	1990
Gross premiums...	\$13,609,588	\$16,556,531
Excess liability...	25.55%	51.57%
Admitted...	74.45%	48.43%
Net premiums...	\$12,844,023	\$2,289,885
Paid-in capital...	\$2,700,000	\$2,700,000
Capital & surplus...	\$28,058,943	\$27,796,213
Employees...	25	23
Excess liability...	2	2
Combined ratio 1...	119.9%	243.8%
Combined ratio 2...	NA	243.8%
Net income...	\$4,813,314	\$2,477,355
Best's rating...	NA	A-

Founded: 1988.
Parent company: American Hospital Assn. Services Inc.

Specialties: Medical malpractice, general liability.

Subsidiaries: Health Providers Insurance Co. of Utah.

Admitted in: Illinois.
Non-admitted in: Alabama, Arizona, California, Colorado, District of Columbia, Florida, Georgia, Hawaii, Idaho, Indiana, Kansas, Kentucky, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Montana, Nebraska, Nevada, New York, North Carolina, North Dakota, Ohio, Oregon, Texas, Washington, West Virginia, Wisconsin, Wyoming.
Principal officers: Dennis William Olsen, James Allan Henderson, Richard John Evans, Dr. David Frederick Drake, Gerald Marvin Olney.
Contact: R. John Evans.

I

Illinois Insurance Exchange

311 S. Wacker Drive, Suite 400, Chicago, Ill. 60606; 312-408-8000; fax: 312-408-8044

See profile on page 28.

International Surplus Lines Insurance Co.

200 S. Wacker Drive, Chicago, Ill. 60606; 312-993-6300; fax: 312-876-1065

	1991	1990
Gross premiums...	\$44,244,757	\$69,767,419
Non-admitted...	\$42,284,790	\$65,996,000
Commercial risks...	100%	100%
Net premiums...	\$25,411,179	\$41,430,867
Paid-in capital...	\$5,000,000	\$5,000,000
Capital & surplus...	\$39,435,000	\$32,755,899
Combined ratio 1...	113.6%	83.6%
Combined ratio 2...	113.6%	83.6%
Net income...	\$3,361,495	\$3,822,996
Best's rating...	A-e	A-e
S&P's rating...	A+	A+

Founded: 1971.
Parent company: Industrial Indemnity Co.

Specialties: Professional liability, directors and officers liability, public entity coverages.

Approved non-admitted in: All states except Alaska and Illinois.
Admitted in: Illinois.

Principal officers: D.N. Thompson, president; D.C. Gibbs, executive vp/ chief financial officer; R.A. Quigley, G.J. Ferguson, W.L. Mueller, senior vps.

Contact: Robert Stalker, 312-993-6518.

Interstate Fire & Casualty

55 E. Monroe, Chicago, Ill. 60603; 312-346-6400; fax: 312-346-1407

	1991	1990
Gross premiums...	\$117,991,960	\$110,334,365
Non-admitted...	\$53,576,345	\$44,335,871
Commercial risks...	81.8%	88.8%
Net premiums...	\$69,599,204	\$62,706,058
Paid-in capital...	\$4,200,000	\$4,200,000
Capital & surplus...	\$112,588,239	\$95,709,374
Combined ratio 1...	114.4%	114.4%
Combined ratio 2...	NA	113.7%
Net income...	\$10,322,254	\$9,272,482
Best's rating...	NA	BB+
S&P's rating...	NA	BBq

Founded: 1950.
Parent company: Fireman's Fund Insurance Co.

Specialties: Open market general liability, commercial habitational, miscellaneous medical, auto, special events.

Subsidiaries: Chicago Insurance Co., Chicago; Interstate Indemnity Co., Chicago.

Approved non-admitted in: All states except Illinois and Michigan.

Admitted in: Illinois and Michigan.

Principal officers: Patrick S. O'Flynn; Michael P. Sullivan; Carol R. Newman; Mark J. Strong; Douglas E. Boyce.
Contact: Paul Osmolski.

Investors Insurance Co. of America

100 Metro Park South, Laurence Harbor, N.J. 08878; 908-566-1800; fax: 908-290-0327

	1991	1990
Gross premiums...	\$17,919,081	\$14,288,914
Non-admitted...	\$12,725,362	\$7,572,635
Commercial risks...	75.1%	68.2%
Net premiums...	\$9,018,027	\$8,325,522
Paid-in capital...	\$2,500,000	\$2,500,000
Capital & surplus...	\$40,083,529	\$36,682,230
Employees...	47	53
Combined ratio 1...	77%	107.2%
Combined ratio 2...	73.9%	97.5%
Net income...	\$7,801,450	\$2,789,222
Best's rating...	A-	B+
S&P's rating...	NA	Bq+

Founded: 1961.
Parent company: Investors Insurance Holding Corp.

Specialties: All commercial general liability lines, emphasis on product liability and commercial property including earthquake.

Subsidiaries: Investors Special Risk Insurance Co., Laurence Harbor, N.J.

Approved non-admitted in: All states except Delaware, Nevada, New Jersey, New York, New Hampshire, Maine, Rhode Island, South Carolina, Vermont.

Admitted in: New Jersey, New York.

Principal officers: Frederick H. Brown, chairman; D. Michael Polizzi, chief executive officer/president; Frank T. Buziak, chief operating officer/ chief financial officer/treasurer/ secretary; Harvey I. Swartz, senior vp; Douglas A. Hillman, vp.
Contact: Frank T. Buziak.

Continued on next page

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 311 S. Wacker Drive, Suite 400, Chicago, Ill. 60606; 312-408-8000; fax: 312-408-8044

Continued from previous page

Investors Special Risk Insurance Co.

100 Metro Park S., Laurence Harbor, N.J. 08878; 908-566-1800; fax: 908-290-0327

	1991	1990
Gross premiums...	\$9,273,755	NA
Non-admitted...	\$3,976,727	NA
Commercial risks...	100%	NA
Net premiums...	\$6,275,794	NA
Paid-in capital...	\$4,400,000	\$5,000,000
Capital & surplus...	\$7,758,411	\$7,511,606
Employees...	47	53
Combined ratio 1...	115.1%	NA
Combined ratio 2...	115.1%	NA
Net income...	(\$721,289)	\$11,606
Best's rating...	A-	B+
S&P's rating...	NA	Bq*

Founded: 1990.
Parent company: Investors Insurance Co. of America.

Specialties: Commercial general liability, products liability and commercial property including earthquake.

Approved non-admitted in: New Jersey, New York.

Admitted in: Arizona.
Principal officers: Frederick H. Brown, chairman; D. Michael Polizzi, chief executive officer/president; Frank T. Buziak, chief operating officer/chief financial officer/treasurer/secretary; Harvey I. Swartz, senior vp; Douglas A. Hillman, vp.
Contact: Frank T. Buziak.

J

Jefferson Insurance Co. of New York

307 Vesey St., New York, N.Y. 10007; 201-433-7677; fax: 201-433-2409

	1991	1990
Gross premiums...	\$67,678,480	\$68,435,530
Non-admitted...	\$2,846,121	\$4,221,809
Commercial risks...	51%	61%
Net premiums...	\$49,350,488	\$50,485,253
Paid-in capital...	\$10,453,700	\$10,453,700
Capital & surplus...	\$65,367,176	\$60,712,877
Employees...	129	122
Combined ratio 1...	113.4%	107.9%
Combined ratio 2...	109.5%	107.5%
Net income...	\$3,513,177	\$5,707,551
Best's rating...	A(e)	A-(p)

Founded: 1950.
Parent companies: Allianz A.G. Holding and Riunione Adriatica di Sicurtà S.p.A.

Specialties: Property, general liability, nursing homes, daycare centers, law enforcement, public officials, not-for-profit directors and officers liability, professional services liability, motor truck, cargo, auto physical damage.

Subsidiaries: Monticello Insurance Co., Jeffco Management Co.

Approved non-admitted in: Georgia, Hawaii, Louisiana, Mississippi.

Admitted in: 46 states and District of Columbia.

Principal officers: Claus Cardinal, president/chief executive officer; John D. Curry, senior executive vp; James Hughes, Vincent Celano, senior vps; Edwin Joseph Ghigliotto, vp/treasurer.

Contact: Joseph Russo, Harborside Financial Center, Plaza 3, Jersey City, N.J. 07311; 201-433-7677.

L

Lexington Insurance Co.

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

See profile on page 14.

M

Mount Hawley Insurance Co.

9025 N. Lindbergh Drive, Peoria, Ill. 61615; 309-692-1000; fax: 309-692-1068

	1991	1990
Gross premiums...	\$52,924,850	\$41,302,665
Non-admitted...	\$52,924,850	\$41,302,665
Commercial risks...	100%	100%
Net premiums...	\$33,298,543	\$24,431,847
Paid-in capital...	\$4,100,000	\$4,100,000
Capital & surplus...	\$35,559,716	\$31,398,694
Employees...	261	292
Combined ratio 1...	90.7%	92.1%
Combined ratio 2...	91.6%	92.2%
Net income...	\$5,353,790	\$737,947
Best's rating...	A-	A-

Founded: 1979.
Parent company: RLI Corp.
Specialties: Specialty property risks, surplus lines general liability, oil and gas lease operators, oil-related distributors and manufacturers, difficult product manufacturers excess of SIR.
Approved non-admitted in: All states except Delaware.
Admitted in: Delaware.
Principal officers: Gerald Stephens, Jonathan Michael, Gary Bonham, James Zogby, Joe Dondanville.
Contact: Jerome E. Mershon.

N

National Fire & Marine Insurance Co.

3324 Harney St., Omaha, Neb. 68131-3580; 402-536-3000; fax: 402-536-3030

Continued on next page

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to get it done. For instance, over the years we've used our experience to help evolve many unique concepts in coverage.

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Continued from previous page

	1991	1990
Gross premiums	\$22,086,377	\$31,299,794
Non-admitted	\$16,974,671	\$9,919,672
Commercial risks	76.9%	31.7%
Net premiums	\$20,412,333	\$19,841,735
Paid-in capital	\$2,500,000	\$2,500,000
Capital & surplus	\$940,223,026	\$724,602,748
Combined ratio 1	91.1%	115.7%
Combined ratio 2	NA	116.8%
Net income	\$26,138,947	\$20,757,202
Best's rating	NA	A+

Founded: 1949.
Parent company: Berkshire Hathaway Inc.

Subsidiaries: Redwood Fire & Casualty Insurance Co., Pasadena, Calif.

Approved non-admitted in: All except Hawaii, Nebraska, New Jersey, New York, Massachusetts.

Admitted in: Nebraska, New Jersey.

Principal officers: Donald Frederick Wurster, president; Betty Jean Peterson, secretary; Robert Daniel O'Connell, treasurer; Philip Michael Wolf, Ajit Jain, vps.

Contact: Tami Thompson, 402-536-3419.

Nautilus Insurance Co.

7550 E. Redfield Road, Scottsdale, Ariz. 85260; 602-951-0905; fax: 602-951-9730

	1991	1990
Gross premiums	\$58,524,314	\$63,077,297
Non-admitted	\$58,062,174	\$62,542,180
Commercial risks	97.4%	98.1%
Net premiums	\$24,327,212	\$25,853,623
Paid-in capital	\$4,900,088	\$4,200,000
Capital & surplus	\$25,626,684	\$16,794,186
Employees	74	75

Combined ratio 1	102.8%	100.3%
Combined ratio 2	102.8%	100.2%
Net income	\$3,948,039	\$4,080,597
Best's rating	A+	A+

Founded: 1985.
Parent company: W.R. Berkley Corp.

Specialties: Exercise and health classes, special events.

Subsidiaries: Great Divide Insurance Co., Scottsdale, Arizona.

Approved non-admitted in: All states excepts Arizona.

Admitted in: Arizona.

Principal officers: Eugene J. Keating, president/chief executive officer; Kenneth J. Brundage, senior vp/secretary; Kenneth E. Lewin, vp-marketing; Douglas B. Rutherford, vp-underwriting; John M. Runberg, treasurer.

Contact: Eugene J. Keating.

New England Insurance Co.

150 Federal St., Boston, Mass. 02110; 617-526-7600; fax: 617-526-0600

	1991	1990
Gross premiums	\$147,464,191	\$148,932,615
Excess liability	33.7%	27.5%
Admitted	75.8%	93.1%
Net premiums	\$75,397,273	\$76,062,500
Paid-in capital	\$7,200,000	\$7,200,000
Capital & surplus	\$92,332,254	\$81,257,338
Employees	335	358
Excess liability	21	21
Combined ratio 1	109.4%	108.3%
Combined ratio 2	110.8%	109.6%
Net income	\$11,372,399	\$9,033,164
Best's rating	A+	A+
S&P's rating	AAA	AAA

Founded: 1954.
Parent company: Hartford Fire Insurance Co.

Specialties: Primary and excess casualty, primary property programs, liquor law liability, nursing homes, errors and omissions for financial institutions.

Admitted in: All states except California.

Non-admitted in: California.

Principal officers: Lawrence S. Doyle, chief executive officer; Ralph J. Palmieri, president/chief executive officer; Lynford M. Richardson, executive vp/controller; Peter P. Coghlan, executive vp; Ronald E. Roy, secretary.

Contact: Lynford M. Richardson.

Northfield Insurance Co.

1295 Northland Drive, St. Paul, Minn., 55120-1146; 612-688-4100; fax: 612-688-4280

	1991	1990
Gross premiums	\$120,077,192	\$46,375,109
Non-admitted	\$46,770,050	\$46,010,777
Commercial risks	99.3%	98.5%
Net premiums	\$57,986,285	\$30,501,295
Paid-in capital	\$2,500,000	\$2,500,000
Capital & surplus	\$46,175,627	\$40,131,871
Combined ratio 1	94.9%	85.8%
Combined ratio 2	94.9%	85.6%
Net income	\$5,589,007	\$7,187,601
Best's rating	A+	A+
S&P's rating	NA	BBq

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, daycare operators, special event organizers and

lighter medical professional providers.

Approved non-admitted in: All 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 Picknard, executive vp.

Contact: Richard J. Weingartner, controller.

P

Pacific Insurance Co.

4201 Wilshire Blvd., Los Angeles, Calif. 90010; 609-395-2000; fax: 609-395-4818

	1991	1990
Gross premiums	\$196,512,338	\$242,283,754
Non-admitted	\$50,712,755	\$46,342,904
Commercial risks	100%	100%
Net premiums	\$135,377,141	\$188,332,024
Paid-in capital	\$4,500,000	\$4,500,000
Capital & surplus	\$101,620,717	\$106,407,579
Combined ratio 1	114.1%	101.7%
Combined ratio 2	NA	102.2%
Net income	(\$4,022,492)	(\$5,966,400)
Best's rating	NA	A(p)
S&P's rating	AA	AA

Founded: 1978.
Parent company: Continental Insurance Co.

Subsidiaries: AFCO Agent Service Corp., Bayside Management Co. Inc., The Buckeye Union Insurance Co., Boston Old Colony Insurance Co., Buckhot Inc., Casualty Insurance Co., Workers Compensation and Indemnity Co. of Calif., First Insurance Co. of Hawaii Ltd., First Fire & Casualty Insurance of Hawaii Inc., First Indemnity Insurance of Hawaii Inc., The Mayflower Insurance Co. Ltd, Niagara Fire Insurance Co., The Continental Insurance Co., AFCO Credit Corp., AFCO Acceptance Corp., AFCO Service Inc., Continental Guaranty & Credit Corp., The Continental Insurance Co. of Puerto Rico, Continental International Insurance Ltd., The Maiden Lane Syndicate Inc., The South Place Syndicate Inc., Continental Loss Adjusting Services Inc., Underwriters Adjusting Co., UAC Rehabilitation International Inc., Continental Rehabilitation Resources Inc., Continental Maiden Lane Inc., Continental Re. Management Inc., The CPI Group Inc., California Central Trust Bank Corp., CPI Pension Services Inc., Settlement Options Inc., East River Insurance Co. Ltd., Accord Holdings Inc., Continental Pacific Holdings Ltd., Continental Pacific Insurance Co., East River Insurance Co. Ltd., Continental Reinsurance Corp. International Ltd., Bayside Reinsurance Co. Ltd., Continental Risk Services Ltd., Continental Holdings Ltd.

Approved non-admitted in: All states except California, New York.

Admitted in: California, New York.

Principal officers: John Pierre Mascotte, chairman; William Edward Thiele, president; Charles Anderson Parker, Steven James Smith, Fred Gregg Marziano, executive vps.

Contact: Pauline Lita Tuano.

Penn-America Insurance Co.

420 S. York Road, Hatboro, Pa. 19040; 215-443-3600; fax: 800-882-8569

	1991	1990
Gross premiums	\$23,606,612	\$20,710,062
Non-admitted	\$10,917,554	\$7,397,515
Commercial risks	75%	87%
Net premiums	\$19,327,247	\$16,652,684
Paid-in capital	\$2,600,000	\$2,600,000
Capital & surplus	\$12,088,850	\$10,186,975
Employees	43	38
Combined ratio 1	101.1%	108.2%
Combined ratio 2	101.3%	107.5%
Net income	\$1,491,432	\$968,191
Best's rating	A-	B+

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: 35 states and the District of Columbia.

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, 215-443-3652.

Planet Indemnity Co.

410 17th St., Suite 1675, Denver, Colo. 80202; 303-534-5300

	1991	1990
Gross premiums	\$7,614,268	\$2,041,362
Non-admitted	\$7,426,664	\$1,997,182
Commercial risks	97.5%	97.8%
Net premiums	\$1,613,421	\$1,354,660
Paid-in capital	\$1,500,000	\$1,500,000
Capital & surplus	\$5,017,803	\$3,664,780
Employees	3	3
Combined ratio 1	24.2%	94.5%
Combined ratio 2	24.2%	94.5%
Net income	\$605,301	\$258,721
Best's rating	B++	NA

Founded: 1987.
Parent company: Underwriters Indemnity Co.

Specialties: Oil and gas producers.

Subsidiaries: Underwriters Indemnity General Agency of Colorado Inc., Denver.

Approved non-admitted in: Alabama, Georgia, Illinois, Indiana, Kansas, Kentucky, Nebraska, Oregon, Tennessee, Texas.

Admitted in: Colorado.

Principal officers: Ed Frank, president; Lou Gallery, vp; Roy L. Die, secretary/treasurer.

Contact: John L. Garner, 8 Greenway Plaza 57E 400, Houston, Texas 77046; 713-961-1300.

R

Reliance Insurance Co. of Illinois

233 S. Wacker Drive, Chicago, Ill. 60606; 312-876-0886; fax: 312-876-0923

See profile on page 25.

S

Safety National Casualty Corp.

8151 Clayton Road, St. Louis, Mo. 63117; 314-862-4500; fax: 314-862-2030

	1991	1990
Gross premiums	\$80,068,790	\$80,922,324
Excess liability	100%	100%
Admitted	98%	98%
Net premiums	\$76,203,054	\$77,040,039
Paid-in capital	\$5,000,000	NA
Capital & surplus	\$73,336,469	\$40,097,536
Employees	75	70
Excess liability	20	18
Combined ratio 1	114.9%	111.7%
Combined ratio 2	108.5%	104.6%
Net income	\$10,534,029	\$8,610,975
Best's rating	A-	B+
S&P's rating	NA	BBq

Founded: 1942.
Parent company: SIG Holdings Inc.

Admitted in: District of Columbia and all states except California, Hawaii, Michigan, New Hampshire, New York.

Non-admitted in: California, Michigan.

Principal officers: B.K. Werner, chairman/chief executive officer; Harold F. Ilg, vice chairman; Edmond A.B. Garesche III, president; C. Donald Ainsworth, executive vp; Terrence T. Schoeninger, senior vp/general counsel/secretary.

Contact: Marketing department.

St. Paul Surplus Lines Insurance Co.

385 Washington St., St. Paul Minn. 55102-1396; 612-223-3103; fax: 612-292-8315

See profile on page 34.
Continued on next page

A BRIEF MESSAGE ABOUT INSURANCE PLACEMENTS FOR



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Insurer Topics

A special editorial section
sent exclusively
to insurers and reinsurers

Serving the yearn to learn

Insurance institutes celebrate 50 years of service in education, meeting changing needs while maintaining high standards

By MARK A. HOFMANN

MALVERN, Pa.—The American Institute for Chartered Property/Casualty Underwriters wouldn't be celebrating its 50th anniversary if it hadn't paid careful attention to the needs and wants of its customers.

In fact, the institute and its sister facility—the Insurance Institute of America—have responded repeatedly to the suggestions of insurance professionals from virtually every segment of the industry, adding new courses and updating existing ones to meet the demands of a changing business environment.

The AICPCU was incorporated on April 11, 1942, and began operating in Philadelphia later that year. It was designed to confer a single professional designation: the Chartered Property/Casualty Underwriter. In 1952, the Insurance Institute of America, a nearly 50-year-old educational institution that had never gained national acceptance, merged with the American Institute to provide more generalized professional education.

But there is one request neither institute has ever bowed to: that courses or requirements be watered down so that more people could pass them.

"They have refused to lower standards, and that's not easy these days," said Ellen Thrower, president of The College of Insurance in New York.

That refusal to compromise has made the institutes' courses the yardstick against which the property/casualty insurance industry's professional education efforts are measured.

"The institutes are basically the educational foundation of the insurance industry, and they're incredibly good at it," said Gerald Isom, president and chief executive officer of Transamerica Insurance Group in Woodland Hills, Calif.

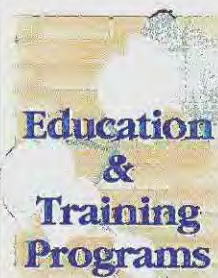
The institutes have "provided an exemplary level of service to the insurance industry. The courses and programs that supplement on-the-job training have helped thousands of insurance professionals serve our customers better," said Gerald L. Maatman, president and CEO of the Kemper National Insurance Cos. in Long Grove, Ill.

"The institutes are the most successful example of a working partnership between an industry and an educational institution. In the AICPCU's short years of existence, it has established a professional designation—the CPCU—that is in my opinion second to none in the property/casualty industry," said Ms. Thrower.

"The fact is, if there is a success story in the insurance industry, it is the institutes," said Joseph P. Decaminada, executive vp and general counsel of Atlantic Mutual Insurance Co. in New York.

"They started in '42 and they had the right product—the idea of professional in-

surance education. Very few people in the industry have had an insurance course in college," said Mr. Decaminada.



"On the exam, they have maintained the quality—it's very consistent," he said. "It's not a piece of cake, but it's not impossible."

Mr. Decaminada also noted that unlike many other educational institutions, the AICPCU has "never, ever given out an honorary (designation)."

"A key point is balancing our commitments," said Norman A. Baglini, president and CEO of the institutes since 1987.

The institutes must balance "addressing new, emerging education needs of a changing insurance business while focusing on our highest priority, which is the continuous improvement in our existing textbooks, examinations and services," Mr. Baglini said.

"Any professional designation program has to set a high standard and stick to it,"

he said. "We want to be able to reach out to people and help them to meet that high standard."

Mr. Baglini noted that carrying out that mission involves working with a very diverse group of students.

"We have people who have dropped out of high school. We have Ph.D.s and attorneys. Part of the challenge is getting people into the right courses at the right time," Mr. Baglini said.

Edwin S. Overman, who preceded Mr. Baglini as the president of the institutes, said that the Insurance Institute of America's willingness to add new programs for specific property/casualty disciplines reflected a conscious decision to avoid a proliferation of designations from different institutions, such as happened within the life insurance industry. Consumers of insurance education who wanted new programs indicated. "If you

don't do it, then we'll do it ourselves," said Mr. Overman.

As a result, new programs were developed so that all efforts were kept "under one roof," he said.

Mr. Baglini makes clear, however, that the institutes don't view themselves as the be-all and end-all of insurance education.

"We're not competing with anybody. There are so many educational challenges that we'll all keep busy for a number of years," he said.

Ms. Thrower agreed, calling the relationship between the institutes and The College of Insurance "synergistic."

"We do different things. We don't offer professional designations, and they don't offer college degrees," she said.

The institutes do, however, offer standard texts on insurance disciplines. Mr. Overman noted that in the early days of

Continued on next page



Insurer Topics

Institutes

Continued from previous page
CPCU courses, students might have to buy a dozen texts per course because there was no single text. The AICPCU, then known as the American Institute for Property & Liability Underwriters, simply administered examinations.

But according to "The First Fifty Years," a history of the American Institute for Chartered Property/Casualty Underwriters, by the mid-1970s the institute's "curriculum committee decided that the property/casualty insurance business and the environment in which it operates had grown too complex to continue to allow the CPCU curriculum to be shaped by outdated study ma-

terials." As a result, both of the organizations got into the publishing business.

Since the first text appeared in 1977, the institutes have published about 80 textbooks, which involved the "coordination of many outside authors," said Mr. Baglini.

In addition, the Insurance Institute of America has introduced an average of two new courses a year, he said. "It showed we were responsive to the needs of the various groups within the industry."

Mr. Baglini cited three programs as being particularly noteworthy.

One, the Introduction to Insurance, has drawn about 90,000 students since its launch in 1984, he said.

One of the reasons for its popularity has been strong support from insurers. ITT/Hartford Group Inc., for instance, offers both home and field office employees \$100 if they take and pass the course.

Executives who pass the course designate a charity to receive their \$100.

According to Chuck Van Horn, director of operations in Hartford's corporate education department, 9,618 employees have passed the course since the incentive program was introduced in 1989.

Interest in the Associate in Re-

insurance courses "also exceeded our expectations," said Mr. Baglini, who noted that about 1,200 people took the first examination when it was given in 1990. He said this was particularly re-

markable given the relatively small size of the reinsurance industry.

The new Associate in Fidelity and Surety Bonding program is also generating considerable interest, he

said. More than 800 people took the first examination in May.

But the centerpiece of the institutes' educational offerings remains the CPCU program.

"We've had an increasing number of people taking the CPCU program almost every year," said Mr. Baglini.

This year, a record number of graduates is expected, perhaps 2,500, Mr. Baglini noted during the institutes' annual meeting in Philadelphia in June (BI, July 13). More than 32,000 people have achieved the CPCU designation to date.

Mr. Baglini said that enrollment is continuing to grow at a "comfortable 5%" or so per year, despite insurer downsizing. "Agencies and brokers continue to flock to CPCU programs."

Like other companies, he said, insurers have to do more with fewer people—increasing the demand for higher-skilled employees.

"Ironically, when times are really tough like right now, everybody flocks" to the professional programs, said Mr. Overman. Interest drops off somewhat in good times, he said. "People think their jobs are secure, so they (ask themselves) why they have to go through this tremendous task?"

And even in hard times when insurance professionals and others in the industry seek additional knowledge, it's not likely that all the demand for skilled employees will be met easily, said Mr. Baglini.

"There's no doubt that the educational system isn't turning out" people with the skills the insurance industry needs, he said.

Despite this, Mr. Baglini said that the institutes hold firm in their insistence that essay examinations—rather than other, less-complicated tests—determine whether a candidate passes or fails a course.

"We believe we should be able to ask exam questions that don't have a single answer, because most of the questions these people confront in the field don't have a single correct answer. We want to encourage our students to generate their own answers" and to communicate their thoughts clearly, he said.

For decades, the institutes have resisted the urge to jettison essay tests.

"I felt people had to learn to express themselves" through writing as well as speaking, he said.

Mr. Overman said that some candidates have asked to take examinations orally, claiming that they couldn't write well. The requests have been refused. "We never really toyed with the idea of an objective test."

Mr. Isom wants the institutes to extend their mission to the general public.

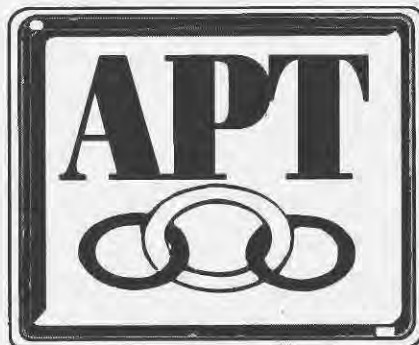
"What I would like to see them do, because of their knowledge, is to motivate other institutions" to teach the basics of insurance and its role in the economy, said Mr. Isom. Such an effort could help burnish the industry's often tarnished image, he said.

"If we're going to try to educate people on the critical issues they're going to confront, insurance is certainly one of them," he said.

Errors & omissions

• The name of Environmental Strategies Corp. of Reston, Va., was incorrectly reported in the July 20 *Insurer Topics*.

YOUR REGIONAL SUPPORT CAN MAKE SEMCI A NATIONAL REALITY



Skeptics said it would never happen, but the Alliance for Productive Technology, Inc. (APT)—an extraordinary coalition of major national insurance companies, industry automation vendors, agent's associations and industry organizations—is on the verge of eliminating the final

obstacles to an ACORD Standards-based, IVANS-delivered, single entry, multiple company interface (SEMCI) for the Independent Agency System. All that is needed is the participation of regional insurers as APT Charter Members and the support from independent agents letting their companies and vendors know that SEMCI is vitally important to them.

A Solid Industry Coalition

Already on board as Founders or Charter Members are AGENA, AMS, CISGEM, CNA, Continental Insurance, Delphi, Delphi/Redshaw, Fireman's Fund, Hanover, Inurnet, IBM, Montgomery Mutual, New Hampshire/AIG, Royal, SAFECO, Shelby, State Auto, The Travelers and Utica Mutual.

IVANS, the industry's premier communications network, works closely with APT to market its software and services. The PIA, NACSA and ACORD actively support and participate in APT's historic undertaking on behalf of the industry.

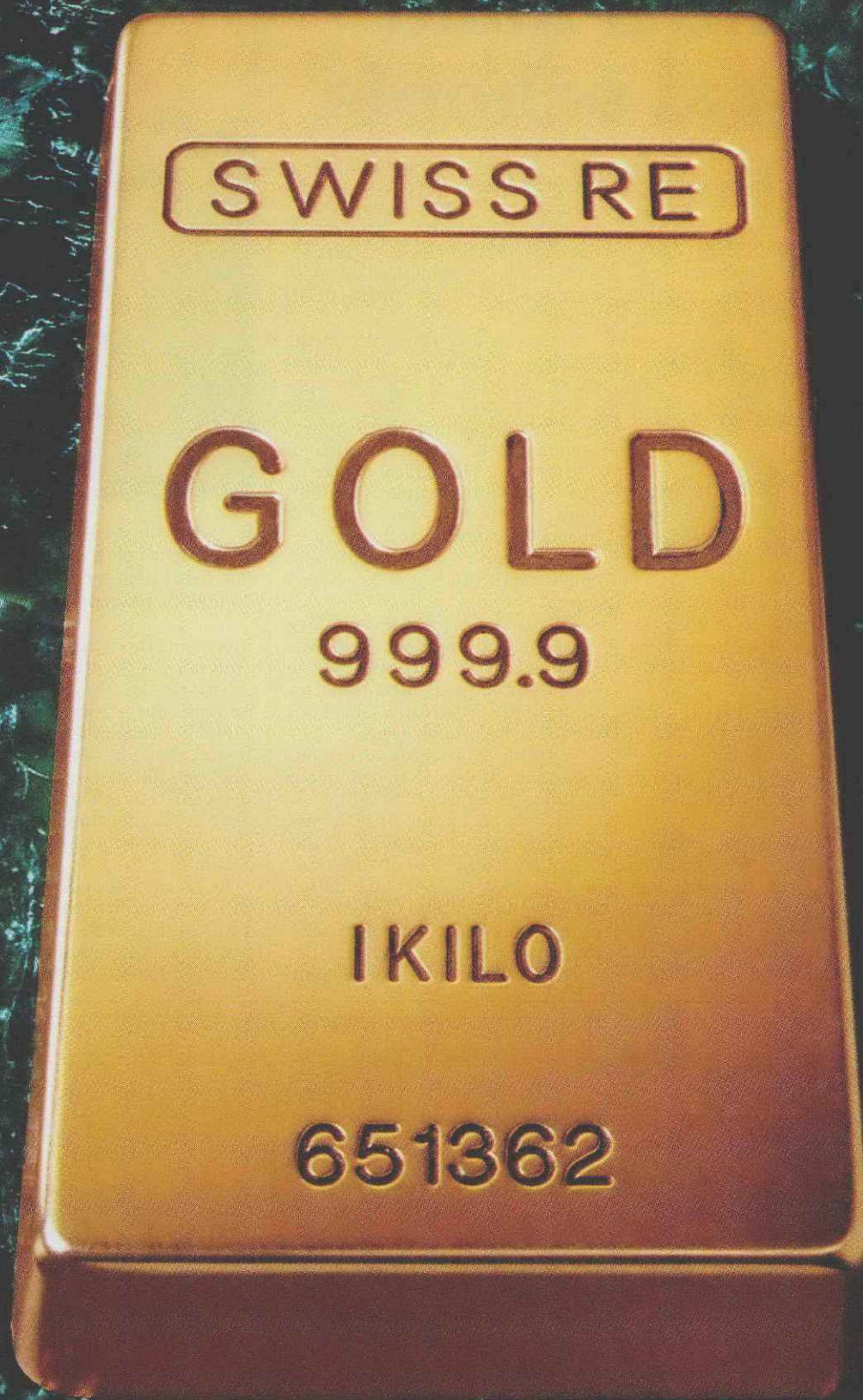
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IIAA believes so strongly in APT and its mission that it became a founding stockholder. SEMCI *will* happen. The sooner you lend your active support and participation, the sooner we will all benefit from the vastly improved efficiency—and the dramatic cost savings—that single entry, multiple company interface will bring to the industry. Join APT today! For information about charter membership and its business advantages to insurers, call (908) 665-8676.



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Employees lend a hand to improve local schools

By MARK A. HOFMANN

CHARLOTTE, N.C.—As local schoolchildren settle into class in September, some of their parents—and some non-parents, too—will take advantage of an innovative program to

Education & Training Programs

improve what goes on in the classrooms.

Royal Insurance Group will hold its second annual "Education Week" program at the insurer's headquarters to get employees involved in solving problems like violence in schools and low achievement scores. The week is devoted to seminars and discussions of issues affecting education from preschool to high school.

Royal formed an education committee about two years ago to discuss ways Royal could help improve Charlotte-area schools, said Victor N. Daley, senior vp and chief administrative officer.

Poor-quality education, said Mr. Daley, has been "recognized... as a problem" in Char-

lotte, a rapidly growing financial center that is now the largest city between Atlanta and Washington.

Royal decided that it was critical to get as many of its employees involved as possible. And the emphasis was on involvement rather than what Mr. Daley described as writing "a lot of platitudes and hanging them on the wall and saying 'we think this is important.'"

Chaired by Philip Kline, Royal's secretary, the company's education committee worked to develop a program that emphasized flexibility.

"We don't burden it with a lot of administrative details," said Mr. Daley. He said the committee members were Royal's "eyes and ears" for determining what was needed.

The result was a week of seminars and panel discussions that exposed local and national education experts to the concerns of Royal employees and vice versa. Mr. Daley said that roughly half of the home office's

1,200 employees participated in the program.

Employees were allowed to attend two 45-minute sessions each day. Those who chose to participate in two sessions had one session counted as their lunch break.

Session topics ranged from the general, "Helping Your Child Make Choices," to the very specific topic of violence in the Charlotte-Mecklenburg County school system. There was also an address by the system's then-newly appointed superintendent, John A. Murphy, who also took questions from the audience.

Mr. Murphy is scheduled to speak again at Royal later this year.

Employee responses were nothing but positive, said Mr. Kline. And the program drew considerable press attention, notably in the Charlotte Observer, the local daily newspaper.

"I think this whole effort has made people aware of the needs of this community," he said.

"It was an opportunity to put some programs in place to encourage people to roll up their sleeves and take it seriously," said Linda Holland, director of foundation and community relations at Royal.

They will get that chance again



Mr. Daley



Royal's Insurance Education Week includes an education fair, with displays focusing on children's issues and activities.

next month during the second education week, she said.

This is not the insurer's first educational effort. Its Commitment to Education Initiative, begun in 1989, lets employees take one full day or two half days per year to work in local schools as tutors, mentors or whatever role needs to be filled, said Ms. Holland.

Royal also supports the Berryhill Project, which uses corporate volunteers to work with disadvantaged elementary school children in the Charlotte area. ■

Insurer launches executive education

By MARK A. HOFMANN

SCHAUMBURG, Ill.—Zurich Insurance Co. hopes that joining classroom theory with specific management tasks at a leading university will give its top executives an edge in an increasingly competitive global marketplace.

Education & Training Programs

The Zurich, Switzerland-based insurer recently began its North American executive education program at Northwestern University in Evanston, Ill.

The Northwestern program is part of "a worldwide effort among (Zurich's) various strategic units," said Vic Vogel, executive vp-corporate development at Zurich-American Insurance Group in Schaumburg, Ill.

There are six other regional education centers, based on a

Continued on next page



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Executive ed

Continued from previous page
combination of geographic and linguistic factors, Mr. Vogel said. The North American program involves six U.S. and two Canadian operating units. Life, reinsurance and property/casualty units are all included.

Northwestern was chosen on the basis of Zurich-American's positive experiences with its existing management development program.

"Northwestern has done an outstanding job for us," said Mr. Vogel.

Taught by Northwestern faculty, the new program is limited to Zurich's highest-level management.

It includes two weeks of classroom training in areas such as trends in the insurance industry, concepts of strategic management and elements of strategic marketing. Four to six months after the first week of courses, the executives attend another week of class. Then comes a follow-up of a few days at the Northwestern campus.

The program goes far beyond the theoretical, said Mr. Vogel. "The unique thing is we try to make this an action-oriented approach."

Doing so involves the "key task" concept which provides an immediate link to the workplace. Every participant relates what he or she has learned in the classroom to the planning and execution of a strategic task that is a high priority in that student's current work, said Mr. Vogel.

"We take an opportunity for people to take what they learn and apply it to what they would do through a performance management personal objective approach," he said. Mr. Vogel called this "bridging to the practical application."

The program is limited to the top-rank executives. "We started out with the CEOs and moved down to the senior staffs and will move down to the direct reports to the senior staffs," said Mr. Vogel.

He said one or two groups of 25 executives will be put through the program annually.

Not all those students come from North American units. About 10% to 20% of each group comes from other units, a fact that Zurich, which operates in about 80 nations, hopes will give students a more complete view of the company.

In turn, some North American executives from Zurich attend the International Institute for Management Development's program for English-speaking European executives in Lausanne, Switzerland.

This cross-pollination is designed to "create awareness of corporate culture and develop common business concepts across our worldwide business operations," said Mr. Vogel.

Members of the first class in the Northwestern program recently completed the second week of classwork. The feedback has been favorable, said Mr. Vogel.

Students particularly liked the connection between theory and practicality, the subject matter itself and the chance to learn from their peers, he said.

"We want to get a breadth of knowledge. It helps people open up their minds," he said. ■

Insurers stress customer service

By SARA MARLEY

TORONTO—Changing a company's organizational style to serve customers better requires the long-term commitment of top management, according to some insurance company executives.

"The competitive environment has made (the insurance industry) less predictable. Management responsiveness is more important than ever," said John Reeve, chief executive officer of Sun Life Assurance Society

P.L.C. in London.

"Customer service is the key competitive differentiator," Mr. Reeve told attendees at the International Insurance Society's annual seminar held in Toronto last month.

Sun Life has taken a case-management approach, training front-line employees to perform all customer transactions. The insurer found that both service and job satisfaction improved.

"It's a fundamental fallacy that superior customer service necessarily costs more," Mr. Reeve said.

Top-Danmark A/S also found that improving customer service

positively impacts the bottom line, according to Managing Director Gunnar Kuur Stockholm.

The Ballerup, Denmark-based multiline insurance and banking company instituted claims handling by telephone and found that the average handling cost fell by 10% to 12%. Management also discovered that nearly half of all claims could be settled during the initial call.

The change was part of a reorganization merging Top-Danmark's regional banking and insurance units into single offices.

The European insurers warned their North American counter-

parts that increasing challenges from banks, which use their "brand image" to lure consumers away from insurance companies, are inevitable.

For example, Top-Danmark found that 40% of insurance customers were interested in banking services and 50% of new bank business in consolidated offices came from insurance clients. Insurance agents gained 25% of their new business from the banking side.

Top-Danmark also found that banking customers are far more loyal than insurance consumers.

A study in Denmark revealed

Continued on next page

SEPTEMBER

Trade Shows/Exhibits/
Special Events

What does it take to stand out from the crowd? How do insurers communicate directly to their policyholders at an exhibition? *BI's Insurer Topics* section will share the strategic secrets of how to target exhibits and events to gain maximum exposure ... how to identify what shows to participate in ... how to draw attention to a product or company ... and what kind of information should be featured.

Issue: September 21
Ad Closing: September 8

OCTOBER

Claims Handling/
Claims Automation

Quick, accurate claims handling is so important because policyholders expect top treatment and service when they have a claim. *BI's Insurer Topics* section will examine the latest techniques and technologies employed by insurance companies to improve claims adjusting and administration. And, are insurers being pressured by some state insurance regulators to improve their claims handling records?

Issue: October 19
Ad Closing: October 7

NOVEMBER

Anti-Fraud Efforts/CPCU
Conference Report

Fraud costs insurers hundreds of millions of dollars each year. And, as insurers become more sophisticated in detecting fraud, the fraud artists themselves become more sophisticated too. *BI's Insurer Topics* section will look at the most common techniques used to defraud insurers and how individual insurance companies can work by themselves and with law enforcement agencies to detect fraud.

Issue: November 16
Ad Closing: November 4

Insurer Topics

Insurer Topics is a monthly demographic section published within the pages of *Business Insurance* and sent exclusively to *BI's* insurance and reinsurance company subscribers.

Advertisers in *Insurer Topics* are positioned within an unparalleled editorial environment and reach an undiluted audience representing a wealth of purchasing power for a broad range of products and services. 84%* of the influential executives who read *Insurer Topics* take action as a direct result of the articles or advertisements they see in *Business Insurance*.

* An Audience Profile of the *Business Insurance* 'Insurance & Reinsurance Company' Subscriber, 1990.

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Customer service

Continued from previous page that only 12% of the population changed banks even once in a lifetime, said Mr. Stockholm.

One way to successfully manage organizational changes is by adopting a philosophy of "total quality management," according to Jerry D. Choate, president of personal property/casualty lines at Allstate Insurance Co. of Northbrook, Ill.

Total quality management, he said, is the "belief that customer needs and wants propel everything an organization does." That belief represents a departure from traditional corporate thinking, he said.

"You have to turn an organization on its head. The customer calls the shots, not management," Mr. Choate said. "Finan-

cial performance is not the objective; it's the result.

"Change is not easy. But the status quo is no longer acceptable."

And, sweeping corporate changes are not just for companies that are failing, said session moderator Peter B. Walker, director of McKinsey & Co. Inc., a New York-based management consulting firm.

"The common denominator of these companies is that they were all successful in their markets before they undertook fundamental changes," Mr. Walker said.

"The historic notion of top-down management that gets pushed through the ranks has given way to front-line employees—who are closest to the customer—driving ideas up the organization," he said.

It is management's responsibility to provide front-line employees the training and necessary authority to provide excellent customer service, according to Mr. Walker.

"Problem solving should be done not in executive suites but by the rank-and-file employees day in and day out," Mr. Walker said.

Today's business conditions also call for new thinking in capital management, he added.

Capital assets and management's attention should be focused on core business, even if it means spinning off marginal businesses and reducing portfolios, he said.

Mergers and acquisitions should only be considered if they are a "strategic fit" with the rest of the company, according to Mr. Choate.

International insurers convene

TORONTO—Approximately 450 participants from 45 countries attended the 28th annual International Insurance Society meeting held last month at the Westin Harbour Castle Hotel in Toronto.



The Tuscaloosa, Ala.-based association is a group of more than 1,200 property/casualty and life insurance company executives and academics from 80 countries.

The next seminar will be held July 11 through 15, 1993, in Tokyo. For more information, contact IIS Executive Director Mary B. Silberberg at Box

870223, Tuscaloosa, Ala. 35487; 205-348-8974; fax 205-348-8973.

Capital needed to run the core business should not be used to finance mergers and acquisitions, he added.

All the panelists agreed that sweeping changes require a long-term, total commitment by management.

"We underestimated the time it took to get it right," said Mr. Stockholm of Top-Danmark's reorganization. "It will take us two or three more years to integrate insurance and banking on the front line. Change can't be seen as the 'flavor of the month.'" ■

Developed nations should export insurance expertise

TORONTO—Modern risk management techniques, information systems, statistics and education are all "portable" from developed countries to developing ones, an insurance educator says.

"Most developing countries are sadly deficient in modern risk management," said Sherif H. Khan, principal of the Academy of Insurance in Port of Spain, Trinidad and Tobago. "They

have no formal approach to risk control."

Insurance industries in developing countries should take a more active role in risk management, but the industries themselves must be strengthened first, Mr. Khan asserted at the annual International Insurance Society Inc. meeting last month.

Currently, those markets are plagued by unsophisticated underwriting, undercapitalization which limits capacity, poor claims handling and a lack of regulation, he said.

Developed nations' expertise in information systems and statistics could boost fledgling insurance industries.

"Telecommunications and data processing systems are an integral part of the insurance industry," Mr. Khan said. Importing them will result in greater efficiency and competitiveness with foreign markets.

Much of the Third World still suffers from consumer prejudice that "foreign products and services are better than local" offerings, he added.

Asserting that information management in developing countries is inadequate, Mr. Khan said that statistics are "the lifeblood of the industry. (Underwriting) is reduced to gambling without statistics." Particularly in the "volatile economy of developing countries, statistics are important for analyzing trends from year to year," he said.

Insurance education is another portable idea, Mr. Khan said. Because developing countries lack qualified instructors, developed nations should make a

long-term commitment to boost understanding and respect for the industry by consumers and governments through training, computer technology and textbooks, he pointed out.

Education, not legislation or regulation, is "the most important cog in the wheel of protecting the consumer," he said.

Prince Adeyera Adeyemo, chairman and managing director of Amicable Assurance Co. Ltd. in Lagos, Nigeria, served as the session chairman.

—By Sara Marley

Automation keeps insurers' payrolls in check

By NANCY P. JOHNSON

Insurance companies are taking advantage of office automation to keep their employment growth low, according to a new report.

Citing data from the Bureau of Labor Statistics, the report noted that the number of people employed by insurance companies grew 2% annually between 1975 and 1990, a rate slightly below the 2.4% annual growth in overall U.S. employment. In contrast, the number of people employed by agencies, brokers and insurance service organizations increased at a faster pace—4.2% annually.

The BLS projects that these trends will continue into the next century, and that insurance company employment will grow at about 1% annually between 1990 and 2005—slightly under the projected 1.3% annual increase in overall U.S. employment. But for agencies, brokers and service organizations, annual growth of 1.9% is predicted.

Using data from numerous sources—including the BLS, the Bureau of Economic Analysis, the Census Bureau, the Commerce Department, the Federal Reserve Board, the Insurance Information Institute and A.M. Best Co.—the report from the Alliance of American Insurers examines the role insurance companies play in the U.S. economy as employers, taxpayers and investors.

The report, titled "The Insurance Industry: A Key Player in the U.S. Economy," was released last month by the Schaumburg, Ill.-based Alliance.

The BLS attributed the slower employment growth at insurance companies to increased use of computer technology and office automation, which boosted worker pro-

ductivity and reduced the need for new employees. Automation does not offer the same opportunities for efficiency to agents and brokerages, though. They need to maintain personal contact with policyholders, and therefore can make only limited gains from automation, according to the BLS.

"I think that this is interesting in view of the fact that critics of the insurance industry say we are inefficient. But employment statistics suggest that the use of computers has made the insurance industry more efficient," said Brian W. Smith, research manager at the Alliance.

The statistics show that as the

U.S. economy has grown, insurance companies are able to efficiently satisfy the increased demand for insurance, added Mr. Smith, who wrote the report.

The report's other findings include:

- The U.S. insurance industry employs more than 2.2 million people, about as many as live in Brooklyn, N.Y. Of those, about 535,000 work in the property/casualty industry, more than the population of Seattle. About 870,000 work in life, health and other types of insurance companies, and about 826,000—approximately twice the population of Atlanta—work at insurance agencies, brokers and ser-

vice organizations.

- The insurance industry pays nearly \$70 billion annually to its employees in wages and salaries. Of that amount, \$17 billion was paid by property/casualty companies; \$25 billion by life, health and other insurance companies; and \$28 billion by agencies, brokers and service organizations.

- For every 10 people employed by an insurance company, an additional four people are employed outside the industry to provide goods or services needed by insurers. This does not include employment provided as insurance industry employees spend their salaries.

- There are 18 counties in the

United States that each have more than 5,000 people employed by property and casualty insurance companies (see map). They include Cook County, Ill. (Chicago); Los Angeles County, Calif.; Bexar County, Texas (San Antonio); Mecklenburg County, N.C. (Charlotte); and McLean County, Ill. (Bloomington).

- Between 1987 and 1991, property/casualty insurance companies invested \$154 billion in U.S. credit and equity markets, including \$58 billion in U.S. government securities, almost \$39 billion in bonds issued by state and local governments, and \$52 billion in corporate bonds.

- In 1991, property/casualty insurers invested \$2.4 billion in state and local government bonds. They hold 13% of all outstanding debt issued by state and local government.

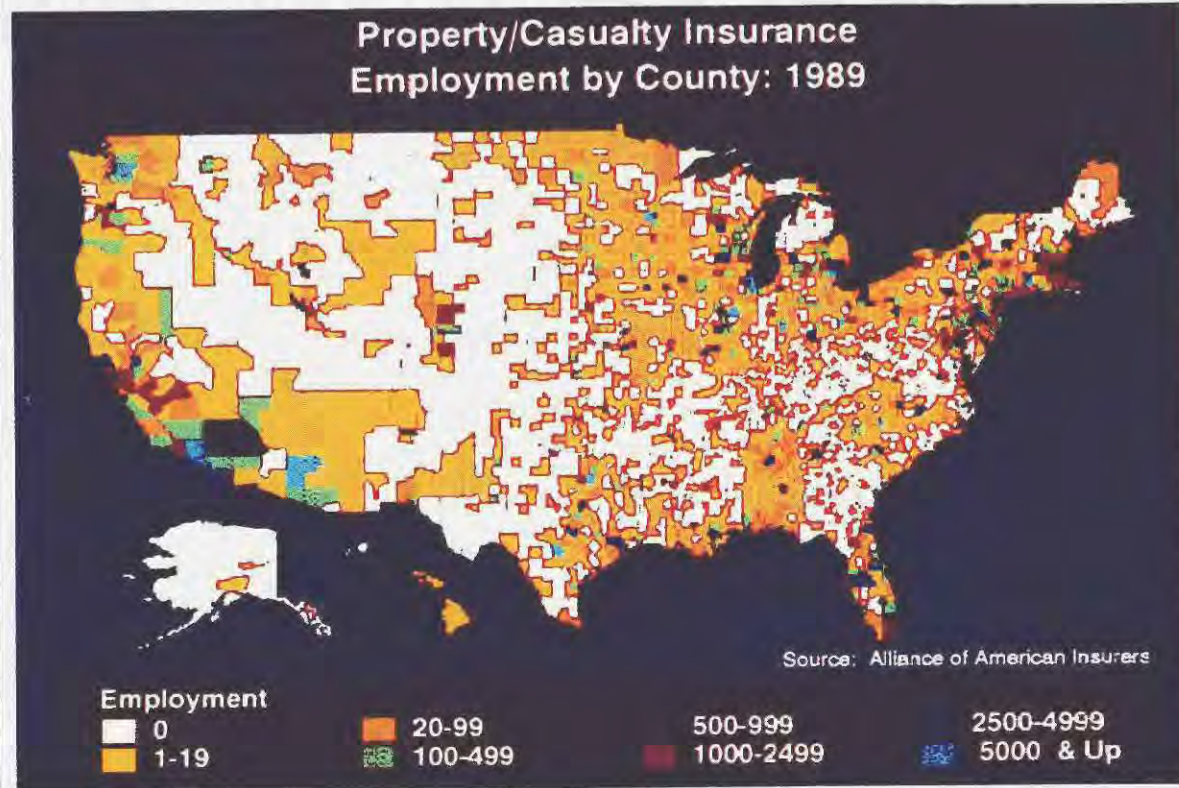
- Property/casualty insurers in 1991 purchased \$9.7 billion in corporate bonds and \$2 billion in corporate stocks. Those insurers own 9.8% of all outstanding corporate bonds as of year-end 1991.

- Property/casualty insurers paid \$3.3 billion in federal income taxes in 1990 and \$4.4 billion in 1991. Property/casualty insurers also paid \$5.5 billion in premium taxes and various license and other fees to states in 1990.

- In 1990, property/casualty insurers paid federal and state taxes equal to \$35 for every man, woman and child in the United States.

- In California alone, state premium taxes paid by all types of insurers reached \$1.2 billion in 1990.

Copies of "The Insurance Industry: A Key Player in the U.S. Economy" are available for \$10 from the Alliance Customer Service Department. Call 708-330-8587.



Congressional investigations

Preparation and strategy are vital to survive scrutiny

By John C. Grabow

WITH HIGHLY PUBLICIZED U.S. Senate hearings on the operation of Blue Cross/Blue Shield plans under way, the officers and directors of individual BC/BS plans are finding themselves thrust into the unwelcome spotlight of this curious hybrid of law and politics: the congressional investigation.

The Senate's Permanent Subcommittee on Investigations, chaired by Sen. Sam Nunn, D-Ga., has already held two of what is expected to be a series of public hearings on BC/BS plans (*BI*, Aug. 3; July 13). At a July 2 hearing, Sen. Nunn charged that the subcommittee's inquiry had "uncovered a series of questionable practices and actions concerning the regulation and operation of a number of Blue Cross/Blue Shield plans." Sen. Nunn indicated that future hearings would focus on such areas as: the financial integrity of the 73 Blues plans, the role of the Blue Cross & Blue Shield Assn., the propriety of "for profit" Blues subsidiaries, excesses in officer and director compensation, and the adequacy of existing federal and state oversight.

Appearing at a congressional hearing can be a frustrating experience for a witness. Committee members may at times appear to be acting as combination prosecutor and judge (and, some might add, hangman as well). Unlike judicial proceedings, no rules of evidence apply in congressional hearings. It has been said, moreover, that the only burden of proof is beyond a reasonable innuendo. Leading questions are the norm; indeed, members' questions may not be questions at all, but pithy statements designed to attract a place on the evening television news or in the next day's headlines. The interrogating member, having had his moment before the cameras, may be on his way out the door before the witness has an opportunity to make a response.

One significant way in which congressional hearings differ from judicial proceedings, with which corporate executives are typically more familiar, is that the role of the witness' counsel at a congressional hearing is strictly limited. This does not mean that the attorney's role in a congressional investigation is that of the proverbial potted plant. To the contrary, there is a great deal that can and should be done—virtually all of it in advance of any hearings—to present the witness' testimony in as favorable a light as possible:

- At the beginning of an investigation, rivalries between committee members can be exploited, as can jurisdictional conflicts between committees in some instances.

- Contacts can be made to ensure that friendly members attend the hearing and that questions supportive of the witness' position are asked.

- Coordination of public

relations efforts must be thought through carefully at all stages of the congressional investigation.

- Negotiations with committee staff may yield critical concessions on the timing and scope of documents to be produced in response to a committee subpoena or request, as well as procedures to protect their confidentiality once turned over.

However, it must be recognized that the problem of leaks in congressional investigations is as old as Congress itself. The relation between the press and congressional committees is a close one. Committees get leads from the press, and the press depends on

those same committees for leaks.

While it is certainly advisable to obtain assurances of confidentiality when providing sensitive information, it is best to always begin with the assumption that any documents turned over will at some point be revealed to the press.

- Of paramount concern in instances involving allegations of fraud is the danger that a witness' testimony may lead to criminal prosecution.

If counsel knows that the witness will invoke the Fifth Amendment in response to particular areas of questioning, it is best to apprise the committee of

that fact in advance. Many committees will grant a witness' request to claim the privilege in closed session and will not require the witness to go through the highly objectionable charade of having to invoke the privilege in public.

- If a committee has a substantial interest in a witness' story, it may be possible to negotiate congressional immunity for the testimony.

A witness granted congressional immunity remains subject to prosecution for the transaction about which he or she testifies, but neither the immunized testimony nor information derived from that testimony may be used as evidence against the witness in the criminal context. This granting of immunity is an area where the often rapid

timetable of congressional investigations may work to a witness' advantage. On the one hand, prosecutors may be arguing that no immunity be granted, or at least that a lengthy delay be interposed to permit the prosecution to isolate evidence obtained independently. On the other hand, the congressional committee may wish to grant immunity, and grant it quickly, in order to gain the testimony it wants and move its investigation forward.

If the committee makes up its mind to grant immunity, there is little the Justice Department can do to prevent it.

The result may be that in some instances, later prosecution of the witness will be impossible as a

Continued on next page

SEPTEMBER Most Productive Agencies

Issue: September 7
Ad Closing: August 25

What sets the most productive agents and brokers apart from the pack? *BI's Agent/Broker Topics* section will once again rank the most productive U.S. agents and brokers and examine how these agents rose to the top of the class. Agency executives will explain how to use niche marketing, automation and producer incentives to maximize staff productivity.

OCTOBER IIAA Conference Report

Issue: October 5
Ad Closing: September 22

Is there a merger in the works between the Independent Insurance Agents of America and the other large agent trade group, the National Association of Professional Insurance Agents? *BI's Agent/Broker Topics* section will assess the state of the IIAA and analyze the potential for such a union and the impact on independent agents. What's more, *BI* will cover the IIAA conference in New Orleans and report the big stories emerging from that meeting.

NOVEMBER Relations With Direct Writers

Issue: November 2
Ad Closing: October 21

Are direct-writing insurers friend or foe? Independent agents have long feared direct-writing insurers because of their growing market share. However, some independents are now acting as agents for direct writers. *BI's Agent/Broker Topics* section will look at what independent agents can learn from direct writers ... how they can promote customer loyalty and improve efficiency.

Agent/Broker Topics

Agent/Broker Topics is a monthly demographic section published within the pages of *Business Insurance* and sent exclusively to *BI's* agent/broker subscribers. Advertisers in *Agent/Broker Topics* are positioned within an unparalleled editorial environment and reach an undiluted audience representing a wealth of purchasing power for insurance products and services. With an average premium volume of \$14.91* million, 94%* of these influential readers take action as a direct result of the articles or advertisements they read in *Business Insurance*.

* An Audience Profile of the Business Insurance 'Agent/Broker' Subscriber, 1990.

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Getting the most from agent magazines

Insurers must give readers news they can use, not just slick graphics

By SALLY ROBERTS

Insurance company magazines designed for agents may look good on the outside, but critics point out you can't always judge a book by its cover.

Insurance companies, which can spend from \$12,000 to \$50,000 per issue, rely on the magazines to keep agents apprised of new and existing products and to communicate company and industry news.

But observers say the magazines sometimes lack the useful and relevant content agents want. Agents are most interested in information that can help them to sell products and boost income, they say.

Most of the cost for these magazines goes into glossy, four-color design with many pictures and graphics.

"Agents are drawn to this" attractive packaging, said Kim Paterson, president of Creative Insurance Marketing in Red Bank, N.J.

But, while these magazines have the slick graphics, companies need to be careful that there also is "meat" in the content and that the information is relevant to agents, Ms. Paterson said.

"Agents want to know what companies have that they can sell" and about changes that have an impact on their business, she said. They do not want to read about personnel changes within the insurance company, she added.

Paul Dobinsky, president of Dobinsky Insurance Agency Inc. in St. Louis, said he reads most of the agent magazines he receives from insurers. While he feels the magazines are effective overall, "some articles are good, and some are what I call 'ego' articles," in which the insurer brags about itself and its products, he said.

But Bill Calhoun, president of Texas Casualty Insurance, a Houston agency, finds the magazines "not effective at all." "They are nothing more than propaganda for the company," he said.

However, Ms. Paterson maintains the insurer magazines "can be extremely effective vehicles if used properly." Proper use includes producing the right content and getting the magazines into the right hands, she said.

For example, if the insurance companies give their magazines to a principal and expect him or her to route it to the agency's producers, often "it just doesn't happen," Ms. Paterson said.

If the magazines do get into "the right hands," the content should be useful for the agents, she said.

While content varies between magazines, agents for Bloomington, Ill.-based State Farm Insurance Cos. seem pleased with its "Reflector" magazine.

"It's the most read publication in State Farm," said Cosmo C. Conte, a State Farm agent in San Diego. "For company publications, it's second to none."

In addition to printing industry news, the "Reflector" also prints sales tips, motivational phrases and agent recognitions.

The "Reflector" is "the most important tool for corporate headquarters to communicate to the agency force," according to a State Farm spokesman.

Chicago-based CNA Insurance Cos. has multiple purposes for its publication.

"Viewpoint" magazine strives to enhance agents' awareness of CNA's new and existing products, in addition to reporting current industry news, a spokeswoman said.

While most insurers' magazines are written primarily for an insurance agent audience, agents are not always the only recipients.

Many magazines circulate to insurer executives and other company employees, as well.

For example, Shelter Mutual Insurance Co.'s four-color agent magazine, "Shield," is also circulated to Shelter's employees, even though the insurer produces an in-house newspaper solely for the insurer's employees.

Columbia, Mo.-based Shelter has a policy to promote from within, explained Managing Editor Bruce Meentemeyer. The insurance company encourages its employees to become agents of the company, and if they see in the magazine what its agents are doing and advertisements for incentive trips, they might be more apt to want to become agents, he said.

Some producer magazines are just one of the several publications that an insurer directs toward its producers.

Kemper National Insurance Cos.' "Kemper Insurance Magazine," for example, is a general news publication sent to more than 17,000 agents, employees, large account risk managers and retirees.

The Long Grove, Ill.-based insurer also publishes two magazines directed toward Kemper's personal lines and commercial lines partner agents, which are independent agents that receive enhanced support services from the insurer.

These three magazines are all published by Kemper's public relations unit. In addition, Kemper's

advertising unit publishes a magazine called "Partner Promotions" which also is distributed to the nearly 1,400 personal and commercial lines partner agents.

To make sure the magazine is meeting the insurer's goals and the audience's needs, many insurers solicit feedback from readers. Methods used by producer magazines include surveys, mail columns, word of mouth and reader contests, Ms. Paterson said.

State Farm has "a fairly sophisticated feedback mechanism," a State Farm spokesman said. Out of 28 regional offices, 10 individual agents are randomly chosen to receive a two-page questionnaire rating the magazine. Agents have the opportunity to make suggestions and comments at the end of the questionnaire. There is usually a 30% to 40% response rate, the spokesman said.

The State Farm magazine staff and top executives then discuss and analyze the results.

"We feel we are hitting the ball, because the responses are overwhelmingly positive," the spokesman said.

The "Aetnaizer," published by Hartford, Conn.-based Aetna Life & Casualty Co., is currently "taking another look to see if it's meeting its goals," said Editor Louise M. Axelson. The magazine "doesn't need major surgery," she said. "We just want to focus better."

Aetna is now working on surveying company executives and agents to gauge their needs, she said.

While most magazines have some sort of feedback mechanism, "not much has been done recently," with Shelter's "Shield" magazine, said Mr. Meentemeyer.

A publication committee used to provide input on the magazine's effectiveness, but the group itself was found to be ineffective and was eventually dissolved, he said.

In addition to soliciting reader responses, insurers have a chance to get more critical reviews and win awards in magazine contests.

For example, New York-based The Home Insurance Co.'s "Contact" magazine won the 1992 International Assn. of Business Communicators Award of Excellence in the two- or three-color magazine category.

"Contact" also won the 1992 Insurance Marketing Communication

Assn. award for sales promotion to agents or company personnel.

Not all insurance companies like to submit their magazines to public scrutiny, however. State Farm "jealously guards" its magazine and its contents from "outsiders," said a State Farm spokesman.

"Reflector" is published for State Farm agents and contains the company's marketing programs and methods of operations, a spokeswoman explained. Therefore, the insurer does not enter contests or anything else that would require sharing the magazine with persons other than its agents, she said.

Meanwhile, the recession and weak economic recovery have affected some insurers' producer magazines, while others haven't felt the crunch.

Kemper National, for example, has decreased the frequency of its "Kemper Insurance Magazine" to bimonthly from 10 issues a year. Two of Kemper's other magazines were also decreased to quarterly from bimonthly, a spokesman said.

Shelter's "Shield" magazine also had to trim costs by cutting back to bimonthly from monthly publication.

While the company is saving money—production costs for each issue run \$12,000 to \$15,000—the news in each issue is not as timely, Mr. Meentemeyer conceded.

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Insurer Topics

READER SERVICE

Issue of August 17

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Business Insurance

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4 <input type="checkbox"/> 1,000 - 4,999	5 <input type="checkbox"/> 5,000 or more	6 <input type="checkbox"/> Unknown

3. My title is best defined as:

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Congressional probe

Continued from previous page
practical matter, as was the case with John Poindexter and Oliver North after their immunized testimony during the Iran-Contra hearings).

Finally, given the relatively limited role of counsel at committee hearings, preparation of the witness' testimony is crucial.

The importance of such careful preparation cannot be impressed enough on the witness, especially on many corporate executives who tend to maintain a belief in their ability to ad lib their way through difficult situations.

persuaded that—unlike other settings with which they are familiar—a congressional inquiry comes with rules that are very much stacked against them, and not taking their testimony seriously is an invitation to disaster.

John C. Grabow is an attorney with Richardson, Berlin & Morvillo in Washington. He is the author of "The Law and Practice of Congressional Investigations."

These witnesses must be

Continued from previous page

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

See profile on page 53.

T

Tudor Insurance Co.
48 S. Franklin Turnpike, Ramsey,
N.J. 07446; 201-825-3300;
fax: 201-825-1052

	1991	1990
Gross premiums...	\$19,781,464	\$21,563,440
Non-admitted...	\$14,738,507	\$16,479,709
Commercial risks...	100%	100%
Net premiums...	\$7,496,189	\$7,983,413
Paid-in capital...	\$4,100,250	\$4,100,250
Capital & surplus...	\$15,784,103	\$12,991,657
Combined ratio 1...	112.3%	117%
Combined ratio 2...	100.9%	102.5%
Net income...	\$2,378,642	\$2,571,098
Best's rating...	A+	A+
S&P's rating...	NA	Bq

Founded: 1979.
Parent company: Western World Insurance Co.
Specialties: Directors and officers, public officials, miscellaneous errors and omissions, architects and engineers.
Approved non-admitted in: All except New Hampshire.
Admitted in: New Hampshire.
Principal officers: Andrew Frazier, president; Robert Livingston, John Caruccio, senior vps; Steve Gerstman, Tom Mulligan, vps.
Contact: Steve Gerstman.

U

United Capitol Insurance Co.
1400 Lake Hearn Drive, Suite 130,
Atlanta, Ga. 30319; 404-843-5599;
fax: 404-843-5598

	1991	1990
Gross premiums...	\$23,143,591	\$29,037,073
Non-admitted...	\$22,429,934	\$28,495,107
Commercial risks...	96.9%	98.1%
Net premiums...	\$15,729,135	\$21,016,551
Paid-in capital...	\$4,100,000	\$4,100,000
Capital & surplus...	\$66,882,142	\$63,793,068
Employees...	42	41
Combined ratio 1...	84.9%	87.2%
Combined ratio 2...	84.9%	87.2%
Net income...	\$9,484,216	\$11,205,848
Best's rating...	A-	A-

Founded: 1986.
Parent company: 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, Wisconsin.
Admitted in: Arizona, Wisconsin.
Principal officers: Bruce A. Es-selborn, chairman/president/chief executive officer; Mary Jane Robertson, executive vp/chief financial officer; Steven S. Zeitman, executive vp/chief underwriter-specialty lines; Gary S. Resman, vp-primary casualty; Peggy H. Brown, vp-property.

United National Insurance Co.
3 Bala Plaza East, Suite 300, Bala Cynwyd, Pa. 19004; 215-664-1500;
fax: 215-660-8882

See profile on page 26.

W

Western World Insurance Co.
48 S. Franklin Turnpike, Ramsey,
N.J. 07446; 201-825-3300;
fax: 201-825-1052

	1991	1990
Gross premiums...	\$69,475,062	\$71,416,257
Non-admitted...	\$56,352,469	\$58,780,357
Commercial risks...	100%	100%
Net premiums...	\$45,518,108	\$46,090,684
Paid-in capital...	\$4,100,000	\$4,100,000
Capital & surplus...	\$77,649,328	\$64,525,219
Employees...	138	138
Combined ratio 1...	96.9%	101.4%
Combined ratio 2...	97.9%	102.5%
Net income...	\$12,590,475	\$10,324,394
Best's rating...	A+	A+
S&P's rating...	NA	BBq

Founded: 1964.
Parent company: Westco Holding Corp.
Specialties: Miscellaneous medical malpractice, professional liability.
Subsidiaries: Tudor Insurance Co. and Stratford Insurance Co.
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Swett & Crawford tops wholesalers

Broker is trimmer to compete in soft market

Swett & Crawford Group

3699 Wilshire Blvd., Los Angeles, Calif. 90010; 213-251-1200; fax: 213-383-0241

	1991	1990
Premium volume	\$527,018,000	\$533,861,000
Gross revenues	\$51,050,000	\$51,262,000
Employees	580	661
Commercial lines	100%	100%
Admitted business	35%	35%
Non-admitted	65%	65%

Three years of internal consolidation and restructuring have made Swett & Crawford Group leaner and more efficient.

"We might be a little bit leaner, but we're now healthier," boasts Warren Stanley, president and chief executive officer of the surplus lines brokerage.

By consolidating its administration, "Swett & Crawford now has the most competitive backroom cost in the industry," he said.

Reducing its overhead also enabled the Los Angeles-based broker to boost its revenues per employee, despite a slight decline in overall premium volume.

"We are trending positively in a hostile environment," said Mr. Stanley, referring to the prolonged soft property/casualty insurance market.

Swett & Crawford, the largest U.S. wholesaler of any type, generated \$527 million in premiums in 1991, down 1.3% from \$533.9 million the previous year.

Gross revenues were down less than 1% to \$51.1 million from \$51.3 million in 1990.

But with its staff reduced by 12%—to 580 employees in 1991 from 661 in 1990—Swett & Crawford's revenues per employee surged more than 13% to \$88,017 from \$77,552.

The broker had a total of 677 employees at year-end 1989, following its integration with other wholesale brokerage operations acquired when its parent, The St. Paul Cos. Inc., completed its purchase of Minet Holdings P.L.C. in mid-1988 (*BI*, Dec. 14, 1987).

After the consolidation, Swett & Crawford is even smaller—in terms of staff size—than it was prior to the 1988 Minet acquisition, when it had 629 employees.

"1991 was a year of solid and positive transition for Swett & Crawford Group," Mr. Stanley said. "We're a flatter organization today, which makes us more efficient, more customer-oriented."

For example, backroom administration staff has been cut, while those who have contact with clients remain.

The intent was to "get all positions in the organization closer to the customer so that management has a more acute awareness of customer needs," explained Robert A. Scott, executive vp and chief financial officer.

"That way, everybody is a producer," he added.

As a result, "our people remain

energized, motivated," Mr. Stanley interjected.

After three years of concentrating on consolidating its internal operations, Swett & Crawford is now able to reposition itself with clients, build better relationships with markets and even work on improving the resources available to its employees, Mr. Stanley and Mr. Scott believe.

For example, the broker is focusing on a smaller number of core producers, including those in the "Top Brass" program of St. Paul Fire & Marine Insurance Co.

The Top Brass program comprises the top 250 St. Paul agents from around the United States, Mr. Stanley explained.

"A large amount of our resources is dedicated to those agents," he said. "Swett & Crawford has been able to play a part in that program, and we are increasing the market share of those larger, professional independent brokers."

In addition, Swett & Crawford's smaller staff size will enable it to compete more effectively in the scaled-down surplus lines market created by the prolonged competition in the admitted market, according to Mr. Stanley.

"As retail brokers consolidate their use of wholesalers, Swett & Crawford continues to be recognized for its institutional strengths," he said. "We feel we are winning the market share game."

At the top of Swett & Crawford's list of strengths is the continuity of its operations; it has been in the surplus lines business for 80 years.

Swett & Crawford also is viewed as having fiscal integrity: "People aren't worried about our trust funds," Mr. Stanley said.

And despite its consolidation, Swett & Crawford is still "one of the last truly national organizations" servicing the surplus lines industry, which enables it to have broad market access and significant buying power, according to Mr. Stanley.

The broker also prides itself on its reputation for high ethical standards, which is reflected in the stability of the markets with which it places business.

The quality of the markets that Swett & Crawford selects is especially important to retailers in California, where an increasing number of surplus lines insurers are being blacklisted by the Insurance Department.

In response to an invasion of unscrupulous non-admitted insurers, mostly from offshore domiciles, the department has proposed a regulation requiring surplus lines insurers to have a minimum capital and surplus of \$15 million. Non-U.S. insurers also must maintain \$5.4 million in a U.S. trust account (*BI*, Aug. 3; Nov. 11, 1991; July 8, 1991).

"We have a security committee that reviews the integrity of markets," said Mr. Scott, who likened the intensity of the committee's scrutiny to "a religious experience."

"We try to deal with responsible partners," Mr. Stanley said, adding that the California Insurance Wholesalers Assn., to which

he belongs, has endorsed the Regulation 2174 capitalization requirements.

In keeping with its high standards, Swett & Crawford is focusing on the stronger, broader surplus lines markets when placing business.

"We deal with every wholesale market in the United States, but we have expanded our relationship with a variety of them," Mr. Stanley said.

For example, Swett & Crawford has expanded its relationship with Northland Insurance Co., Scottsdale Insurance Co., Royal Specialty Underwriting Inc. and Crum & Forster Inc.'s surplus lines insurers.

The broker also has increased the number of geographic areas in which it has binding authority on behalf of Westco Insurance Group, Jefferson Insurance Co. of New York and Connecticut Specialty Insurance Co., a unit of Orion Capital Corp.

In 1991, the surplus lines broker placed 65% of its business with non-admitted insurers, the same as in 1990 and 1989.

All of Swett & Crawford's business is commercial lines.

The broker's top markets are: American International Group Inc. units; Associated International Insurance Co.; W.R. Berkeley Corp. units; Canal Insurance Co.; Chubb Corp. units; CIGNA Corp. units; CNA Insurance Cos.; Colonia Group; and Continental Corp. units.

Its other top markets are: Crum & Forster Inc. units; First State Insurance Co.; General Star Indemnity Co.; The Home Insurance Co.; Lloyd's of London syndicates; Northland; RLI Insurance Co.; Reliance Insurance Co.; Scottsdale; St. Paul Surplus Lines Insurance Co.; and Westco.

Swett & Crawford's internal consolidation also has enabled it to focus what it considers its most valuable resource—its employees—on client work.

To accomplish this, the wholesaler has expanded some offices that needed additional resources and consolidated others that were overstaffed.

For example, offices were expanded in California, Florida, New England, the Northwest, Texas and Illinois, while small offices in Columbus, Ohio, and Detroit were consolidated with the New York office. In addition, a satellite office in Phoenix was closed; Swett & Crawford is now handling Arizona business from California.

The broker currently has 30 offices in 25 states, including New Orleans, which is where subsidiary Continental Underwriters is based. Prior to this year, the broker did not include the operations of Continental or Allen Insurance Associates in Los Angeles, two wholesalers owned by Minet.

As part of its internal consolidation, Swett & Crawford installed a new centralized data processing center in its Stockton, Calif., office. This enabled the broker to eliminate its Minneapolis and Philadelphia premium processing centers.

Now every account record placed by a Swett & Crawford office anywhere in the United States can be accessed through a single computer in the Stockton office. Payment to insurers also

is now made from that single office.

While Swett & Crawford did not introduce any new products during 1991, it has expanded its product strengths, according to Mr. Stanley.

For example, it is beefing up its capacity for liability coverages in the contractors, construction and energy fields.

In addition, Swett & Crawford is expanding its commercial marine coverages since St. Paul's purchase of Minet brought Continental Underwriters into the fold, according to Mr. Stanley.

Allen Insurance Associates, the other Minet unit, has enabled Swett & Crawford to expand its expertise in the museum and collectors area.

And, "directors and officers liability continues to be a growing area for us, while financial and professional indemnity coverages continue to grow modestly," Mr. Stanley said.

Swett & Crawford also is continuing to emphasize the use of Swett Insurance Managers, its general agency operation.

As a general agent, Swett Insurance Managers can bind coverage or broker accounts on an open market basis. However, unlike a managing general agency, the division does not arrange reinsurance or provide claims handling services.

Swett Insurance Managers now has 100 binding authorities with approximately 30 insurers.

About 25%, or \$131.8 million, of Swett & Crawford's premium volume, is generated through Swett Insurance Managers.

Swett & Crawford's top lines of business, in order of the premium volume they generate, are:

- Professional liability, including D&O and errors and omissions coverages.

- Energy, like oil and gas coverages.

- Financial institutions.

- Architects errors and omissions.

- Utilities.

- Construction.

In the last phase of its internal restructuring, Swett & Crawford lost John R. Hartman, executive vp and chief operating officer, to Minet, where he will serve as CEO of U.S. retail brokerage operations (*BI*, June 29).

Rather than replace him, Mr. Stanley opted to take over Mr. Hartman's responsibilities in keeping with the organization's new philosophy of streamlining.

In other personnel developments, Swett & Crawford added two new branch managers in 1991.

Paul LoCascio was promoted to Chicago branch manager from casualty manager, and Kent Strong was promoted to Denver branch manager from marketing manager for St. Paul.

Swett & Crawford did not complete any mergers or acquisitions during 1991 and none is anticipated in 1992. However, the broker is always receptive to acquiring business that would fit into its niche liability areas, according to Mr. Stanley.

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 AAMGA and NAPSL.

—By Joanne Wojcik

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0313

	1991	1990
Premium volume	\$424,000,000	\$403,600,000
Gross revenues	\$38,000,000	\$36,000,000
Employees	360	333
Commercial lines	100%	100%
Admitted business	35%	25%
Non-admitted	65%	75%

A beefed-up brokerage staff and successful new programs at one of its units are helping to boost Price Forbes North America's performance in a difficult property/casualty insurance market.

Price Forbes' premium volume rose 5.1% to \$424 million last year from \$403.6 million in 1990, placing it fourth among the 10 largest U.S. insurance wholesalers and second among the surplus lines brokers ranked by *Business Insurance*.

Price Forbes is a holding company created when its ultimate parent, Sedgwick Group P.L.C., restructured its global operations. Price Forbes' two major operating units are: Crump E&S Group Inc., a Dallas-based wholesale broker, and Southern Marine & Aviation Underwriters Inc., a managing general agent based in New Orleans. SMAU also acts as an underwriting manager for subsidiary Americas Insurance Co. of New Orleans.

In addition, Sedgwick International Marketing Services Inc., a New York-based wholesaler and an operating division of SMAU, handles "reverse-flow" energy-related business that is placed in the U.S. market by Sedgwick brokers in London.

Another entity, Crump Euings Inc., a Toronto branch office that was controlled by Crump E&S Group, is no longer part of Price Forbes. The operation, which generated around \$30 million in premiums last year, was merged into Sedgwick Canada earlier this year.

Price Forbes' growth appears to have slowed so far this year. While Crump E&S is performing well, SMAU's performance has tempered the holding company's overall results.

During the first half of this year, Price Forbes' premium volume stood at \$220 million, up only slightly from \$219 million for the first six months of 1991.

Of the \$220 million recorded through June, Crump E&S generated \$143 million. SMAU produced \$58 million of the total, and \$19 million was produced by Sedgwick International Marketing Services.

Crump E&S is on a pace to easily eclipse 1991's premium volume of \$225 million.

"We expect it to be as much as \$300 million this year," said Marcus Payne, executive vp and chief operating officer of Crump E&S.

And the wholesaler's July figures indicate that Crump E&S' goal is within reach, according to Mr. Payne. While premium figures were unavailable, the month could be the best July on record for the wholesaler, Mr. Payne noted.

"Our brokers are just performing fantastically," said Orville D. Jones, president and chief executive officer at Crump E&S. "And the new programs are kicking in."

Crump E&S has added staff in recent years, and its team of producers has been generating new business to offset renewals lost during the soft market, Mr. Jones explained.

Mr. Payne pointed out that Crump E&S' goals last year were to spend time developing new producers and to allow new insurance programs to mature. "I think we've been very successful."

While Crump E&S is outpacing last year's performance, SMAU is lagging behind last year's totals. The \$58 million recorded through June puts it well behind the pace to match 1991's total premium volume of \$156 million.

Although energy insurance rates are heading upward, capacity in the marine and energy market in London has tightened after two years of disastrous re-

sults at Lloyd's of London, pointed out Stephen P. Dinsdale, president of SMAU.

Restrictions in energy capacity have kept the higher rates from translating into revenues for brokers, he noted.

Neither Crump E&S nor SMAU is counting on rates increasing for any lines of coverage, other than energy insurance, any time soon. Both units continue to operate as if there will be no end to current market conditions.

"I don't see the market changing," said Mr. Jones. "There's an awful lot of capacity, and as long as it's there, I don't see it changing."

As part of its strategy, Crump E&S will continue to aggressively market programs put in place in recent years and add to its staff, Mr. Jones said.

In fact, it plans to begin recruiting college graduates to train from the ground up as brokers, according to Mr. Jones. "We'll start them at the base level and grow them into the Crump organization."

Crump E&S will target schools like the University of Georgia, University of Alabama and University of Texas—all of which have well-known insurance programs—when it begins recruiting in December.

"We'll be very selective about the people we recruit," said Mr. Jones. "I imagine there will be only two or three recruited for the program in the first year."

Crump E&S has 80 brokers on its staff, up from 75 at this time last year.

Crump E&S specializes in directors and officers liability, errors and omissions, commer-

cial automobile, underground petroleum storage tank and financial services coverages.

The wholesaler also lists among its various specialties municipal liability insurance and umbrella or excess liability coverages.

Crump E&S acquired London Brokers Ltd. of Atlanta at the beginning of this year from The London Agency Inc. in Atlanta, the second-largest U.S. underwriting manager/managing general agent (see story, page 50).

The brokerage operation, which was merged into Crump's Atlanta operation, "gives us the opportunity to expand our Southeastern U.S. operations," said Mr. Jones. "We wanted to have a larger presence in the Southeast, and their business was the same type of business we

Continued on next page



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Spotlight report

Continued from previous page were doing in Atlanta."

London Brokers places a variety of property/casualty coverages for clients in the Southeast.

Programs for financial institutions are expected to continue to grow in the soft market, according to Crump E&S.

Those programs generated annualized premiums of around \$23 million last year and are expected to produce about \$30 million to \$35 million this year.

Most of the financial institution coverages are marketed by profit center Crump E&S Financial Services Inc. in Nashville, Tenn.

Financial institutions can purchase on a package or monoline basis limits of up to \$5 million for risks including mortgage impairment; errors and omissions; broad-form extortion; all-risk safe deposit; bankers transit, including cash letters; registered and first-class mail; computer crime; all-risk property; and data processing multiperil coverages. In addition, the broker offers financial institutions up to \$3 million in limits for D&O, trust errors and omissions, and corporate fiduciary liability coverages.

As much as \$100 million in excess liability coverage can be arranged for financial institutions.

The programs are written by syndicates at Lloyd's.

A "real estate-owned" program that provides savings and loans with coverage for repossessed properties "did extremely well and it's doing even better in '92," said Mr. Jones.

That program, written by non-admitted domestic insurers, is administered from the Dallas office of Crump E&S.

The program offers negotiable limits and provides savings and loans with property and liability insurance for repossessed prop-

erties, including flood and earthquake coverage.

Crump E&S has put together a new risk purchasing group to provide coverage for parking garage owners nationwide. Parking Alliance Risk Control Purchasing Group began operating June 1 and is "doing fantastically well," said Mr. Jones.

PARC provides \$1 million in per-occurrence general liability limits with a \$2 million aggregate. A \$1 million products and completed operations aggregate applies per location. Garagekeepers legal liability coverage of \$250,000 per vehicle is available with an aggregate of \$1 million per location and automobile liability limits of \$1 million per occurrence can be written.

Crump E&S continues to operate a successful liquor liability program, said Mr. Jones. Offered in Florida and Texas, the program provides \$1 million in per-occurrence and aggregate limits to liquor wholesalers, taverns, package-liquor stores, restaurants and clubs.

A Crump E&S program that provides \$1 million in general liability limits and \$2 million aggregate to contractors with environmental risks is taking off, Mr. Jones noted.

The program, which was introduced last year, excludes pollution coverage. It is available to companies like waste haulers or others with environmental exposures that have become "more aware of the exposures they have in this line," Mr. Jones observed.

Mr. Payne pointed out that Crump E&S has "looked at the environmental field as a real area of future opportunity for us, and we have tried to keep up with what the needs are both in the coverage market and our own expertise."

Some other programs aren't seeing as much growth.

In 1990, Crump E&S began offering a pollution liability insurance program for underground and above-ground storage tank risks. But the delays in coverage deadlines set by the Environmental Protection Agency for many companies have stalled the program.

Mr. Payne said while the program retained all its July renewals, he doesn't expect to see any growth until the EPA enforces its deadlines.

Under the program, tank owners can purchase limits of \$1 million per claim/\$2 million aggregate per insured location. Third-party bodily injury and third-party property damage are covered, as well as the cost of government-mandated cleanups.

Damages that occur during tank loading and unloading also are covered, and the program covers pre-existing conditions identified during the policy term.

The program provides defense cost coverage of \$100,000, \$200,000 or \$500,000 per incident outside of policy limits.

The minimum deductible is \$5,000 per claim and the minimum premium is \$3,500.

Slowed by the soft market is a Crump E&S liability insurance program for contractors in Texas and adjacent states. Under that program, contractors can purchase occurrence-based coverage from a non-admitted insurer at limits of \$1 million with a \$2 million aggregate.

Contractors involved in lead abatement projects for the U.S. Department of Housing and Urban Development can purchase liability coverage through Crump E&S. The general liability coverage, written through an exclusive agreement with a retail broker that was awarded the HUD contract, provides \$1 million in per-occurrence limits.

However, Mr. Payne noted, the program has been "very slow to develop. It's still viable, but it hasn't taken off as well as we expected it to."

Crump E&S operates a marketing unit, Crump E&S Broking Services, to handle risks that generate annual premiums of \$500,000 or more. The division—which operates in Atlanta, Chicago and Burbank, Calif.—allows corporate vps who head up Crump E&S offices to access specialist brokers in offices throughout the country.

Meanwhile, SMAU expanded its programs for airport construction projects to include professional liability wrap-up insurance programs along with general liability wrap-ups.

"Both programs are still successful," said Mr. Dinsdale. And with "a lot of construction anticipated, we expect them to continue to be successful."

SMAU provides \$20 million in professional liability limits to cover the exposures of architects, engineers and construction managers working on an airport project.

The general liability wrap-up program provides contractors with limits of up to \$300 million.

SMAU also markets a nationwide aviation program sponsored by the Airport Operators Council International in Washington. The program offers broad-form airport liability coverage with limits of up to \$300 million per occurrence. A \$300 million aggregate applies to product risks and completed operations.

On the energy side, SMAU has restructured its contracts with Lloyd's underwriters and other London insurers in the wake of declining numbers of underwriters that want to write energy risks. The contracts, Mr. Dinsdale explained, establish new binding authorities with the underwriters.

SMAU also writes marine cargo risks, another area where rates are firming, according to Mr. Dinsdale.

Aviation rates remain flat for the general aviation and airport business that SMAU writes, he noted.

Price Forbes' overall employee count rose to 360 last year, up from 333, as Crump E&S continued to beef up its brokerage staff and added employees with the acquisition of London Brokers.

All business placed by Price Forbes last year was commercial lines. Thirty-five percent of its premium volume was placed with admitted insurers, up from 25% in 1990.

Sedgwick Group brokers produce between 10% and 15% of Price Forbes' premiums.

Sixty-two percent of Price Forbes' business is handled on a brokerage basis, with 22% written as a managing general agent and 16% as an underwriting manager.

In addition to Mr. Jones and Mr. Payne, principal officers at Crump E&S are Patrick R. O'Brien, senior vp-finance and administration, and James B. Aiken, senior vp.

Besides Mr. Dinsdale, principal officers at SMAU are James A. Danton, executive vp-energy; Hunter B. McFadden, executive vp-Americas Insurance Co.; and Roy R. LeBlanc, executive vp-administration.

Mr. Dinsdale also is president and chief executive officer of Americas Insurance Co.

Price Forbes is part of Sedgwick's Sedgwick Broking Services Ltd. division, which is headed by Vice Chairman Sax Reilly in London.

Crump E&S is a member of AAMGA and NAPSLO.

—By Michael Bradford

Tri-City Insurance Brokers Inc.

110 William St., New York, N.Y. 10038; 212-732-1360; fax: 212-619-5202

	1991	1990
Premium volume	\$318,888,888	\$288,888,888
Gross revenues*	\$19,500,000	\$17,800,000
Employees	99	90
Commercial lines	100%	100%
Admitted business	90%	90%
Non-admitted	10%	10%

* BI estimates.

Growth—primarily new business—permitted Tri-City Insurance Brokers Inc. to post its sixth consecutive year of increasing premium volume.

Last year, premium volume for the New York-based wholesale broker increased 10.4% to \$318.9 million from \$288.9 million in 1990. It was the second year in a row that Tri-City's growth was unequaled among the other largest U.S. wholesalers.

President Kieran P. Burke attributed the company's success—at a time when other wholesalers' volume remained flat or declined—to "our ability to attract the best marketing professionals available, coupled with exceptional premium growth from new business."

The 7-year-old, privately held broker also managed to hold onto most of its renewals last year, though Mr. Burke said Tri-City does not track its renewal rate on a percentage basis.

"I do know, however, that if our renewals ever fell off, we'd certainly be aware of it. That hasn't happened. In fact, we have one of the highest renewal rates in our field," Mr. Burke maintained.

Still, it was new business growth that permitted Tri-City, which functions solely as a wholesale broker, to grow substantially in 1991 despite continued soft market conditions.

"True growth has to come from new sources. If all we did was renew existing business, our revenues would be declining because prices on almost all renewals continue to fall," Mr. Burke said.

Tri-City last year remained the third-largest U.S. wholesale broker and the sixth-largest wholesaler of any type.

While the company does not report its gross revenues, *Business Insurance* estimates that Tri-City's revenues totaled \$19.5 million in 1991, up 9.6% from an estimated \$17.8 million in 1990.

"All of our offices contributed in 1991. Last year, for us, was a very exciting and successful year," Mr. Burke said.

And Tri-City is on pace to better its production of a year ago. Its first-half premium volume rose 12.7% to about \$178 million from \$158 million.

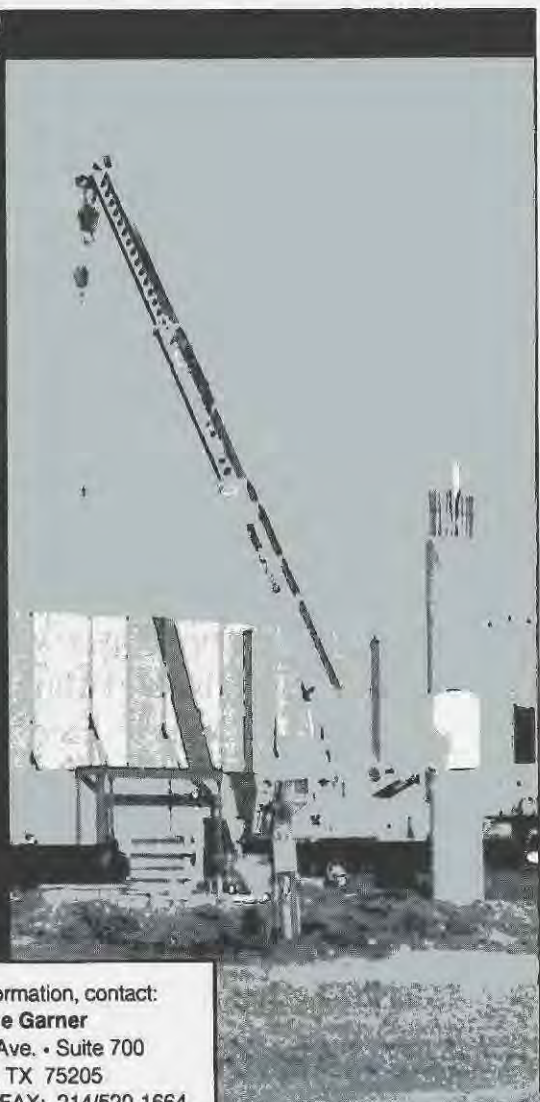
"We're definitely viewing the future with optimism. As the commercial insurance distribution system evolves in the 1990s, we feel we're well-positioned to offer our clients and underwriters all the services they need," Mr. Burke said.

With offices in New York, Chicago, San Francisco and Los Angeles, Tri-City focuses on three specific product lines: casualty, property and financial services.

Casualty business is far and away Tri-City's leading product area. Last year, it accounted for approximately 72%, or nearly \$230 million, of the company's

Continued on next page

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Stewart Smith Group Inc.

3200 Wilshire Blvd., Los Angeles, Calif. 90010; 213-382-6201; fax: 213-383-8236

	1991	1990
Premium volume	\$260,000,000	\$256,000,000
Gross revenues	\$20,797,000	\$20,294,000
Employees	212	233
Commercial lines	100%	100%
Admitted business	37%	36%
Non-admitted	63%	64%

The fifth-largest U.S. wholesale brokerage has a "new" name, a new president and a new headquarters city.

But Edward F. Casey, president and chief executive officer of Los Angeles-based Stewart Smith Group Inc., is quick to point out that the brokerage's new name—which was changed from Willis Faber Holdings Inc.—is "consistent" with those of its well-known units.

Subsidiaries Stewart Smith West in Los Angeles and Stewart Smith Southwest in Dallas have borne a name that "has been around for a number of years," Mr. Casey noted.

The name change "had been in the planning stages for quite some time," he explained. "We thought it had better identity for our group."

Following the name change early this year, subsidiaries McAlear Southeast in Atlanta became Stewart Smith Southeast and McAlear of Illinois in Chicago became Stewart Smith Mid America.

In February, Thomas S. Bloom, who had been president of Willis Faber Holdings, left the company to become president of newly formed Heath Holdings USA Inc. in Dallas. Mr. Casey, who had been director and president of Stewart Smith West, was promoted to replace Mr. Bloom.

Thus the change in headquarters to Los Angeles from Grand Rapids, Mich.

"Mr. Bloom preferred to live in Grand Rapids," where the company operates subsidiary McAlear Associates. "I prefer to live in Los Angeles," Mr. Casey said.

Stewart Smith Group's only other subsidiary is Major Surplus Inc. in New York. The business handled by former subsidiary Smith's Special Risks Associates Inc. of Rutherford, N.J., was merged into Major Surplus, Mr. Casey said.

Change is becoming something of the norm for the wholesaler. In 1990, its parent, Willis Faber P.L.C. of London, merged with Corroon & Black Corp. to form Willis Corroon P.L.C. (BI, Oct. 15, 1990).

The merger cost the wholesaler a major retail brokerage client: Johnson & Higgins (BI, Aug. 12, 1991). But since that time, "I can't give you one example of anyone that is not doing business with us because of the merger," Mr. Casey said.

Only 6% of Stewart Smith Group's business is generated by Willis Corroon, but Mr. Casey hopes that the parent will produce additional business for the wholesaler—though not at the expense of other brokerage clients. "They're a valued client among our other valued clients," he said.

Despite the loss of the Johnson & Higgins business, Stewart Smith Group's gross premium volume rose a slight 1.6% in 1991 to \$260 million from \$256 million in 1990. That growth was not enough to maintain the com-

pany's ranking. It fell to fifth from fourth place among the wholesale brokers. Stewart Smith Group is the eighth-largest U.S. wholesaler overall, down from seventh a year ago.

Mr. Casey points out that last year's increase in premium volume was "not a meaningful variance," adding that "premium volume has been almost flat" for the past three years as a result of the soft market.

Meanwhile, the wholesaler's gross revenues of \$20.8 million in 1991 were virtually unchanged from \$20.3 million in 1990.

Premium volume for the first six months of this year also was basically flat—\$134.6 million compared with \$133.7 million in 1991. That increase can "probably in some part" be attributed to business generated by offices the brokerage opened in 1990,

Mr. Casey said. "It takes some time for start-up operations to develop."

Gross revenues for the first six months of this year fell 9% to \$9.3 million from \$10.2 million

Other than J&H, 'I can't give you one example of anyone that is not doing business with us because of the merger' between Willis Faber and Corroon & Black, Edward Casey says.



in the first half of 1991.

Stewart Smith Group cut its staff 9% to 212 at year-end 1991 from 233 in 1990. "We feel we are very well-positioned with our existing staff" for when the market finally turns, Mr. Casey

said, adding that no staff expansion is planned.

About 90% of Stewart Smith's business is brokerage, with the remaining 10% of its volume generated as a managing general agency, a breakdown that has not changed substantially for several years.

"We did business in 1991 with 2,837 retail brokers and agents," which is relatively unchanged from 1990, Mr. Casey said.

The group's clients are large regional brokers, independent agents and the alphabet brokers. In 1991, 24.7% of Stewart Smith's volume came from alphabet brokers, "down slightly but not significantly" from prior years, he said.

Stewart Smith placed 37% of its business with admitted markets and 63% with surplus lines insurers in 1991 and in the first

six months of 1992. That compares with 36% and 64%, respectively, in 1990, a proportion that has remained relatively unchanged since 1988.

The group's major markets during the past year include underwriters in the London market; General Star Indemnity Co., a unit of General Re Corp.; The London Agency Inc., a Crum & Forster Inc. subsidiary; Royal Specialty Underwriting Inc. First State Insurance Co.; Admiral Insurance Co.; Northfield Insurance Co., a unit of Northland Insurance Co.; units of The Home Insurance Co.; Industrial Underwriters Inc., a Crum & Forster unit; St. Paul Surplus Lines Insurance Co.; and Lexington Insurance Co., a unit of American International Group Inc.

Overall, Stewart Smith places
Continued on next page

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Continued from previous page
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Stewart Smith Group units operate as an MGA for American Empire Surplus Lines Insurance Co.; Columbia Casualty Co., a unit of CNA Financial Corp.; Northfield Insurance; Western World Insurance Co.; Essex Insurance Co., a unit of Markel Corp.; Nautilus Insurance Co., a unit of W.R. Berkley Co.; and Audubon Indemnity Co., an AIG unit; General Star Indemnity Co., a unit of General Re Corp.; Gulf Insurance Co.; and Burlington Insurance Group Inc.

Account turnover was about 40% last year, a slight increase from 1990. The percentage of retained accounts was "down slightly from prior years because of the softness of the market. Renewals are under attack all the time," Mr. Casey said.

Nevertheless, not all brokerages are the same, Mr. Casey emphasized. What sets Stewart Smith apart are "three major strengths," he said.

The first is the company's "professional team of brokers who are specialists in their particular fields, supported by a staff of well-trained technical assistants," he noted.

The wholesaler's second strength is "the markets we're acquainted with," Mr. Casey said. The third is "our financial stability."

"It's the people in this business that make it work, the professional expertise. We understand the concept of value-added," Mr. Casey explained.

"It starts with the preparation of the underwriting submission in the marketplace. We make sure that we have the correct information presented properly," he said.

"Knowing which markets to go to and the service that follows the sale—such as requests for changes in the policy"—are other "value-added" components Stewart Smith offers, according to Mr. Casey.

Clients of the wholesaler's producers engage in manufacturing, transportation and construction, and include financial institutions, service industries, municipalities and utilities, Mr.

Casey said. "I guess that pretty well covers the whole spectrum of the private sector of the economy."

Stewart Smith places a wide variety of coverages, including general liability; primary product liability; umbrella liability; excess workers compensation; directors and officers liability; errors and omissions; medical stop-loss; medical malpractice; kidnap, ransom and extortion; and property coverages like difference-in-conditions, earthquake and builders risk.

"There is no capacity problem for any of these coverages," Mr. Casey said. This year, "prices are down" and capacity is "roughly the same" as in 1991.

Insurers are particularly interested in competing for umbrella coverages, he said.

The only business Stewart Smith is having difficulty placing is D&O liability coverage for "certain troubled financial institutions," Mr. Casey said. "For those we see renewal prices increasing."

As for Stewart Smith's operations overall, "I see very little change this year and next unless the market levels out and starts to harden," he said.

In addition to Mr. Casey, Stewart Smith Group's top officers are Kenneth H. Pinkston, chairman; John Rogers, senior vp and chief financial officer; Fred Anderson, director and president of Stewart Smith West; Pershing Berthelot, executive vp and chief operating officer of Stewart Smith Southwest; Mark Rooker, director and president of Stewart Smith Southeast; Martin Horwitz, director and president of Stewart Smith Mid America; Ralph Leistner, director and president of McAlear Associates; and Mark Smith, director and president of Major Surplus.

In addition to its Los Angeles headquarters, Stewart Smith has offices in San Francisco; Phoenix; Dallas; Houston; Atlanta; Tampa, Fla.; Philadelphia; Pittsburgh; New York; Cedar Knolls, N.J.; Cleveland; Chicago; Farmington, Conn.; and Grand Rapids.

Stewart Smith Group is a member of NAPSLO.

—By Louise Kertesz

Schinnerer expands horizons

Firm remains largest MGA/underwriting manager

The Schinnerer Group Inc.

2 Wisconsin Circle, Chevy Chase, Md. 20815-7003; 301-961-9800; fax: 301-951-5444.

	1991	1990
Premium volume	\$452,000,000	\$489,000,000
Gross revenues	\$38,500,000	\$41,565,000
Employees	324	373
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

* BI estimates.

The Schinnerer Group Inc. is expanding its insurance programs and services at the same time the recession and the soft property/casualty insurance market are cutting into its premium volume.

New programs and improvements include expanded pollution coverage for architects and engineers and a new errors and omissions policy for consultants working on building projects.

In addition, the Chevy Chase, Md.-based underwriting manager is working to broaden real estate E&O coverage by providing an endorsement to give agents protection from claims involving violation of fair housing laws.

"Corporately, Schinnerer has adopted a philosophy that it can't sit and wait for the market to change," said Senior Vp Richard J. Walk. "We can't always compete on price, but we are striving to expand our existing programs and services."

These program improvements come at a time when Schinnerer, like many other underwriting managers, is seeing its premium volume decline.

Schinnerer's premium volume fell by 7.6% to \$452 million from \$489 million in 1990. That decline, the largest among the Top 10 wholesalers, comes on the heels of a 10.8% drop in 1990, and a 3.7% drop the year before.

Even with the decline in 1991 volume, Schinnerer remained the

nation's largest underwriting manager/managing general agent and the second-largest wholesaler of any type.

Business Insurance estimates that Schinnerer's gross revenues declined 7.4% to \$38.5 million in 1991, from an estimated \$41.6 million in 1990.

No major turnaround was evident during the first six months of 1992. Premium volume fell again, by 5.8% to \$212 million from \$225 million during the first half of 1991.

Given the soft market conditions and the recession—which especially took its toll on architects, engineers and real estate agents—Schinnerer's decline in premium volume was not a surprise, Mr. Walk said.

"Across all program lines we are dealing with intense competition and rampant price cutting," he said.

And with the recession reducing the number of construction projects, many architects and engineers had smaller exposures and thus lower premiums.

"There is a double hit," Mr. Walk said.

Given those twin factors, a decline in premium volume "is what we expected," said Mr. Walk. "We always are striving to grow year after year. But we also have to be realistic that in this insurance market that is a very difficult, if not impossible goal."

Schinnerer—a unit of Marsh & McLennan Cos. Inc.—never will veer from its philosophy of basing rates on risk, Mr. Walk affirmed.

"The philosophy remains the same: We will price programs based on risk assessments rather than markets. We never have subscribed to cash-flow underwriting and never will. Our philosophy has served us, our insureds and their brokers—as well as insurers—well for decades. It has enabled us to obtain and maintain our position and reputation in the market," he said.

In fact, Schinnerer's policyholder renewal rate is about 90% for most of its programs.

"We have more insureds than ever," Mr. Walk notes.

But competition remains intense for Schinnerer's flagship coverage: professional liability insurance for architects and engineers. That program, now in its 36th year, is insured by CNA Insurance Cos. and offers limits of \$15 million.

About two dozen insurers now are writing architects and engineers coverage, including some that appear to have subscribed to cash-flow underwriting and are offering coverage at a price that, based on experience, doesn't relate to the risk, Mr. Walk said.

These competitors won't have any staying power, he commented. "As soon as the reinsurance market tightens, they will be gone."

Apart from the competition, the architects and engineers professional liability market also continues to be hammered by the recession.

"Commercial buildings and public projects just aren't being built like they were five years ago. It is not unusual to see a 25% reduction in exposure and that translates down to the bottom line," Mr. Walk said.

Premium volume for Schinnerer's architects and engineers program declined modestly last year. "Architects and engineers are designing fewer projects so their exposures are less," Mr. Walk said.

Premium volume also is being held down by a Schinnerer program that rewards—through premium credits—longevity, loss prevention and good claims experience.

The rates that Schinnerer charged architects and engineers declined slightly last year, but

prices are expected to remain about flat for the rest of this year.

But in response to client needs, Schinnerer and CNA recently introduced an expanded version



'The philosophy remains the same: We will price programs based on risk assessments rather than markets,' says Richard Walk.

of its existing pollution insurance endorsement for architects and engineers to cover additional pollution exposures, like claims caused by certain types of indoor pollution.

The expanded pollution insurance endorsement, which has a \$1 million limit, is designed to protect an architect if, for example, a roof he or she designed later emitted noxious fumes because of exposure to high temperatures that could not be anticipated.

"This is a major expansion of coverage much wanted by our insureds," Mr. Walk said.

Schinnerer also recently launched a new miscellaneous E&O program for construction industry consultants who aren't eligible for the traditional architects and engineers program.

This program, also written by CNA, provides coverage to testing laboratories and to audiovisual, forensic, roofing, sprinkler and other consultants.

Coverage is offered on a claims-made basis with up to a \$1 million limit. Deductibles start at \$1,000.

Meanwhile, architects and engineers continue to participate in a Schinnerer/CNA program called "Commitment Plus" that shares underwriting profits with policyholders.

By the end of this year, CNA will have paid \$44.3 million in profit-sharing payments to policyholders over three years.

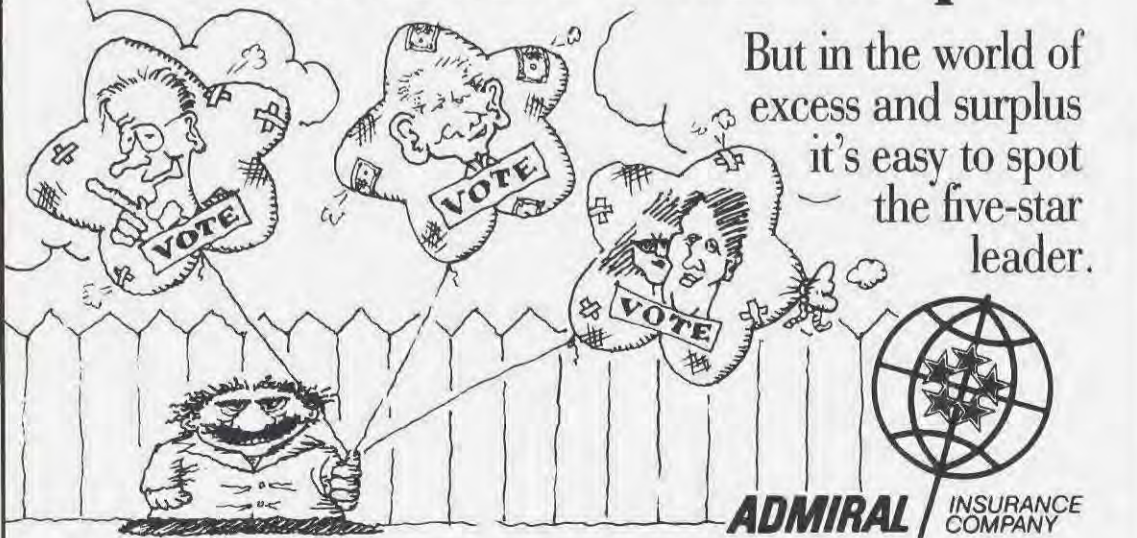
"If I were an architect or engineer, I would take great comfort knowing that I am paying the right price for coverage. It is incredible commitment on the part of CNA to the professional," Mr. Walk said.

The profit-sharing plan began in 1980 and initially was only available to firms with annual billings of less than \$5 million. A second, separate program also was established—effective with the 1991 policy year—for firms with billings over \$5 million.

Premium volume also has de-

Continued on next page

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No one's more innovative

Continued from previous page
 clined somewhat for Schinnerer's real estate agent professional liability program as agents completed fewer sales.

Rates were cut last year by as much as 25% for some policyholders participating in the Schinnerer program, which also is written by CNA and is endorsed by the National Assn. of Realtors.

CNA, which began insuring the program in 1988, had enough favorable claims experience under its belt by late last year to implement rate decreases, ranging from modest to 25% in 36 states. In other states, rates were flat, Mr. Walk said.

The program, which offers limits of \$2 million, is open to specialty firms like real estate appraisers, property managers and leasing firms as well as residential and commercial real estate agents.

Schinnerer recently has made one enhancement to the real estate program and soon will offer a second.

The first change allows real estate agents to pay premiums monthly based on the number of transactions that occur in a month rather than on an annual or installment basis.

"This really will help real estate agents with cash flow. As Realtors face tough economic times, this is a significant improvement that responds to their needs," Mr. Walk said.

In addition, Schinnerer and CNA soon will introduce an endorsement to the real estate E&O policy to provide up to \$100,000 in defense costs for agents accused of violating fair housing laws.

"The National Assn. of Realtors asked us to develop this coverage. They see it as a critical need for their members," Mr. Walk said.

Of all programs Schinnerer offers, competition is the most intense for hospital excess professional liability insurance.

Too many insurers are offering rates that are insufficient to maintain business over the long term, Mr. Walk said.

Schinnerer's hospital program—underwritten by Transamerica Insurance Co.—offers limits of up to \$25 million.

Generally, the excess coverage is written over a self-insured retention or primary insurance of \$1 million per claim/\$3 million aggregate. After moderate declines last year, rates should remain steady this year.

The program that has grown the most over the past several years is United Educators Insurance Risk Retention Group Inc., which is managed by Schinnerer. The risk retention group's premium volume rose 21.6% last year to \$21.9 million, up from \$18 million in 1990. United Educators' premium volume had increased by about 50% in each of the two previous years.

Mr. Walk attributes its growth to the breadth of its policies, high limits and aggressive marketing to the educational community by United Educators' staff.

The Vermont-domiciled risk retention group offers several types of policies to educational institutions, including excess liability insurance with up to a \$25 million limit and educators legal liability insurance with up to a \$10 million limit.

The educators legal liability policy blazed the trail with innovative policy features, like cover-

age for employment-related claims. The excess liability policy, unlike those offered by competitors, provides coverage for sudden and accidental pollution incidents, according to Mr. Walk.

Meanwhile, at another Vermont captive that Schinnerer manages—Beverage Retailers Insurance Co. Risk Retention Group—premium volume climbed about 20% in 1991 to \$4.1 million from \$3.5 million.

BRICO is the only liquor liability insurance program that is offered nationally to every class of liquor retailer, Mr. Walk said. It provides up to \$1 million of liquor liability coverage for taverns, restaurants, hotels and liquor stores.

Other programs for which Schinnerer serves as under-

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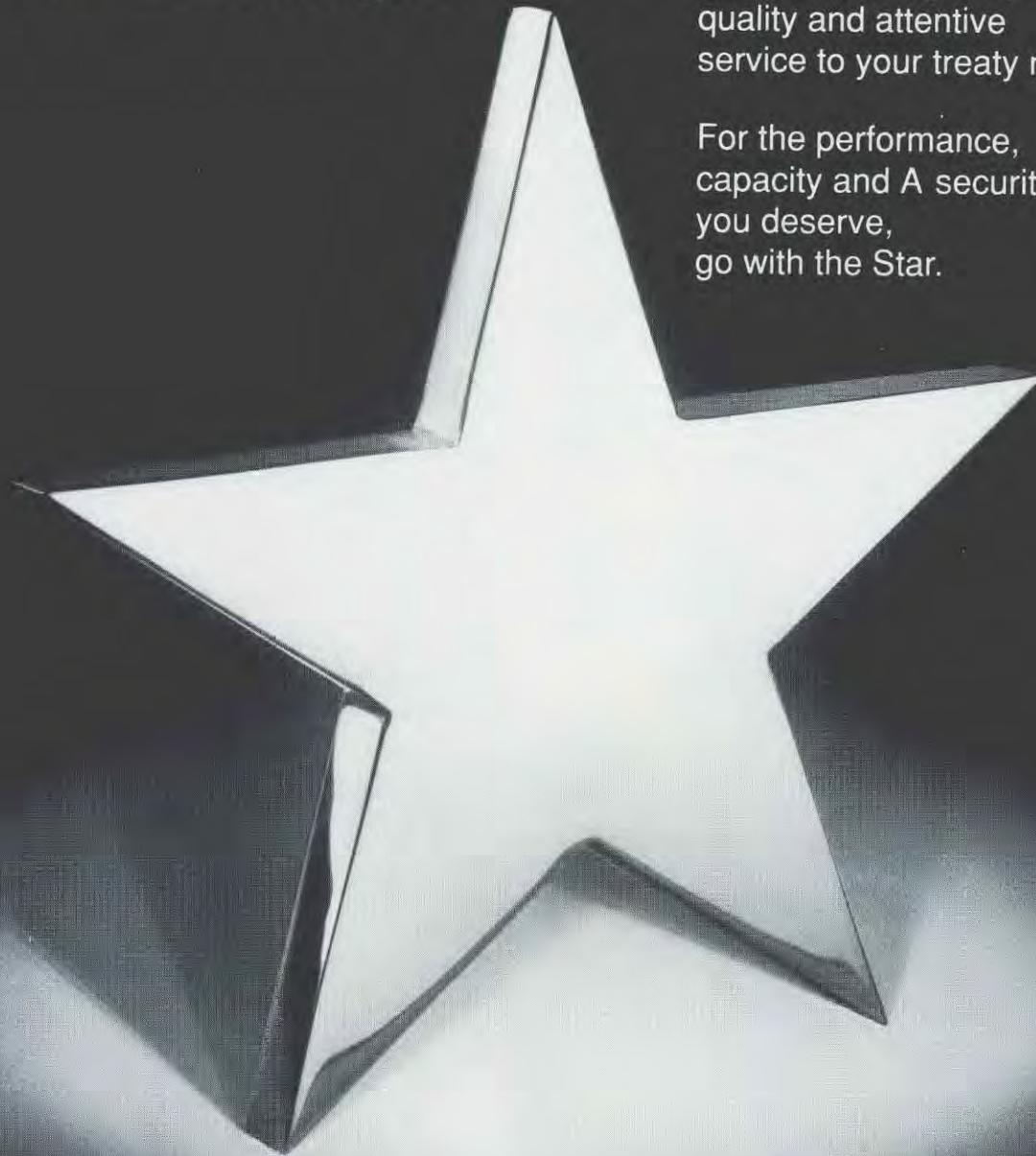
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writing manager include:

- A program that provides up to \$25 million in directors and officers liability and E&O coverages for non-profit associations and organizations. The coverage is written by Federal Insurance Co., a Chubb Corp. unit.

- A basic E&O policy for individual real estate agents who are not covered under an agency's policy. The policy, written by CNA, has a \$25,000 limit.

- A program for Iowa real estate agents to satisfy a state law that requires them to have \$100,000 in E&O coverage. That program also is written by CNA.

Besides its Chevy Chase headquarters, Schinnerer has offices in New York, Chicago, Dallas, San Francisco, Ottawa, Toronto and London.

The Schinnerer Group Inc. serves as a holding company for its underwriting management subsidiaries, including Victor O. Schinnerer & Co. Inc., which does business in the United States; ENCON Insurance Managers of Ottawa, Schinnerer's Canadian underwriting manager; and Schinnerer & Co. Ltd. in London.

Other Schinnerer divisions include: Potomac Insurance Managers Inc. in Chevy Chase, which provides underwriting management services to both risk retention groups and other alternative risk financing facilities; and Schinnerer Management Services Inc., which provides loss prevention and claims management services.

In addition to Mr. Walk, senior Schinnerer officers include: James R. Stevens, president, and John W. Colmer, Paul Genecki, Homer M. Sandridge and Thomas F. Tucker, senior vps.

Earlier this year, two senior vps, Douglas C. Dolan Jr. and Richard Curd, left Schinnerer to form an insurance brokerage and administration firm specializing in professional liability coverages for trade groups. Mr. Dolan described the parting as amicable, noting he still does business with Schinnerer.

—By Jerry Geisel

The London Agency Inc.

6 Concourse Parkway N.E., Suite 2700, Atlanta, Ga. 30328; 404-393-9955; fax: 404-393-0888

	1991	1990
Premium volume	\$393,496,000	\$419,878,000
Gross revenues	NM	NM
Employees	315	320
Commercial lines	100%	100%
Admitted business	90%	90%
Non-admitted	10%	10%

NM—Not meaningful

The London Agency Inc. is streamlining operations to focus on what it does best in the still hotly competitive property/casualty insurance market.

The Atlanta-based unit of Crum & Forster Inc. has sold its three brokerage subsidiaries to concentrate solely on its underwriting management activities.

"During 1991, we made the decision to direct all our efforts at the underwriting operation of The London Agency," said Dennis B. Reding, The London Agency's new president and chief executive officer. "With that, we got out of the brokerage business."

Mr. Reding arrived at The London Agency earlier this year after a 22-year career with Fireman's Fund Insurance Cos., where he most recently was a senior vp at the insurer's Novato, Calif., headquarters. He replaced John M. Griffin, the former London Agency chairman and chief executive officer who is now the team leader in Crum & Forster's Custom Risk Services division in Basking Ridge, N.J.

With the sale of the three subsidiaries, The London Agency operates entirely as an underwriting manager.

Jettisoned from The London Agency last year were Seaboard Underwriters Inc. in Burlington, N.C.; Floyd West & Co. in Dallas; and London Brokers Ltd. in Atlanta.

Floyd West, which was sold to Burns & Wilcox Ltd., a managing general agent and broker in Southfield, Mich., reported 1991 volume of about \$32 million, compared with \$27.9 million in 1990.

Floyd West places various property/casualty coverages, with most of its business based in Texas.

Seaboard Underwriters recorded \$30 million in 1991 premiums, down from \$33.2 million the year before. Seaboard was purchased by Acceptance Insurance Co. in Omaha, Neb.

Seaboard's premium volume included \$21 million earned as an underwriting manager and \$9 million placed as a broker.

Seaboard writes long-haul trucking liability insurance on behalf of Crum & Forster unit United States Fire Insurance Co. in Morristown, N.J. That program, along with others at the other former subsidiaries, remains in place despite the sale of Seaboard.

London Brokers, purchased by Crump Excess & Surplus Group Inc. in Dallas, ended 1991 with \$27 million in premiums, down from \$30.7 million for 1990 (see story, page 43).

London Brokers places a range of property/casualty coverages for clients primarily based in the Southeast.

Mr. Reding said the changes put The London Agency back on track as an underwriting manager.

"The brokerage activities had become 'the smallest part of what we do,' he explained. 'And we felt that with the resources we have available, the best use of those resources would be to focus entirely on The London Agency.'"

Because The London Agency will continue to act as an underwriting manager on much of the business it has written on behalf of the brokerage facilities, the sale of the facilities "really hasn't had a dramatic impact on us..." Mr. Reding said.

However, he pointed out that the sale will have some impact on the premium volume The London Agency reports for 1992. Altogether, the subsidiaries accounted for about \$89 million, or 23%, of the \$393.5 million in total premium volume for 1991.

The London Agency finished the year as the second-largest U.S. underwriting manager/managing general agent. It ranked No. 4 among all wholesalers.

Last year's premium volume of

\$393.5 million was a 6.3% decline from 1990's \$419.9 million. Of last year's total, \$303 million, or 77%, was produced by The London Agency, not the brokerage units.

During the first six months of this year, The London Agency has recorded \$139.5 million in premiums, a 14.9% decrease from \$164 million for the same period in 1991.

Mr. Reding said he expects premium volume to reach around \$290 million for all of 1992.

The number of employees at The London Agency also has shrunk to 197 after the sale of the subsidiaries from the 1991 year-end total of 315.

Last year's 6.3% drop in premium volume follows a 1.8% increase in 1990 from \$412.4 million in 1989. The gain was attributed to changes made in The London Agency's umbrella coverage program, which makes up the bulk its volume.

In 1990, The London Agency in-



"We try to avoid the very difficult exposures, but we still really go after the larger risks, the unique, the unusual," says Dennis Reding.

creased umbrella limits to \$15 million from \$10 million after customers asked for the additional capacity (BI, Aug. 12, 1991).

The coverage is available excess of \$1 million and is written on behalf of Crum & Forster Inc. unit International Insurance Co.

Last year, The London Agency wrote \$235 million in umbrella premiums, down from \$255.4 million in 1990.

The umbrella market remains competitive, Mr. Reding pointed out, with key competitors being American International Group Inc., CIGNA Corp., Chubb Corp., Royal Insurance Co. of America and Transamerica Insurance Co.

The renewal rate on The London Agency's umbrella business remains at around 63%, unchanged from last year and down from around 68% in 1990. Average premium on the business remains "very close" to the \$72,000 recorded last year, said Mr. Reding.

Despite the competitive pressures, The London Agency continues to maintain a floor price that it demands for its umbrella coverage. If that price isn't met, the business won't be written, he said.

That strategy helps keep The London Agency out of trouble during a soft market, he added.

Demand for umbrella coverage is expected to remain sluggish as long as the market is soft and The London Agency maintains its pricing policy, Mr. Reding said.

The London Agency continues to stay away from the extra-hazardous risks like pharmaceuticals, potential pollutants, asbestos and medical malpractice risks when writing umbrella coverage.

"We try to avoid the very difficult exposures," Mr. Reding said. "But we still really go after the larger risks, the unique, the unusual, where our expertise fits well with the needs of the client and the risk manager."

Some of The London Agency's clients are Fortune 500 companies that are not considered high-hazard accounts.

The London Agency continues to offer an umbrella product introduced last year, but demand is slow while primary insurance rates remain low and risk managers

continue to purchase primary coverage rather than self-insure.

The coverage is written on an admitted basis by International Insurance Co. and provides \$500,000 in limits above a \$500,000 self-insured retention. An additional \$5 million or \$10 million in umbrella limits is written excess of \$1 million.

The coverage primarily is aimed at policyholders with more than \$25 million in net worth or those with a product liability exposure but infrequent losses.

The coverage was introduced in 1991 at the request of wholesalers, who asked for such a product in a June 1990 meeting.

"We're doing some business there," said Mr. Reding, "but because of the competitiveness of the marketplace, that's growing slowly. We're getting more familiar with it, introducing it to our brokers, and we're taking a look at that now to evaluate how it's gone and what changes we want to make in the future."

While the umbrella market remains competitive, the fight for property business also grows more fierce, Mr. Reding acknowledged.

In 1991, premiums for property and inland marine coverages shrank to \$66 million, a 12% slide from \$75 million in 1990.

This year, it's even more competitive, according to Mr. Reding.

"It's a line that generally remains competitive," he said. "Most every company in the marketplace has been looking for property business."

Average premiums on property and inland marine accounts remain at around \$18,000, nearly unchanged from 1991.

In addition to International Insurance Co., The London Agency also writes coverage on behalf of International Surplus Lines Insurance Co., a Crum & Forster unit in Chicago.

All The London Agency's business is commercial lines, with 90% in 1991 written by admitted insurers.

Mr. Reding is aware that The London Agency may be competing in a soft market for some time.

"I would love to say that it's going to change soon, but based on what we see, there's no indication of a firming," Mr. Reding observed.

In preparation for a market change that eventually will come, Mr. Reding said The London Agency is continuing to stake out new business.

"We're an open market for business, and we're going to remain a market," he said. "We're not going to sit back and wait for something to happen."

In addition, "We've tried to maintain our staffing," Mr. Reding said. "We've got a very talented group of underwriters with many years of expertise, and we're maintaining that" while looking for opportunities to expand.

The London Agency already has expanded physically, outgrowing its downtown Atlanta office and moving to a new location north of the city. The new facility allows the company to keep all its departments in one building, something that wasn't possible at the downtown site.

In addition to Mr. Reding, principal officers at The London Agency are: Joseph J. George, senior vp-casualty; Richard J. McAdam, senior vp-property; John M. Intondi, senior vp-claims; and William P. Garrigan, senior vp-financial.

The London Agency is a member of NAPSLO.

—By Michael Bradford

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	1991	1990
Premium Volume	\$276,321,000	\$293,010,000
Gross Revenues	NM	NM
Employees	483	477
Commercial lines	100%	100%
Admitted business	87%	79%
Non-admitted	13%	21%

NM—Not meaningful

If the competition isn't going to let up, neither will Crum & Forster Managers Group.

Extremely competitive prices have mad CFM's management resigned to the fact that attracting new business won't become easier any time soon. So providing the best-possible customer service has become a priority as the company strives to retain its current clients.

Competitive pricing in the market has made attracting new customers difficult, acknowledged David N. Thompson, chairman and chief executive officer of the Crum & Forster Inc. unit.

"In order to counter that trend, we are spending a great deal of effort and time in customer surveys" to make sure CFM is delivering the best product possible, Mr. Thompson said.

Customer survey results led to "the very significant belief that we had to provide to our customers, both brokers and insureds, products that make sense on a timely basis," Mr. Thompson explained. One such effort is a streamlined package of products for public entities.

Increased dialogue with insurers and brokers has "led us to believe that our policy offerings into the future are going to be constantly changing," Mr. Thompson said.

In fact, CFM has begun to file for policy changes more than once a year, even though it is more cost-effective to file for all changes at once, Mr. Thompson said.

And increased dialogue with policyholders results in better policy forms, observed Roger A. Quigley, senior vp and chief underwriting officer.

For instance, the American Institute of Certified Public Accountants, which endorses one CFM product, keeps CFM abreast of changes in accounting standards that could affect insurance needs. In turn, CFM can consider making appropriate alterations to its policy form on a more timely basis, Mr. Quigley said.

"We see a partnership with brokers and insureds as providing us with a more sustainable relationship over time, with an emphasis on trust and mutuality of interest," Mr. Thompson explained.

Suggestions from customer surveys also have resulted in changes to the application process that make the retail broker's job easier when applying for coverages, said Robert E. Stalker, vp-marketing.

The goal is more than just good, prompt service.

"Quality improvement" is ongoing, Mr. Thompson said. "Just when we think we've got it right, someone thinks of something new that makes sense."

"We have specific service standards in place for every office that are tracked carefully," said

Senior Vp Walter L. Mueller. And Mr. Mueller checks during visits to CFM offices that the standards are being met.

Quality also is measured through statistics and sampling to "a much greater degree than before," according to Mr. Thompson.

For instance, the number of times phones ring before being answered is now more closely tracked. In the branch offices, where phones used to ring up to 10 times, the average is down to 1.5 rings now, Mr. Thompson said.

With the improved service comes increased customer loyalty, he said. "Renewal retention rates continue to grow because our current customers are very happy with us," said Mr. Thompson, estimating the wholesaler had a 90% retention rate in 1991.

CFM continues to maintain strict walkaway prices for all lines of business. The strategy means stable prices, but reduced premium volume, Mr. Thompson said.

CFM's premium volume dropped 5.7%—one of the larger declines among the Top 10 wholesalers—to \$276.3 million in 1991 from slightly more than \$293 million in 1990. That decline comes on the heels of a 2.1% decrease the previous year.

Still, the underwriting manager remains No. 3 in the *Business Insurance* ranking of the largest underwriting managers/managing general agents. CFM, though, fell two notches to No. 7 in the overall ranking of wholesalers.

Things didn't turn around in the first six months of 1992: Premium volume was down 4.2% to \$126.5 million from about \$132 million in the first half of 1991.

While a turn in the market would certainly benefit CFM, just when that might happen is not a topic open to much speculation.

"We have to operate in all phases of the insurance market. The market is bigger than we are, and we have given up on picking a date when it may change," Mr. Thompson said.

"We think our focus on the market will keep us in good stead through all phases of the market," he added.

About half CFM's book of business is professional liability coverage, unchanged from 1990. Property and excess liability coverages, including coverage written for public entities, account for about 30%. Last year, property accounted for 12% and excess casualty accounted for 19% of the wholesaler's business.

The other 20% comes from directors and officers liability coverage, up one percentage point from last year.

CFM writes errors and omissions coverage for a range of professionals, including attorneys, insurance agents and brokers, and real estate agents and brokers. It maintains exclusive relationships with certain producers for some professional liability programs, including:

- Certified public accountants, which is brokered by Rollins Burdick Hunter Co. of Chicago.
- Architects and engineers, brokered by Professional Coverage Managers of New York.
- Real estate appraisers, brokered by Myers-Baker & Co. of Chicago.

D&O policyholders include directors of non-profit organizations, public officials, educators

and trustees of non-profit corporations.

CFM does not write any D&O for financial institutions nor does it write environmental impairment liability coverages.

Limits of up to \$10 million are available for virtually all liability risks.

Special emphasis this year has been put on the public-entity book of business.

CFM "gives the insured a full portfolio to choose from. It is a customer friendly approach—much like picking from a shopping list," Mr. Stalker said.

Options include a primary public-entity package for small to medium-sized entities that are seeking traditional first-dollar coverages and services.

However, CFM finds that more often than not it writes public entity coverages excess of self-insured retentions, Mr. Quigley said.

"Even in the soft market, public entities are moving toward self-insured retentions so that they will be in the right place when the market does turn," Mr. Thompson observed.

And, once they have switched to self-insurance, the entities tend not to go back to first-dollar coverage, Mr. Quigley said.

CFM offers self-insured public entities and municipal self-insurance pools an excess insurance package that includes property, liability, auto liability, personal injury, crime and inland marine coverages.

Other products in CFM's public-entity portfolio include public officials and employees liability and educators legal liability insurance.

CFM is constantly refining product lines, Mr. Thompson added. "We have a number of new products on the board."

CFM acts as an underwriting manager for Crum & Forster Inc. units International Insurance Co., International Surplus Lines Insurance Co. and The North River Insurance Co.

ISLIC, CFM's traditional surplus lines insurer, has felt the impact of the underwriting manager's 1990 shift to the admitted

market as the insurer's gross premiums continued to drop precipitously.

CFM placed 87% of its business with admitted insurers in 1991, compared with 79% in 1990.

Premiums written by ISLIC on a direct, non-admitted basis fell 35.9% to \$42.3 million in 1991 from nearly \$66 million in 1990. That followed a 62% drop in 1990.

Gross premiums at ISLIC likewise fell 36.6% to \$44.2 million in 1991 from \$69.8 million in 1990.

"ISLIC is a very healthy company, but we just don't use it as much" as in the past, Mr. Thompson said.

ISLIC is particularly useful to CFM as "a place to bring up new products quickly," Mr. Thompson said.

"Getting filings approved can take up to a year" in some states, Mr. Quigley explained. "With ISLIC we can be in business as soon as the policies are written," even if the business may eventually be moved to the admitted market, he said.

CFM consists of four units: Crum & Forster Managers Corp. (Ill.) in Chicago; Crum & Forster Managers Corp. (N.Y.) in New York City; Crum and Forster Managers Corp. (Fla.) in Miami; and Crum & Forster Insurance Managers & Brokers in Los Angeles.

Staff turnover in the last year has been low as a result of management efforts to provide a good work environment, Mr. Thompson said.

CFM would like to more or less maintain current staffing levels, a goal reflected by the relatively stable number of employees: 474 after the first six months of 1992, 483 at the end of 1991 and 477 at the end of 1990.

CFM's principal officers, in addition to Messrs. Thompson, Quigley and Mueller, include Gary J. Ferguson, senior vp-claims, and Thomas A. McCall, senior vp and chief financial officer.

CFM is a member of both AAMGA and NAPSLO.

—By Sara J. Harty

General Star Management Co.

695 E. Main St., P.O. Box 10354, Stamford, Conn., 06904-1354; 203-328-5700; fax: 203-328-6460

	1991	1990
Premium volume	\$194,493,754	\$189,224,310
Gross revenues	NM	NM
Employees	234	215
Commercial lines	95%	96%
Admitted business	27.8%	25.6%
Non-admitted	72.2%	74.4%

NM—Not meaningful.

A slight increase in premium volume moved General Star Management Co. up one notch among the ranks of the 10 largest U.S. wholesalers.

General Star Management's premium volume increased 2.8% to \$194.5 million in 1991 from \$189.2 million in 1990, boosting the underwriting manager into ninth place among all wholesalers and fourth place among managing general agents/underwriting managers in the *Business Insurance* rankings.

Last year, General Star Management ranked 10th in the overall ranking and fifth place among MGAs/underwriting managers.

General Star Management, a unit of General Re Corp., is the exclusive underwriting manager for General Star Indemnity.

In addition, General Star Management underwrites for affiliate General Star National Insurance Co.

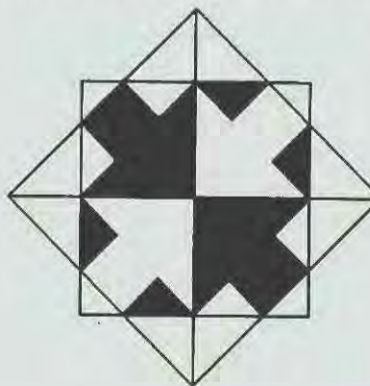
The major factor contributing to General Star Management's moderate growth was the July 1990 acquisition by General Star Indemnity of a large book of property business from Royal Group Inc.

That book of business, made up of small to medium-sized risks, was responsible for premium volume increases of about \$10 million in the second half of 1990 and \$20 million in 1991, said President Kevin P. Brooks.

Another factor contributing to the increased volume was that General Star Indemnity has been able to attract new business by

Continued on next page

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(404) 392-9541

St Paul

Minet

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TAILORED AWARDS

Continued from previous page offering several new products.

General Star Indemnity began writing liability coverage for daycare centers, sporting events and petroleum contractors, as well as errors and omissions insurance policies for police officers, public officials and members of school boards.

This new business placed General Star Indemnity in fourth position on the *Business Insurance* ranking of the largest U.S. surplus lines insurance companies (see story, page 19).

General Star Indemnity writes primary, excess and umbrella liability and property business on a non-admitted basis.

General Star Indemnity reported that its direct, non-admitted premium volume increased 5.8% to \$161.4 million from \$152.5 million in 1990.

Total gross premiums for General Star Indemnity—which also reflects business written in Connecticut where it is an admitted insurance company—increased 5.7% to \$165 million in 1991 from \$156.1 million the previous year.

General Star National—which writes mainly excess liability business and is an admitted insurer in all 50 states—reported its gross premiums edged up 1.4% to \$59.1 million from \$58.3 million.

The insurer was recently licensed in Hawaii.

Other General Re units also write business for General Star National.

General Star Management prefers using its non-admitted market and uses General Star National mainly when policy-

holders—like municipalities or school districts—require an admitted insurer, Mr. Brooks explained.

The share of the management company's premium written on a non-admitted basis has remained about the same, according to Mr. Brooks.

In 1991, 72.2% of General Star Management's premium volume was written in the non-admitted market compared with 74.4% in 1990.

For the first six months of 1992, 78% of General Star Management's premium volume was written in the non-admitted market.

And premium volume rose markedly in the first six months: 14.5% to \$108.5 million from \$94.8 million during the first six months of 1991.

General Star Indemnity and General Star National have no employees of their own. The companies are managed by the staff of General Star Management, which had 234 employees at year-end 1991, up 8.8% from 215 the year before.

The year-end 1991 total marks a climb back up to the employee count of June 30, 1990, when the underwriting manager had 231 employees.

In addition to Mr. Brooks, General Star Management's principal officers are Samuel C. Anderson, Ronald S. Austin, Michael J. Mugglebee, Patricia Roberts and Adin M. Tooker, vps; and Elmer E. Hess and Charles N. Venezia, second vps.

General Star Management is a member of NAPSLO and the AAMGA.

—By Stacy Gordon

K&K Insurance Group Inc.

1712 Magnavox Way, Fort Wayne, Ind. 46804; 219-455-3000; fax: 219-455-5866

	1991	1990
Premium Volume	\$162,485,000	\$150,143,000
Gross revenues	\$38,054,000	\$37,027,000
Employees	346	438
Commercial lines	90%	90%
Admitted business	96%	96%
Non-admitted	4%	4%

The very thought of having to place liability coverages for race tracks, bungee jumping operators, roller rinks, ski resorts, and collegiate and high school athletic programs qualifies as a bad dream for many wholesalers.

For K&K Insurance Group Inc., however, unusual risks like these create just the right kind of a challenge.

With an emphasis on loss control, K&K takes potential high-loss coverages and turns them into money makers.

Rather than expect lots of business from any one broker, K&K strives to be the wholesaler that other brokers come to with that hard-to-place coverage for sports, leisure or entertainment companies.

Apparently the strategy is working. A growth spurt over the last two years has propelled K&K to No. 5 in the *Business Insurance* ranking of managing general agents/underwriting managers. The Lincoln National Corp. unit ranked No. 10 among wholesalers of all kinds.

Premium volume increased 8.2% to \$162.5 million in 1991 from \$150.1 million in 1990. The \$150.1 million represents a 20.2% increase from \$124.9 million in 1989.

Executive Vp Jerry Tegan attributes K&K's growth in the midst of the soft market to the company's "ability to develop programs and carve niches."

The fact that K&K is a full-service organization, offering loss control and claims services, also has helped, said Gregory H. Eng, vp and chief financial officer.

And, K&K has retained "in excess of 90% of accounts this year," noted Michael S. Mullen, president and chief executive officer.

Growth may be slowing, though. For the first six months of 1992, K&K's premium volume rose only 1% to \$62.8 million from \$62.2 million for the same period in 1991.

"There will be growth this year, although not as much as in previous years because of the continued soft market," Mr. Eng said.

In order to develop new products, "there has to be a need we can fill, which is harder to do now than it was five years ago," Mr. Mullen observed.

"But, even in this environment, there are some things that people overlook, and that's where K&K is really strong," he added.

New products in 1992 include liability coverages for bungee jumping operations, summer camps and recreational campgrounds, as well as animal mortality insurance programs for zoos, aquariums and circuses.

Almost all of K&K's business is placed in the admitted market. K&K does make use of one of the "legitimate uses of surplus lines" on occasion, which is to "advance new programs that don't fit in the admitted market," Mr. Mullen said.

When competition develops, some of these coverages will eventually be moved to the admitted market, he said.

Products that are being developed through the non-admitted market include programs for boat dealerships and health clubs. Air show lia-

bility insurance is a new surplus lines product this year.

"Before we jump into a market, we research the heck out of it," Mr. Tegan pointed out.

And, K&K's loss control and underwriting expertise allows it to "fix" some programs that have become unprofitable industrywide or at K&K, Mr. Eng said.

For example, industry statistics for liability losses at bowling alleys and ski resorts "would make most brokers close the book and walk away," Mr. Mullen said.

"But these are two areas that we went into very gracefully. We developed a whole set of loss control guidelines and underwriting guidelines to match," he said. And now, "even in the soft market, we are competitive on price," he said.

"Three years ago, the loss ratio was well above 100%. Today, on a combined basis, we are well in the black," he said.

In developing programs like these, K&K hires experts from relevant industries to help develop loss control guidelines, Mr. Eng said.

The expert "knows the business, we know insurance and have the ability to put the program together," Mr. Mullen said.

There are some programs with a loss ratio above 100% "that we know we need to work on," he conceded. For example, waterpark lia-

To develop new products, 'there has to be a need we can fill, which is harder to do now than it was five years ago,' observes Michael Mullen.



bility coverage is significantly underpriced.

While product innovation continues, K&K also has adopted "much more of a customer-service orientation" said Mr. Mullen, who came on board in October 1991 to succeed Greg Mosher, who left to pursue other interests.

In addition, a new goal has been established that K&K "produce, implement and be successful with at least four new products every year," he said. K&K currently has about 45 programs in its product list.

New offerings to be introduced in early 1993 include coverages for community centers, ice and roller rinks, and carnivals.

These new features will be bolstered by K&K's strengths, which include underwriting, loss control and claims handling services, Mr. Mullen said.

Duplication in policy processing appears to be the wholesaler's greatest weakness, he said. K&K is trying to eliminate steps so that "paper does not have to hit too many desks" before it is sent to the insurer or back to the retailer.

"We are listening to complaints and spending the money to fix any problems," he said. "Brokers don't have to bring business here if we don't make it easy for them."

K&K wants business from all types and sizes of brokers. "We work with everyone, from the major alphabet houses to the smallest brokers," Mr. Tegan said.

"The vast majority of our brokers are local, regional agents who use four or five primary company markets, none of which can tie together a fair or festival or local amateur sports association," Mr. Mullen said.

"There are so many small brokers that we only have one account with," Mr. Tegan agreed.

Eighty percent of K&K's business is placed as an underwriting man-

ager, 15% as a managing general agent and 5% as a broker.

K&K acts as an underwriting manager for Lincoln National Specialty Insurance Co. in Fort Wayne, and as an MGA for Transamerica Insurance Co. in Woodland Hills, Calif.

And it is "about to consummate relationships" with other markets, Mr. Mullen said. "This will not interfere with our existing markets, but will add a dimension to K&K that we've been lacking." These arrangements should be complete within the next month, he added.

The possible sale of Transamerica Insurance Co., the property/casualty division of Transamerica Corp., "will have virtually no effect on K&K," Mr. Mullen said (*BI*, July 27).

In addition to the products that have been developed over time, K&K has retained a significant presence in the motor sports market, the specialty the company was founded on 40 years ago, Mr. Tegan said.

This specialty is one of the areas that is beginning to suggest a potential turn in the market.

"We have seen some market improvements in the area of auto dealerships and some in the area of motor sports," Mr. Mullen said. K&K has been able to increase deductibles and self-insured retentions for larger accounts in these areas, he said.

"While this amounts to a price increase, it doesn't hit the insured as hard as a higher premium up front," he observed.

K&K has also seen fewer competitors in accident and health programs, although that is still a "highly competitive marketplace," Mr. Mullen said.

Liability coverages for the music industry—concert promoters, performers and venues—remain "unrealistically competitive," Mr. Tegan said.

"People are actually writing for less than the actual loss cost of a year ago" in the concert area, Mr. Mullen said.

"Our long-term stability is more important to us than that—we're willing to lose market share there," he added.

K&K maintains a walkaway price for all risks, Mr. Eng said.

And, K&K's loss ratio for 1991 was below 100%, Mr. Mullen said.

K&K offers \$25 million in capacity on virtually all lines it writes, "with a couple of phone calls," Mr. Mullen said.

K&K acquired American Insurance Brokers Ltd. in Seattle in July. "It is the leading broker in the U.S. for world youth soccer programs," Mr. Mullen said.

AIB will continue to operate under its own name and should help develop a Northwest presence for K&K, he said.

Other subsidiaries include K&K Specialties in High Point, N.C., and National Sports Underwriters in Overland Park, Kan.

K&K Specialties offers auto, general liability and property coverages for municipalities, law enforcement officers and public officials. It also offers auto, garage liability and property coverages for tow truck operators.

NSU is chiefly an underwriter and broker of high school and collegiate athletic insurance programs.

K&K cut its staff 21% in 1991 to 346 from 438 at the end of 1990. Mr. Tegan attributes that decrease mostly to automation that eliminated the need for clerical positions.

Besides Messrs. Mullen, Tegan and Eng, K&K's other top executive is David Fields, executive vp-underwriting.

—By Sara J. Harty

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Annual directory of insurance wholesalers

A

A.P.P.L.E. (A Preferred Professional Liability Enterprise Inc.)

132 Nassau St., 14th Floor, New York, N.Y. 10038; 212-608-4505; fax: 212-608-4540

	1991	1990
Premium volume.	\$12,250,000	\$10,120,000
Employees	5	4
Commercial lines.	100%	100%
Admitted business	20%	20%
Non-admitted	80%	80%

Founded: 1990.

Business: 100% broker.

Broker for: Primarily American International Surplus Lines Insurance Co., Fidelity Fire & Casualty Insurance Co., Lexington Insurance Co., Lloyd's of London, Pacific Insurance Co., Reliance of Illinois, Reliance Insurance Co.

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

	1991	1990
Premium volume.	\$120,000,000	\$110,000,000
Employees	24	22
Commercial lines.	100%	100%
Admitted business	70%	70%
Non-admitted	30%	30%

Founded: 1986.

Business: 100% broker.

Broker for: Primarily Aetna Casualty & Surety, Agricultural Excess & Surplus Insurance Co., CIGNA Insurance Co., CNA Insurance, Evanston Insurance Co., Federal Insurance Co., Fireman's Fund Insurance Co., Great American Insurance Co., Gulf States Insurance Co., Harbor Insurance Co., Home Group, Lexington Insurance Co., National Union Fire Insurance Co., Old Republic Insurance Co., RLI Insurance Co., Reliance Insurance Co., Royal Insurance Co., Tudor Insurance Co.

Branch offices: Houston.

Subsidiaries: ARC Consulting Group Inc. and ARC Special Risks Inc., Mineola, N.Y.

Specialties: Directors and officers liability, fiduciary liability, lawyers professional liability, union fiduciary liability, fidelity.

Principal officers: Albert L. Salvatico, John Semeraro, Richard A. Fierstein, Robert H. Goodman, Christopher J. Cavallaro, Vikki Nygren, Michael Cavallaro and Mark Campson.

Licensed in: New York, Texas.

Membership: NAPSLO, Professional Insurance Wholesalers of New York, Professional Liability Underwriting Society.

Agency Marketing Services Inc.

130 Pinellas Way N., St. Petersburg, Fla. 33710; 813-384-1036; fax: 813-343-4123

	1991	1990
Premium volume.	\$9,500,000	\$7,400,000
Employees	8	7
Commercial lines.	100%	100%
Admitted business	50%	50%
Non-admitted	50%	50%

Founded: 1982.

Business: 40% managing general agent, 60% broker.

MGA for: Home Insurance Co., Lincoln Insurance Co.

Broker for: Primarily Chubb Custom Insurance Co., Evanston Insurance Co., Interstate Fire & Casualty Co., Lexington Insurance Co., RLI Insurance Co., Transamerica Insurance Co., VASA North Atlantic, Zurich American Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Professional liability, directors and officers.

Principal officers: Kevin Schuck, president; S. Todd, B. Chenell, M. Saunders and D. Baker, vps.

Contact: Kevin Schuck.

Licensed in: Florida.

Membership: NAPSLO, Florida Surplus Lines Assn.

Alexander Howden North America Inc.

200 Northcreek, Suite 800, 3715 Northside Parkway N.W., Atlanta, Ga. 30327; 404-240-5200; fax: 404-240-5392

See profile on page 46.

All American Agency Facilities Inc.

8060 165th Ave. N.E., P.O. Box 2769, Redmond, Wash. 98052; 206-885-5959; fax: 206-883-9595

	1991	1990
Premium volume.	\$34,000,000	\$37,000,000
Gross revenues	\$3,100,000	\$3,400,000
Employees	48	62
Commercial lines.	98%	98%
Admitted business	60%	60%
Non-admitted	40%	40%

Founded: 1981.

Parent company: W.R. Berkley Corp. Group.

Business: 60% underwriting manager, 40% managing general agent.

MGA for: American Empire Surplus Lines Insurance Co., American Modern Home Insurance Co., Canal Insurance Co., Capitol Indemnity, Carolina Casualty Insurance Co., Connecticut Specialty, Empire Fire & Marine Insurance Co., Essex Insurance Co., General Agents Insurance Co., Guaranty National Insurance Co., Scottsdale Insurance Co., Union American Insurance Co. Ltd., Waite Hill/Colony Insurance Co., Western World Insurance Co.

Broker for: Primarily Admiral Insurance Co., Alliance General Insurance Co., American International Group Inc., Crum & Forster Inc.,

Evanston Insurance Co., Fireman's Fund Insurance Co., First State Insurance Co., General Star Indemnity Co., Investors Insurance Co. of America, Lexington Insurance Co., RLI Insurance Co., Reliance National, Transcontinental Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Denver, Jackson, Miss.; Jacksonville, Fla.

Subsidiaries: Tobey & Co., Redmond, Wash. and Portland, Ore.; Diversified XS Underwriters, Lincoln, Neb.; Commercial General Agency, Charlotte, N.C. and Jacksonville, Fla.

Specialties: Commercial transportation insurance, short- and long-haul trucking.

Principal officers: H. Raymond Tankford Jr., president; Irvin Wolf III, senior vp; Kenneth R. Baker, vp.

Licensed in: Colorado, Florida, Mississippi, Nebraska, North Carolina, Oregon, Virginia, Washington.

Membership: NAPSLO.

All Lines Agency Inc.

2800 S. Taylor Drive, Sheboygan, Wis. 53081; 414-458-9131; fax: 414-458-1618

	1991	1990
Premium volume.	\$2,200,000	\$1,830,000
Gross revenues	\$410,000	\$390,000
Employees	8	7
Commercial lines.	95%	95%
Admitted business	75%	71%
Non-admitted	25%	29%

Founded: 1971.

Parent company: Heritage Mutual Insurance Co.

Business: 10% underwriting manager, 75% managing general agent, 15% broker.

Principal officers: John R. Holden, vp/secretary; David A. Dubie, president; Keith A. Olsen, treasurer.

Contact: David A. Dubie.

Licensed in: Wisconsin.

Membership: NAPSLO.

All Risks Ltd.

1001 Cromwell Bridge Road, Suite 302, Towson, Md. 21204; 410-828-5810; fax: 410-828-8179

	1991	1990
Premium volume.	\$22,500,000	\$18,500,000
Employees	36	32
Commercial lines.	95%	90%
Admitted business	50%	45%
Non-admitted	50%	55%

Founded: 1964.

Business: 70% managing general agent, 30% broker.

MGA for: American Empire Sur-

plus Lines Insurance Co., Colony Insurance Co., Harco National Insurance Co., Houston General, Mount Vernon Fire Insurance Co., National Casualty Co., National Indemnity Co., Northland Insurance Co., Scottsdale Insurance Co., Western World Insurance Co.

Broker for: Primarily Chubb Custom Insurance Co., Crum & Forster Managers, Fireman's Fund Insurance Co., First State Insurance Co., General Star Indemnity Co., The London Agency, Reliance National, Shand Morahan, Transamerica Insurance Co., Tudor Insurance Co., Virginia Surety Co. Inc.

Correspondent: Lloyd's of London.

Branch offices: Richmond, Va.; York, Pa.

Specialties: Trucking insurance, security guards, commercial umbrellas, product liability.

Principal officers: William J. Saladin, president; Marti Dickinson, executive vp; Nick Cortezzi, vp; Peter Petroski, vp-Pennsylvania operations.

Contact: Nick Cortezzi.

Licensed in: Delaware, District of Columbia, Maryland, North Carolina, Pennsylvania, Virginia.

Membership: AAMGA, NAPSLO, Professional Insurance Agents, Independent Insurance Agents.

American E&S

90 John St., New York, N.Y. 10038; 212-619-4220; fax: 212-766-1019

	1991	1990
Premium volume.	\$58,800,000	\$53,900,000
Employees	55	46
Commercial lines.	100%	100%
Admitted business	60%	60%
Non-admitted	40%	40%

Founded: 1980.

Parent company: American Business Insurance Inc.

Business: 15% managing general agent, 85% broker.

MGA for: General Agents Insurance Co., Lloyd's of London, Scottsdale Insurance Co.

Broker for: Primarily Agricultural Excess & Surplus Insurance Co., First State Insurance Co., RLI Insurance Co., Ranger Insurance Group, Scottsdale Insurance Co., Travelers, Ulico Casualty.

Correspondent: Lloyd's of London.

Branch offices: Houston; San Francisco; Seminole, Fla.

Specialties: Property & difference in conditions, casualty products & *Continued on next page*

Guide to wholesaler directory

The annual *Business Insurance* directory of wholesale marketers lists underwriting managers, managing general agents and surplus lines brokers that responded to a *Business Insurance* questionnaire.

The directory is published as an editorial service; there is no charge for companies to be listed.

Listings begin with the company name, address, telephone and facsimile numbers.

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 35.

Although *BI* makes every effort to publish complete and accurate information, we are unable to verify all figures.

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Nautilus Insurance Company

7550 East Redfield Road
Scottsdale, Arizona 85260
Telephone: (602) 951-0905
FAX: (602) 951-9730

Serving Wholesale Surplus Lines Brokers Exclusively
A Member Company of the W. R. Berkley Corporation

Continued from previous page
 excess liability, fiduciary liability, directors and officers, municipal liability, trucking.

Principal officers: Roger Walsh, chief executive officer; Arthur Foreza, president; Jane Van der Velde, senior vp; Larry Mennes, senior vp.

Contact: Roger Walsh.
Licensed in: California, New York, Texas, Florida and New Jersey.
Membership: AAMGA, NAPSLO, PIWA, CIWA, Texas Surplus Lines Assn., Western States Surplus Lines Assn.

American Insurance Marketing Services Inc.

20 N. Wacker Drive, Suite 3414, Chicago, Ill. 60606; 312-201-8333; fax: 312-210-8818

	1991	1990
Premium volume...	\$5,000,000	\$5,000,000
Gross revenues...	\$278,000	\$290,000
Employees.....	3	3
Commercial lines...	100%	100%
Admitted business	50%	50%
Non-admitted....	50%	50%

Founded: 1986.
Business: 10% managing general agent, 90% broker.

MGA for: Lloyd's of London.
Broker for: Primarily Associated International Insurance Co., Continental Excess & Surplus Insurance Co., First State Management, The Home Insurance Co., Homestead Insurance Co., International Surplus Lines Insurance Co., Lexington Insurance Co., Midwest Employers Casualty Co., National Union Fire Insurance Co., RLI Insurance Co., Royal Specialty.

Correspondent: Lloyd's of London.

Specialties: Primary products liability, umbrellas, public entities, excess compensation, difference in conditions.
Principal officers: John P. Middleton, president; Bob Blessing, vp.
Contact: John P. Middleton.
Licensed in: Illinois, Iowa, Nebraska, Wisconsin.
Membership: NAPSLO, Chicago Board Underwriters, Illinois Insurance Agents Assn., Illinois Surplus Lines Assn.

American X/S Underwriters

P.O. Box 904, Pewaukee, Wis. 53072; 414-544-5700; fax: 414-544-1672

	1991	1990
Premium volume...	\$7,300,000	\$6,750,000
Employees.....	11	11
Commercial lines...	75%	70%
Admitted business	25%	30%
Non-admitted....	75%	70%

* Support services provided by parent company.
Founded: 1984.
Parent company: JHC Insurance Group.

Business: 65% managing general agent, 35% broker.
MGA for: Acceptance Insurance Co., Alpha Property & Casualty Insurance Co., Colony Insurance Co., Essex Insurance Co., Evanston Insurance Co., Mount Vernon Fire Insurance Co., National Casualty Co.,

Northfield Insurance Co., Scottsdale Insurance Co., Western World Insurance Co.

Broker for: Primarily American International Group Inc., General Star Indemnity Co., Illinois Insurance Exchange, Investors Insurance Co. of America, RLI Insurance Co. and Reliance National Insurance Co.

Correspondent: Lloyd's of London.
Principal officers: John H. Crowther, chairman; Jeff Berg, president.

Contact: Jeff Berg.
Licensed in: Wisconsin.
Membership: AAMGA, NAPSLO, Independent Agents of Wisconsin, Professional Insurance Agents.

Anderson & Murison Inc.

800 W. Colorado Blvd., Los Angeles, Calif. 90041-1704; 213-255-2333; fax: 213-255-0957

	1991	1990
Premium volume...	NA	NA
Gross revenues...	\$1,798,787	\$3,201,177
Employees.....	28	29
Commercial lines...	75%	75%
Admitted business	25%	25%
Non-admitted....	75%	75%

Founded: 1965.
Business: 80% managing general agent, 20% broker.

Correspondent: Lloyd's of London.
Principal officers: David F. Anderson, president; Horst L. Lechler, senior vp.

Contact: David F. Anderson.
Licensed in: California.
Membership: AAMGA, NAPSLO, The Surplus Lines Assn. of California, California Insurance Wholesalers Assn.

Anglo-American Ltd.

201 Bloomfield Ave., Verona, N.J. 07044; 201-239-7000

	1991	1990
Premium volume...	\$3,100,000	\$3,500,000
Employees.....	6	6
Commercial lines...	99%	99%
Admitted business	5%	5%
Non-admitted....	95%	95%

Founded: 1975.
Business: 90% managing general agent, 10% broker.
MGA for: Evanston Insurance Co., Lincoln Insurance Co., Sphere Drake Insurance Co. P.L.C., Terra Nova Insurance Co. Ltd.

Broker for: Primarily Lexington Insurance Co.
Correspondent: Lloyd's of London.

Specialties: Trucking.
Principal officers: Sam Bergerman.
Licensed in: Florida, New Jersey, New York and Pennsylvania.
Membership: NAPSLO, Professional Brokers Assn., Independent Insurance Agents of America Inc. and New Jersey Surplus Lines Assn.

Aon Entertainment Ltd.

10 Universal City Plaza, Suite 2200, Universal City, Calif. 91608-1002; 818-506-1500; fax: 818-509-7565

	1991	1990
Premium volume...	\$41,296,016	\$56,417,128
Gross revenues...	\$6,272,722	\$10,953,528
Employees.....	76	89
Commercial lines...	100%	95%
Admitted business	80%	65%
Non-admitted....	20%	35%

Founded: 1854.
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 CIGNA Corp., Chubb Custom Insurance Co., Topa Insurance Co.
Correspondent: Lloyd's of London.

Branch offices: New York, Montreal, London.
Specialties: Entertainment insurance.

Principal officers: Frank Powers, president/chief executive officer/chairman; Eric Gemballa and Albert Rieder, senior vps; Joyce Walden and T. Guy DeMarco, vps.
Contact: T. Guy DeMarco.
Licensed in: California and New York.

Arlington/Roe & Co. Inc.

8465 Keystone Crossing, Suite 100, Indianapolis, Ind. 46240/P.O. Box 80803, Indianapolis, Ind. 46280; 317-257-9123; fax: 317-259-4106

	1991	1990
Premium volume...	\$12,627,790	\$12,507,096
Gross revenues...	\$1,450,000	\$1,298,110
Employees.....	30	28
Commercial lines...	54%	60.1%
Admitted business	70%	60%
Non-admitted....	30%	40%

Founded: 1964.
Business: 78% managing general agent, 22% broker.

MGA for: American Empire Surplus Lines Insurance Co., American Modern Home Insurance Co., Capitol Indemnity Corp., Cardinal Casualty Co., Colony Insurance Co., Century Surety Co., Guaranty National Insurance Co., Empire Fire & Marine Insurance Co., Foremost Insurance Co., Midwest Mutual Insurance Co., National Indemnity Co., Lloyd's of London, Nautilus Insurance Co., Northland Insurance Co., Northfield Insurance Co., Universal Fire & Casualty Insurance Co., Universal Underwriters, Western Heritage, Western World Insurance Co.

Broker for: Primarily Aetna Casualty & Surety Co., Alliance General Insurance Co., American International Surplus Lines Insurance Co., American Livestock, CIGNA Corp., Chubb Custom Insurance Co., Colonia Insurance A.G., CNA Financial Corp., Employers Reinsurance Corp., Evanston Insurance Co., Fidelity Fire & Casualty Insurance Co., Fireman's Fund Insurance Co., First Specialty Insurance Corp., First State Insurance Co., General Star Indemnity Co., Gulf States Insurance Co., Homestead Insurance Co., Illinois Insurance Exchange, Insurance Co. of Evanston, International Insurance Co., International Surplus Lines Insurance Co., Investors Special Risk

Insurance Co., Lexington Insurance Co., Lincoln National Specialty, Lloyd's of London, Mount Hawley Insurance Co., Midwest Employers Casualty Co., National Casualty Co., National Union Fire Insurance Co. of Pittsburgh, Pa., North American Specialty Insurance Co., Old Republic Insurance Co., RLI Insurance Co., Ranger Insurance Group, Reliance Insurance Co., Royal Indemnity Co., Scottsdale Insurance Co., Seaboard Surety Co., Surplus Underwriters Casualty Insurance Co., Titan Indemnity Co., Transamerica Insurance Co., Tudor Insurance Co., United National Insurance Co., United States Fire Insurance Co., Vasa North Atlantic Insurance Co., Virginia Surety Co. Inc., American Eagle, Associated Aviation Underwriter, SAFECO National Insurance Co., United States Aircraft Insurance Group.
Correspondent: Lloyd's of London.

Branch offices: Louisville, Ky.
Specialties: Mobile home, recreational vehicles, aviation.

Principal officers: James A. Roe, president; Allen J. Grau, executive vp; Nancy E. Young, vp.
Contact: James A. Roe.
Licensed in: Indiana.
Membership: AAMGA, NAPSLO, Professional Insurance Agents.

Associated Programs Inc.

919 Third Ave., New York, N.Y. 10022; 212-587-0011; fax: 212-587-0163

	1991	1990
Premium volume...	\$23,300,000	\$17,000,000
Gross revenues...	\$2,750,000	\$2,100,000
Employees.....	23	17
Commercial lines...	100%	100%
Admitted business	94%	94%
Non-admitted....	6%	6%

* Support services provided by parent company.
Founded: 1987.
Parent company: Kornreich Insurance Services, et al.

Business: 82% managing general agent, 18% broker.
MGA for: CIGNA Property & Casualty, Institute of London Underwriters, Kemper National Insurance Cos.

Broker for: Primarily American International Group Inc., Assicurazioni Generali S.p.A. (U.S. branch), International Insurance Co., RLI Insurance Co., Genesis Underwriting Management Co.
Branch offices: Teaneck, N.J.; West Palm Beach, Fla.

Specialties: Non-profit community service organizations, real estate.

Principal officers: Steven L. Grossberg, executive vp/chief operating officer; James D. Kornreich, Thomas A. Kornreich and William D. Kornreich, executive vps; Robert A. Stein, underwriting officer.
Contact: Robert A. Stein.
Licensed in: All states.
Membership: Professional Liability Underwriting Society.

Atlanta Insurance Broking Services Inc.

53 Perimeter Center East, Suite 320, Atlanta, Ga., 30346; 404-671-9135; fax: 404-671-9270

	1991	1990
Premium volume...	NA	NA
Employees.....	4	NA
Commercial lines...	100%	NA
Admitted business	10%	NA
Non-admitted....	90%	NA

Founded: 1991.
Parent company: Jenner Fenton Slade Ltd. et al.

Business: 100% broker.
Broker for: Primarily Institute London Underwriters.
Correspondent: Lloyd's of London.

Specialties: Marine liabilities, hull, protection & indemnity, energy (oil, gas, coal, alternative).
Principal officers: Jonathan Smyth, president; Linda Doiron and Joseph Sanchez, vps.
Licensed in: Georgia.

AVERCO Inc.

10 S. LaSalle St. 12th Floor, Chicago, Ill. 60603-1099; 312-346-6161; fax: 312-580-0160

	1991	1990
Premium volume...	\$74,000,000	\$71,000,000
Gross revenues...	\$4,440,000	\$4,260,000
Employees.....	41	42
Commercial lines...	100%	100%
Admitted business	30%	25%
Non-admitted....	70%	75%

* Support services provided by parent company.
Founded: 1962.
Business: 2% underwriting manager, 1% managing general agent, 97% broker.

Underwriting manager for: Illinois Insurance Exchange, Reliance Insurance Co.

MGA for: Lloyd's of London.
Branch offices: New York; Cameron Excess, Scottsdale, Ariz.

Specialties: Hospital professional liability, umbrella liability.
Principal officers: Fred H. Pearson, president; William D. Yurek, executive vp; Kenneth C. Heyman, chief financial officer.
Contact: William D. Yurek.

Licensed in: Arizona, Illinois, New York, New Jersey, Virginia, Washington D.C.
Membership: NAPSLO, Assn. of Lloyd's Brokers, Illinois Surplus Lines Assn., Chicago Board of Underwriters.

B

Bailey Special Risks Inc.

P.O. Box 768, Hendersonville, Tenn. 37077-0768; 615-264-3977; fax: 615-264-3980

	1991	1990
Premium volume...	\$3,500,000	\$2,150,000
Gross revenues...	\$227,500	\$139,750
Employees.....	5	4
Commercial lines...	99%	99%
Admitted business	10%	10%
Non-admitted....	90%	90%

Founded: 1989.
Business: 20% managing general agent, 80% broker.

MGA for: Audubon Indemnity, Colony Insurance Co., First State Insurance Co. and Underwriters at Lloyd's.

Broker for: Primarily Audubon Indemnity, Chubb Custom Insurance Co., First State Insurance Co., Fireman's Fund Insurance Cos., Home Insurance Co., Lexington Insurance Co., Illinois Insurance Exchange, Steadfast Insurance Co., Transamerica Insurance Co., Zurich American Insurance Co.
Correspondent: Lloyd's of London.

Specialties: Commercial umbrella, excess auto liability on trucking risks.
Principal officers: James W. Edwards, president, Nancy T. Edwards, vp.
Contact: James W. Edwards.

Licensed in: Tennessee.
Membership: Professional Insurance Agents of America, Insurers of Nashville.

F.B. Beattie & Co. Inc.

1601 Fifth Ave., Suite 1500, Seattle, Wash. 98101-1642; 206-622-4040; fax: 206-624-5975

	1991	1990
Premium volume...	NA	NA
Employees.....	67	62
Commercial lines...	98%	98%
Admitted business	76%	74%
Non-admitted....	24%	26%

* Support services provided by parent company.
Founded: 1976.
Parent company: General American Corp.

Business: 77% underwriting manager, 9% managing general agent, 14% broker.
Underwriting manager for: First National Insurance Co. of America, General Insurance Co. of America.

MGA for: Essex Insurance Co., SAFECO National Insurance Co., SAFECO Surplus Lines Insurance Co. and Underwriters at Lloyd's.
Broker for: Primarily Admiral Insurance Co., Associated International Insurance Co., Century Indemnity Co., Commonwealth Insurance Co., Evanston Insurance Co., Fireman's Fund Insurance Cos., Home Insurance Co., Lexington Insurance Co., RLI Insurance Co., Transamerica Insurance Co.

Continued on next page

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Continued from previous page
Correspondent: Lloyd's of London.

Branch offices: Atlanta and Orange, Calif.

Subsidiaries: F.B. Beattie Insurance Services Inc., Orange, Calif.

Principal officers: Cal B. Rees, president/chief executive officer; Alvin Dorow Sr., S. Chris King, Elizabeth Lange and Richard J. Michela, vps.

Contact: S. Chris King.
Licensed in: Alaska, California and Washington.
Membership: NAPSLO.

Beech Street Insurance Services

2550 Fifth Ave., Suite 701, San Diego, Calif. 92103; 619-235-0386; fax: 619-231-1448

	1991	1990
Premium volume	\$4,800,000	\$4,550,000
Employees	4	4
Commercial lines	100%	100%
Admitted business	65%	60%
Non-admitted	35%	40%

Founded: 1976.
Business: 30% managing general agent, 70% broker.

MGA for: ILU companies, underwriters at Lloyd's.

Broker for: Primarily Continental Insurance Co., Fireman's Fund Insurance Co., First State Insurance Co., Golden Eagle Insurance Co., The Home Insurance Co., Homestead Insurance Co., Illinois Insurance Exchange, RLI Insurance Co. Republic Western Insurance Co.

Correspondent: Lloyd's of London.

Specialties: General liability, products, completed operations and ship repairers legal liability on marine-related risks.

Principal officers: Donald K. Lewis, president.

Licensed in: California.
Membership: NAPSLO.

J.H. Blades & Co Inc.

1800 Bering, Houston, Texas 77057; 713-780-8770; fax: 713-780-2851

	1991	1990
Premium volume	NA	NA
Employees	47	46
Commercial lines	100%	100%
Admitted business	5%	10%
Non-admitted	95%	90%

Founded: 1952.
Business: 5% managing general agent, 95% broker.

Correspondent: Lloyd's of London.

Specialties: Marine, energy.

Principal officers: John S. Parsley, executive vp; Richard M. Blades, senior vp.

Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn.

Bluegrass Specialty Insurance Brokers Inc.

1885 Dixie Highway, Suite 320, Fort Wright, Ky. 41011; 606-341-8322; fax: 606-341-8323

	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

* Projected estimate.
Founded: 1992.

Business: 100% broker.

Broker for: Primarily American International Group Inc., Alliance General Insurance Co., 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; 417-869-2550; fax: 417-869-5102

	1991	1990
Premium volume	\$8,444,127	\$7,360,342
Gross revenues	\$962,566	\$920,235
Employees	24	20
Commercial lines	99%	99%
Admitted business	50.4%	48.3%
Non-admitted	49.6%	51.7%

Founded: 1977.
Business: 19% managing general agent, 81% broker.

MGA for: Capitol Indemnity Corp., Empire Fire & Marine Insurance Co., Northland Casualty Co., Scottsdale Insurance Co.

Broker for: Primarily Alliance General Insurance Co., Employers Reinsurance Corp., First Marine Insurance Co., United States Aircraft Insurance Group.

Specialties: Truck liability.

Principal officers: Yvonne Bohrer, president; Sydney Croxdale, vp; Sidney McAdoo, secretary/treasurer.

Contact: Pat Pritchard, marketing representative, 816-356-8355.

Licensed in: Arkansas, Florida, Kansas, Illinois, Iowa, Missouri, Nebraska, Oklahoma.

Membership: AAMGA, NAPSLO.

Russell Bond & Co. Inc.

866 Ellicott Square Building, Buffalo, N.Y., 14203-2595; 716-856-8220 or 800-333-7226; fax: 716-856-0403

	1991	1990
Premium volume	\$7,400,000	\$7,000,000
Gross revenues	\$770,000	\$725,000
Employees	14	15
Commercial lines	100%	100%
Admitted business	70%	70%
Non-admitted	30%	30%

Founded: 1950.
Business: 33% managing general agent, 67% broker.

MGA for: National Casualty Co., North River Insurance Co., United States Liability Insurance Co.

Broker for: Primarily Admiral Insurance Co., American Empire Surplus Insurance Co., First State Insurance Co., General Star, Interstate Indemnity Co., Lexington Insurance Co., Scottsdale Insurance Co., Seaboard Surety Co.

Correspondent: Lloyd's of London.

Affiliate: Environmental Liability Managers Inc., Buffalo, N.Y.

Principal officers: Kurt C. Bingham, president/treasurer; Alan A. Hall, executive vp/secretary.

Contact: Kurt C. Bingham.

Licensed in: New York.

Membership: NAPSLO, Excess Line Assn. of New York, Professional Insurance Wholesalers Assn. of NYS Inc.

Brown & Riding Insurance Services Inc.

107 S. "B" St., San Mateo, Calif. 94401; 415-579-0172; fax: 415-344-2406

	1991	1990
Premium volume	\$20,491,585	\$14,500,000
Gross revenues	\$1,280,724	\$942,500
Employees	20	13
Commercial lines	99%	98%
Admitted business	75%	75%
Non-admitted	25%	25%

Founded: 1980.
Business: 1% managing general agent, 99% broker.

Broker for: Primarily Admiral Insurance Co., First State Insurance Co., Home Insurance Co., International Insurance Co., Providence Washington Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Brown & Riding Insurance Services of Southern California, Los Angeles.

Specialties: Contractors, umbrellas, difference in conditions including earthquake.

Principal officers: B. Peter Brown, chairman; Chris A. Brown, president; Richard B. Schlesinger, Ramon C. Howing and Raymond Williams, vps.

Contact: Chris Brown, 4221 Wilshire Blvd., Los Angeles, Calif., 90010; 213-930-1321.

Licensed in: California, Nevada, Washington.

Membership: NAPSLO.

Geo. F. Brown & Sons Inc.

55 E. Monroe St., Chicago, Ill. 60603; 312-346-6400; fax: 312-346-4227

	1991	1990
Premium volume	\$26,799,000	\$27,742,000
Gross revenues	\$3,622,000	\$3,647,000
Employees	46	45
Commercial lines	100%	100%
Admitted business	70%	70%
Non-admitted	30%	30%

Founded: 1912.
Parent company: Fireman's Fund Insurance Cos.

Business: 55% managing general agent, 45% broker.

MGA for: CNA Financial Corp., Chicago Insurance Co., Interstate Fire & Casualty Co., Lloyd's of London.

Broker for: Primarily Admiral Insurance Co., American International Group Inc., Casualty Insurance Co., Chubb Custom Insurance Co., Crum & Forster Inc., Employers Reinsurance Corp., General Star, The Home Insurance Co., Illinois Insurance Exchange, RLI Insurance Co., St. Paul Surplus Lines.

Correspondent: Lloyd's of London.

Branch offices: Atlanta and Dallas.

Subsidiaries: Lenders Insurance Services, Dallas; Auto Insurance Service, Oakland, Calif.

Specialties: Heavy products (primary and excess), errors and omissions, directors and officers, liquor liability, workers compensation (Illinois).

Principal officers: Patrick S. O'Flynn, president; Mark J. Strong, senior vp; Rocco Malandrino, Stephen Bosy and Gwen West, vps.

Contact: Mark Strong.

Licensed in: California, Georgia, Illinois, New York, Texas.

Membership: AAMGA, NAPSLO, Professional Liability Underwriting Society.

W. Brown & Associates

4675 MacArthur Court, Suite 770, Newport Beach, Calif. 92660; 714-851-2060; fax: 714-851-2155

	1991	1990
Premium volume	\$22,600,000	\$16,600,000
Gross revenues	\$1,900,000	\$1,050,000
Employees	20	15
Commercial lines	100%	100%
Admitted business	40%	40%
Non-admitted	60%	60%

Founded: 1987.
Business: 35% underwriting manager, 35% managing general agent, 30% broker.

Underwriting manager for: Virginia Surety Co. Inc.

MGA for: Burlington Insurance Co., Empire Fire & Marine Insurance Co., General Agents Insurance Co., Scottsdale Insurance Co.

Broker for: Primarily First State Insurance Co., General Star, Illinois Insurance Exchange, RLI Insurance Co., TOPA Insurance Co., Transamerica Insurance Co.

Correspondent: Lloyd's of London.

Subsidiaries: W. Brown Property and Casualty Insurance Services.

Specialties: Aviation, property & casualty.

Principal officers: W.W. Brown, chairman; W. Scott Brown, John Krebs, presidents; Brian English and Vince Zimmerer, executive vps.

Contact: John Krebs.

Licensed in: California.
Membership: NAPSLO.

Bryson Associates Inc.

100 West Ave., P.O. Box 545, Jenkintown, Pa. 19046; 215-576-1500; fax: 215-884-2869

	1991	1990
Premium volume	\$58,600,000	\$53,500,000
Employees	38	37
Commercial lines	100%	100%
Admitted business	60%	60%
Non-admitted	40%	40%

Founded: 1977.
Business: 100% broker.

Broker for: Primarily Chubb Custom Insurance Co., Evanston Insurance Co., First State Insurance Co., General Star, Industrial Indemnity, International Insurance Co., Lexington Insurance Co., Reliance Insurance Co., The Royal Insurance Group, St. Paul Surplus Lines Insurance Co., Transamerica Insurance Co., Travelers.

Correspondent: Lloyd's of London.

Branch offices: Cincinnati, Los Angeles, New York.

Principal officers: James H. Bryson, president/treasurer; Daniel P. McDonnell, vp/secretary.

Licensed in: California, New Jersey, New York, Pennsylvania, Vir-

ginia.
Membership: NAPSLO, CIWA, PIWA, PSALA.

Burns & Wilcox Ltd.

29355 Northwestern Highway, Suite 200, Southfield, Mich. 48086; 313-354-0400; fax: 313-354-0204

	1991	1990
Premium volume	\$130,000,000	\$115,000,000
Gross revenues	\$16,260,977	\$13,886,840
Employees	272	238
Commercial lines	94%	98%
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 Admiral 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.; Indianapolis; Phoenix; St. Louis and Springfield, Mo.; Salt Lake City, Utah; Upper Saddle River, N.J.

Subsidiaries: Casualty Underwriters Inc., St. Paul, Minn.; Floyd West & Co., Dallas and Metairie, La.; G-A Insurance Services, Oak Brook, Ill.; Rathbone, King & Seeley Insurance Services Inc., Fresno and San Francisco, Calif.; Royal Premium Budget Inc.; Service General.

Principal officers: Herbert W. Kaufman, president/chief executive officer; Gerald W. Horton, senior vp; Gerald F. Wesolowski, chief financial officer; Brooke Bothe, corporate secretary.

Contact: Brooke Bothe.

Membership: AAMGA, NAPSLO, Independent Insurance Agents of America.



Cambridge General Agency

1824 Sacramento St., San Francisco, Calif. 94109; 415-441-8500; fax: 415-394-6305

	1991	1990
Premium volume	\$55,000,000	\$52,000,000
Gross revenues	\$5,000,000	\$5,000,000
Employees	50	50
Commercial lines	90%	90%
Admitted business	30%	30%
Non-admitted	70%	70%

Founded: 1960.
Business: 80% managing general agent, 20% broker.

MGA for: General Agents Insurance Co., Penn America Insurance Co., Scottsdale Insurance Co.

Broker for: Primarily Acceptance Insurance Co., Illinois Insurance Exchange, RLI Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Covina and Fresno, Calif.

Specialties: Business, general liability, property, business.

Principal officers: A. Mason Blodgett, president; Paul Janofsky and Julie Uang, vps.

Licensed in: California.
Membership: AAMGA, NAPSLO.

The Cardiff Group Inc. et al

13743 Ventura Blvd., Suite 300, Sherman Oaks, Calif. 91423; 818-907-9027; fax: 818-501-3090

	1991	1990
Premium volume	\$43,489,347	\$37,591,026
Gross revenues	\$3,022,395	\$3,480,800
Employees	44	36
Commercial lines	90%	94%
Admitted business	10%	15%
Non-admitted	90%	85%

Founded: 1979.
Parent company: The Cowan Family Trust.

Business: 70% managing general agent

Continued on next page

Liability Insurance

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Continued from previous page
 agent, 30% broker.

MGA for: Atlantic & Pacific International Assurance Co. Inc., Sutter Insurance Co.

Broker for: Primarily Associated International Insurance Co., Golden Eagle, Homestead Insurance Co., RLI Insurance Co., Topa Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Washington D.C. and Chamblee, Ga.

Subsidiaries: Cowan Surplus Lines Insurance Agency Inc.; Cardiff General Insurance Agency Inc.; W.J. Lambert Insurance Agency Inc.; The Cardiff Restaurant Group Inc.; Restaurant Insurance Brokers Inc.; Risk Retention Insurance Brokers Inc.; California Restaurant Safety Group; National Assn. of Retail Producers Inc.; Western Inspection and Engineering Services Inc.; Lardon Advertising Agency Inc.; American Pacific Holdings Inc.; Buena Vista Premium Finance Co. Inc.

Specialties: Truckers, property including earthquake.

Principal officers: Isobel Cowan, president/chief operating officer; Raymond S. Cowan, chairman/chief executive officer.

Contact: Raymond S. Cowan.

Licensed in: California.

Membership: NAPSLO, Professional Liability Underwriters.

Centrex Underwriters Inc.

P.O. Box 171176, Memphis, Tenn. 38187; 901-767-4754; fax: 901-767-0153

	1991	1990
Premium volume	\$1,975,000	\$1,277,000
Employees	7	6
Commercial lines	100%	100%
Non-admitted	100%	100%

Founded: 1985.

Business: 100% managing general agent.

MGA for: United National Insurance Co.

Specialties: Primary monoline liquor liability.

Principal officers: Joseph Carlson, president; Eric Sturm and Robert L. Smith, vps.

Contact: Joseph Carlson.

Licensed in: Tennessee.

Membership: AAMGA.

Chicago Underwriting Group Inc.

211 W. Wacker Drive, Chicago, Ill. 60606; 312-750-8800; fax: 312-750-8965

	1991	1990
Premium volume	NA	NA
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.

Subsidiaries: CHUG Insurance Brokers Inc. and CHUG Services Inc., Chicago; Upper Peninsula Insurance Co., Jackson, Miss.; CHUG Services (Bermuda) Ltd.

Specialties: Corporate directors and officers liability, non-medical professional liability.

Principal officers: Martin J. Perry, president; William J. Schwass and Barlow M. Westcott II, senior vps; Vivian K. Yamaguchi, general counsel; Diane B. Couston, assistant vp; Gretchen Sievers, claims counsel.

Contact: Martin J. Perry.

CIGNA Excess & Surplus Insurance Services Inc.

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

	1991	1990
Premium volume	\$103,961,000	\$103,594,000
Gross revenues	\$10,400,000	\$10,300,000
Employees	87	94
Commercial lines	95%	95%
Admitted business	5%	5%
Non-admitted	95%	95%

Founded: 1978.

Parent company: Insurance Co. of North America Inc.

Business: 100% underwriting manager.

Underwriting manager for: California Union Insurance Co., Century Indemnity Co., Illinois Union Insurance Co.

Branch offices: Chicago.

Specialties: Excess and surplus property and casualty coverages.

Principal officers: J. Michael Rogers, president; Robert S. Cernok and Nicolas Yuschenkoff, vps.

Contact: Nicolas Yuschenkoff.

Licensed in: California, Illinois, New Jersey.

Membership: NAPSLO.

Commercial Insurance Underwriters Inc.

1200 E. Woodhurst, M-400, Springfield, Mo. 65808-9005; 417-883-3277; fax: 417-883-3393

	1991	1990
Premium volume	\$11,549,132	\$10,026,640
Gross revenues	\$1,332,351	\$1,107,426
Employees	18	17
Commercial lines	97%	98%
Admitted business	50%	50%
Non-admitted	50%	50%

Founded: 1984.

Business: 70% managing general agent, 30% broker.

MGA for: Acceptance Insurance Co., Capitol Indemnity, Century Surety Co., Essex Insurance Co., Guaranty National Insurance Co., Nautilus Insurance Co., Occidental Fire & Casualty Co. of North Carolina, Scottsdale Insurance Co.

Broker for: Primarily Admiral Insurance Co., Acceptance Insurance Co., Carolina Casualty Insurance Co., Fireman's Fund Insurance Cos., The Home Insurance Co., Investors Insurance Co. of America, Lexington Insurance Co., Marine Office of America Corp., RLI Insurance Co., Seaboard Surety, Evanston Insurance Co., Transamerica Insurance Co., Transcontinental Insurance Co., Tudor Insurance Co., United Capitol Insurance Co.

Correspondent: Lloyd's of London.

Principal officers: David W. Hinrichs, president; Robert L. McGrew, executive vp; Eunice K. Harralson and Steven Cal Rogers, vps.

Contact: David W. Hinrichs.

Licensed in: Arkansas, Kansas and Maryland.

Membership: AAMGA, NAPSLO.

Compass Insurance Group of Agencies

805 Fairmount Ave., Glendale, Calif. 91203; 818-507-1980; fax: 818-507-1133

	1991	1990
Premium volume	\$6,800,000	\$7,200,000
Gross revenues	\$695,000	\$795,000
Employees	8	8
Commercial lines	80%	80%
Admitted business	30%	30%
Non-admitted	70%	70%

Founded: 1971.

Business: 100% managing general agent.

MGA for: American Home Assurance Co., Scottsdale Insurance Co., Topa Insurance Co., Western Heritage Insurance Co.

Correspondent: Lloyd's of London.

Principal officers: Harry W. Gorst, president; Pat Piccinonno, vp/manager.

Licensed in: California.

Membership: AAMGA, NAPSLO, NAI, PIA, IIAA.

Corporate Advisors Inc.

910 Skokie Blvd., Suite 204, Northbrook, Ill. 60062; 708-564-5820; fax: 708-564-5828

	1991	1990
Premium volume	\$590,000	\$625,000
Gross revenues	\$65,000	\$75,000
Employees	4	3
Commercial lines	99%	99%
Admitted business	60%	60%
Non-admitted	40%	40%

Founded: 1970.

Business: 100% broker.

Broker for: Primarily Admiral Insurance Co., Hartford Insurance Cos., The Home Insurance Co., Illinois Insurance Exchange, Virginia Surety Co.

Specialties: Professional liability (engineers, lawyers, environmental), specialty, special events, excess and surplus, hard-to-place risks.

Principal officers: Louis W. Biegler, president; Carmina M. Murphy, vp/secretary.

Contact: Ken Hill.

Licensed in: Illinois.

Membership: Illinois Insurance Exchange Brokers Assn., Illinois Surplus Lines Assn.

Cox Insurance Group Inc.

5170 Commerce Circle, P.O. Box 17008, Indianapolis, Ind. 46217-0008; 317-887-0030; fax: 317-888-7145

	1991	1990
Premium volume	\$35,911,757	\$31,007,416
Gross revenues	\$2,872,941	\$2,755,700
Employees	35	30
Commercial lines	100%	100%
Non-admitted	100%	100%

Founded: 1981.

Business: 100% managing general agent.

MGA for: Lloyd's of London.

Correspondent: Lloyd's of London.

Branch offices: Birmingham, Ala.; Minneapolis; St. Petersburg, Fla.

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 and Co., Pacific Coast

3700 Wilshire Blvd., Suite 530, Los Angeles, Calif. 90010; 213-480-4400; fax: 213-480-4608

	1991	1990
Premium volume	\$22,193,711	\$25,158,822
Gross revenues	\$5,037,585	\$5,738,397
Employees	51	56
Commercial lines	100%	100%
Admitted business	99%	99%
Non-admitted	1%	1%

Founded: 1903.

Parent company: CIGNA Corp.

Business: 99% underwriting manager, 1% broker.

Underwriting manager for: Century Indemnity Co.

Broker for: Primarily California Union Insurance Co.

Branch offices: Atlanta, Chicago, Los Angeles, San Francisco, Seattle.

Specialties: Monoline commercial property and inland marine.

Principal officers: J. Michael Rogers, chairman; Donald M. Shorey, president; Arthur C. Werden and William E. Rucker, vps; Jean McGranahan, assistant vp.

Contact: Donald M. Shorey.

Licensed in: California, Washington.

Crum & Forster Managers Group

200 S. Wacker Drive, Chicago, Ill. 60606; 312-993-6300; fax: 312-876-6369

See profile on page 51.

D

Doran Excess Underwriters Inc.

P.O. Box 1417, Mechanicsburg, Pa. 17055-1417; 717-697-4626; fax: 717-697-7506

	1991	1990
Premium volume	\$14,000,000	\$15,500,000
Employees	7	7
Commercial lines	100%	100%
Admitted business	1%	1%
Non-admitted	99%	99%

* Support services provided by Dorax Data Services Inc.

Founded: 1975.

Parent company: Doranco Inc.

Business: 99% underwriting manager, 1% broker.

Underwriting manager for: United National Group.

Broker for: Primarily United National Group.

Specialties: Excess and umbrella liability including hospital and miscellaneous medical professional, agents and brokers errors and omissions.

Principal officers: William L. Doran, chairman; Ronald G. Hihn, president; William K. Lindemuth, vp; Deborah L. Grivens, vp/general counsel; Elizabeth D. Firestone, chief financial officer.

Contact: Ronald G. Hihn, 800-553-6739.

Licensed in: Pennsylvania.

E

E&S Facilities Inc.

31 Inverness Center Parkway, Suite 280, Birmingham, Ala. 35242; 205-980-3000 or 800-995-9515; fax: 205-991-2588

	1991	1990
Premium volume	\$27,000,000	\$24,000,000
Gross revenues	\$2,700,000	\$2,400,000
Employees	23	34
Commercial lines	100%	100%
Admitted business	52%	50%
Non-admitted	48%	50%

Founded: 1975.

Parent company: Benchmark Financial.

Business: 30% managing general agent, 70% broker.

MGA for: Agricultural Insurance Co., Diamond State Insurance Co., Hamilton Insurance Co., Lexington Insurance Co., Transamerica Insurance Co., Underwriters Indemnity, United National Insurance Co.

Broker for: Primarily Admiral Insurance Co., Alliance General Insurance Co., American International Group Inc., Colony Insurance Co., Employers Reinsurance Corp., Evanston Insurance Co., Fireman's Fund Insurance Cos., First State Insurance Co., Midwest Employers Casualty Co., Westlake Insurance Co., Transamerica Insurance Co., Tudor Insurance Co., United National Insurance Co.

Correspondent: Lloyd's of London.

Subsidiaries: Unicorn Premium Finance, Birmingham, Ala.

Specialties: Umbrella, excess property & casualty, transportation, pollution, directors & officers, errors and omissions, miscellaneous professional.

Principal officers: James K. Culley, Don J. Pate, Thomas B. Harris, D.L. Lackey, David M. Melton.

Contact: Don J. Pate.

Licensed in: Alabama, Florida, Georgia, Mississippi.

Membership: BAMA, NAPSLO.

ECS Underwriting Inc.

1 E. Uwchlan Ave., Suite 300, Exton, Pa. 19341; 215-269-6731; fax: 215-524-5354

	1991	1990
Premium volume	\$119,800,000	\$100,200,000
Employees	150	105
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

Founded: 1979.

Business: 90% managing general agent, 10% broker.

MGA for: Reliance National Risk Specialists (Planet Insurance Co.).

Broker for: Primarily Admiral Insurance Co., Evanston Insurance Co., Illinois Insurance Exchange, National Union Fire Insurance Co. of Pittsburgh, Pa., Regis Insurance Co., Reliance Insurance Co., Transamerica Insurance Co., United Capitol Insurance Co., United National Insurance Co.

Subsidiaries: ECS Brokerage.

Specialties: Environmental liability, chemical industry, hazardous waste or material transportation, industrial haulers.

Principal officers: William Kronenberg III, president/chief executive officer; David M. Rosenber, executive vp; Frank A. Piliero, senior vp/ chief financial officer; Mark Vuono, senior vp.

Contact: Marketing department, 800-327-1414.

Licensed in: District of Columbia and Pennsylvania.

Membership: NAPSLO.

Eastern America Insurance Agency Inc.

Royal Bank Center, Suite 500, 255 Ponce De Leon Ave., P.O. Box 3900, Hato Rey, Puerto Rico 00919-3900; 809-758-1288; fax: 809-763-8840

	1991	1990
Premium volume	\$45,605,632	\$42,347,870
Gross revenues	\$4,013,844	\$4,140,221
Employees	66	66
Commercial lines	95%	94%
Admitted business	100%	100%

Founded: 1981.

Parent company: Eastern America Financial Group.

Business: 33% underwriting manager, 66% managing general agent, 1% broker.

Underwriting manager for: Eastern America Insurance Co.

MGA for: American International Insurance Co., CIGNA Corp., Integrand Assurance Co., El Fenix de Puerto Rico, Eastern America Insurance Co., Federal Insurance Co., Reliance National Insurance Co., Royal Insurance Co., Seguros Triple S Inc., Sun Alliance Insurance Co., Universal Insurance Co.

Broker for: Primarily General Accident Insurance Co. of Puerto Rico, The Hartford Steam Boiler Inspection & Insurance Co., William H. McGee & Co., Utica Mutual Insurance Co.

Principal officers: Luis Miranda Casanas, president; Jorge J. Amadeo and Rafael A. Rodriguez, executive vps; Guillermo Fernandez, vp.

Contact: Jorge J. Amadeo.

Licensed in: Puerto Rico.

Membership: Professional Insurance Agents of Puerto Rico and the Caribbean.

Esprit General Agency Inc.

701 N. Post Oak, Suite 204, Houston, Texas 77024; 713-681-6500 or 800-243-7748; fax: 713-681-0517

Continued from previous page

F

Farmington Management Inc.

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

	1991	1990
Premium volume	\$40,000,000	\$40,000,000
Employees	17	18
Commercial lines	100%	100%
Admitted business	100%	100%

* Support services provided by member companies of American Excess Insurance Assn.

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 Greene, president; Henry Poirier, vp-underwriting; Charles Stevens, assistant vp-underwriting; Debra Winter, manager-accounting; Donald Francis, manager-administration.

Contact: Mike St. Pierre.

Licensed in: All states.

Fasig-Tipton Insurance Inc.

P.O. Box 2203, Lexington, Ky. 40595-2203; 606-273-3006; fax: 606-271-7668

	1991	1990
Premium volume	\$5,000,000	NA
Gross revenues	\$900,000	NA
Employees	10	NA
Commercial lines	99%	NA
Admitted business	85%	NA
Non-admitted	15%	NA

Founded: 1972.

Parent company: Fasig-Tipton Co. Inc.

Business: 90% managing general agent, 10% broker.

MGA for: Lloyd's of London, Great American Insurance Cos., Continental Insurance Co.

Broker for: Primarily Hartford Insurance Group, AEGON Insurance (UK) Ltd., Pearl Insurance (UK) Ltd.

Correspondent: Lloyd's of London.

Specialties: Equine insurance.

Principal officers: Sylvester Kiger, president; Cathy C. Lowe, secretary.

Contact: Cathy C. Lowe.

Licensed in: Kentucky.

Felts, Mullens and Fuos

7616 LBJ Freeway, Suite 520, Dallas 75251; 214-661-9000; fax: 214-960-7381

	1991	1990
Premium volume	\$18,300,000	\$14,800,000
Gross revenues	\$1,428,098	\$1,072,273
Employees	12	9
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 Dakota Fire Insurance Co., Mount Hawley Insurance Co., Essex Insurance Co., Fireman's Fund Insurance Cos., Lexington Insurance Co., General Star Indemnity Co., The Home Insurance Co. of Illinois, Monticello Insurance Co., Stonewall Surplus Lines Insurance Co., United National Group, Associated International Insurance Co., Empire Fire & Marine Insurance Co., Interstate Fire & Casualty Co., Investors Insurance Co. of America, Northern County Mutual Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Habitational packages and umbrellas, paper contractors, hard-to-place general liability and products.

Principal officers: Mike Mullens, chief financial officer; Ron Fuos, president; Bob Felts, executive vp; Carol McRae, vp/secretary.

Contact: Carol McRae or Gail Combs, marketing director.

Licensed in: Texas.

Membership: NAPSLO, Independent Agents of Texas, Professional Insurance Agents of Texas, Texas Surplus Lines Assn.

Fischer Underwriting Group Inc.

P.O. Box 814, 777 Terrace Ave., Hasbrouck Heights, N.J. 07064; 201-288-8620; fax: 201-288-2275

	1991	1990
Premium volume	NA	NA
Employees	6	6
Commercial lines	100%	100%
Non-admitted	100%	100%

Founded: 1981.

Business: 100% managing general agent.

MGA for: Underwriters at Lloyd's. **Specialties:** Directors and officers liability, miscellaneous and lawyer's professional liability.

Principal officers: Donald R. Fischer, president; Paul Bunone, underwriter.

Contact: Donald R. Fischer.

Licensed in: Accepts business from independent wholesale brokers only.

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

	1991	1990
Premium volume	NA	NA

* Support services provided by Freberg & Co. Inc.

Founded: 1992.

Business: 100% managing general agent.

MGA for: The Homestead Insurance Co.

Specialties: Professional liability insurance for environmental engineers and consultants.

Principal officers: Michael J. Hill, president.

Licensed in: Colorado.

G

Gateway Underwriters Agency Inc.

11116 South Towne Square, Suite 100, St. Louis 63123-7809; 314-845-3900; fax: 314-845-3921

	1991	1990
Premium volume	NA	\$4,500,000
Gross revenues	NA	\$891,173
Employees	8	8
Commercial lines	100%	100%
Admitted business	NA	63%
Non-admitted	NA	37%

Founded: 1954.

Parent company: Berkshire Hathaway Inc.

Business: 85% managing general agent, 15% broker.

MGA for: National Indemnity Co., National Liability and Fire Insurance Co., National Fire & Marine Insurance Co., Nautilus Insurance Co., Western World Insurance Co.

Broker for: Primarily Admiral Insurance Co., Mount Vernon Fire Insurance Co., Tudor Insurance Co.

Specialties: Commercial auto, public auto, general and professional liability.

Principal officers: Alan Marlette, president; Patsy Woolem, secretary/treasurer.

Contact: Paula Lee, sales manager.

Licensed in: Illinois and Missouri.

Membership: NAPSLO, Surplus Lines Assn. of Missouri.

General Star Management Co.

695 E. Main St., P.O. Box 10354, Stamford, Conn. 06904-1354; 203-328-5700; fax: 203-328-6460

See profile on page 51.

Geneva International Management Inc.

200 W. Madison St., Suite 1900, Chicago, Ill. 60606; 312-855-0590; fax: 312-855-0620

	1991	1990
Premium volume	\$19,631,000	\$15,978,000
Gross revenues	\$3,000,000	\$2,903,000
Employees	20	24
Commercial lines	100%	100%
Non-admitted	100%	100%

* Support services provided by Concord General Corp.

Founded: 1985.

Business: 99.5% underwriting manager, 0.5% broker.

Underwriting manager for: Geneva Assurance Syndicate Inc., Geneva Underwriters Syndicate Inc.

Broker for: Primarily Illinois Insurance Exchange.

Subsidiaries: Geneva Assurance Syndicate Inc., Geneva Underwriters Syndicate Inc., Chicago.

Principal officers: Bruce Ricci, president; R.E. Foss, executive vp; B.K. Marrs and F.P. McGovern, vps; Howard Turpin, chief executive officer.

Contact: R.E. Foss.

Licensed in: Illinois.

Membership: Illinois Surplus Lines Assn.

Global Facilities Inc.

146 Merrick Road, Lynbrook, N.Y. 11563; 516-599-3800; fax: 516-599-3930

	1991	1990
Premium volume	\$4,895,000	\$5,265,000
Commercial lines	96%	97%
Admitted business	98%	99%
Non-admitted	2%	1%

Founded: 1977.

Business: 80% managing general agent, 20% broker.

MGA for: Mount Vernon Fire Insurance Co., First Central Insurance Co., Colonia Insurance Co., New York Merchant Bankers Mutual Fire Insurance Co., Otsego Mutual Insurance Co., Hermitage Insurance Co.

Broker for: Primarily United States Underwriters Insurance Co., Transstate Insurance Co., General Star Indemnity Co., Tower Insurance Co., New York, Eagle Insurance Co., Calvert Insurance Co., Gulf States Insurance Co., Galaxy Insurance Co., Reco Insurance Co., Providence Washington Insurance Co., Mass Plate Glass.

Specialties: Special multi-peril, property, casualty, trucking, umbrella marine.

Principal officers: Robert Shapiro, president; Sheldon Bagatell, vp; Gary Radovich and Frank Wallach, underwriters.

Contact: Robert Shapiro.

Licensed in: New Jersey and New York.

Membership: NAPSLO, Professional Insurance Wholesalers of New York, Excess Lines Assn. of New York.

Harry W. Gorst Co. Inc.

805 Fairmont Ave., Glendale, Calif. 91203; 818-507-0900; fax: 818-507-1133

	1991	1990
Premium volume	\$26,500,000	\$26,500,000
Gross revenues	\$2,600,000	\$2,600,000
Employees	30	30
Commercial lines	68%	68%
Admitted business	18%	18%
Non-admitted	82%	82%

Founded: 1968.

Business: 80% managing general agent, 20% broker.

MGA for: Scottsdale Insurance Co., Western Heritage Insurance Co., Topa Insurance Co., American Bankers Insurance Co., Terra Nova Insurance Co. Ltd., Sphere Drake Insurance Co. P.L.C., St. Katherine Insurance Co. P.L.C., British National Insurance Co. Ltd., Bishops-gate Insurance P.L.C., Employers Reinsurance Corp.

Correspondent: Lloyd's of London.

Principal officers: Harry W. Gorst, president; R.C. Blackwell, chief financial officer; Leighton R. Cairns, Michael Heagerty and William A. Lemon, vps.

Licensed in: Arizona, California, Kansas, Missouri and Florida.

Membership: AAMGA, NAPSLO, Professional Insurance Agents, Western Assn. of Independent Insurance Brokers, Independent Insurance Agents of America Inc., California & Nevada Independent Insurance Assn.

Greenwich American Underwriters

P.O. Box 290757, Nashville, Tenn. 37229-0757; 615-391-4428; fax: 615-883-0428

	1991	1990
Premium volume	\$13,939,339	\$10,626,433
Gross revenues	\$691,908	\$542,143
Employees	17	14
Commercial lines	99%	99%
Admitted business	59%	46%
Non-admitted	41%	52%

Founded: 1981.

Business: 60% managing general agent, 40% broker.

MGA for: Carolina Casualty Insurance Co., General Agents Insurance Co., Lexington Insurance Co., MGA Insurance Co., Lloyd's of London, Illinois Insurance Exchange.

Correspondent: Lloyd's of London.

Subsidiaries: Greenwich American Underwriters.

Specialties: Long-haul transportation risks.

Principal officers: Hunter Armistead, chairman; Benjamin C. Armistead, president; Trudy C. Byrd, vp.

Contact: Trudy C. Byrd.

Licensed in: Tennessee.

Membership: AAMGA, NAPSLO.

Gresham & Associates Inc.

P.O. Box 927, 1 Gresham Landing, Stockbridge, Ga. 30281; 404-389-1600; fax: 404-389-1650

	1991	1990
Premium volume	\$31,113,375	\$30,640,555
Gross revenues	\$2,800,760	\$2,711,900
Employees	43	40
Commercial lines	98%	99%
Admitted business	52%	53%
Non-admitted	48%	47%

Founded: 1979.

Business: 45% managing general agent, 55% broker.

MGA for: Scottsdale Insurance Co., The GAINSCO Cos., National Casualty Co., Penn-America Insurance Co., Essex Insurance Co., Lloyds of London.

Broker for: Primarily International Insurance Co., RLI Insurance Co., Royal Indemnity Co., Fireman's Fund Insurance Cos., First State Insurance Co., Admiral Insurance Co., Transamerica Insurance Co., American International Group Inc.

Correspondent: Lloyd's of London.

Branch offices: Palm Beach Gardens, Fla.; Nashville, Tenn.

Principal officers: William A. Burger, president; Tony Gresham, senior vp; Debbie Cornwell, senior vp; Gail Gresham, secretary/treasurer; Art Hays, vp-human resources; Donnie Lossie, Jackie Marler and Wanda Reavis, assistant vps.

Contact: James V. Gresham.

Licensed in: Florida, Georgia and Tennessee.

Membership: AAMGA, NAPSLO.

H

H&W Underwriters (Agency) Inc.

P.O. Box 10303, Kansas City, Mo. 64111; 913-676-9301; fax: 913-432-1706

	1991	1990
Premium volume	\$9,932,000	\$9,693,752
Gross revenues	\$1,938,451	\$1,958,519
Employees	12	12
Commercial lines	99%	99%
Admitted business	50%	20%
Non-admitted	50%	80%

Founded: 1958.

Business: 30% underwriting manager, 68% managing general agent, 2% broker.

Underwriting manager for: Americana Excess & Reinsurance

Corp., Paratransit Risk Retention Group of Maryland Inc.

MGA for: Primarily Underwriters at Lloyds, Ulico Casualty Co.

Broker for: CNA.

Correspondent: Lloyd's of London.

Specialties: Public transportation risk, association professional liability, labor union errors and omissions.

Principal officers: Neil R. Poupirt, president; Mike Kosednar, senior vp; Bernard R. Geis, vp.

Contact: Neil R. Poupirt.

Membership: AAMGA, NAPSLO.

Halcyon Underwriters Inc.

2600 Lake Lucien Drive, Suite 102, Maitland, Fla. 32651-7234; 407-660-1881; fax: 407-660-0525

	1991	1990
Premium volume	\$2,530,000	\$2,460,000
Gross revenues	\$353,291	\$297,944
Employees	4	3
Commercial lines	100%	100%
Admitted business	100%	100%

* Support services provided by parent company.

Founded: 1986.

Parent company: Brown & Brown Inc.

Business: 90% managing general agent, 10% broker.

MGA for: Crum & Forster Inc.

Broker for: Primarily Crum & Forster Inc., Continental Insurance Co.

Specialties: Commercial contractors, inland marine and builders risk.

Principal officers: J. Hyatt Brown, president; Jim Henderson, Paul Lyons and Linda Downs, vps; Richard Pankratz, secretary/treasurer.

Continued on next page

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Continued from previous page
 Contact: Paul Lyons.

Hanover Excess & Surplus Inc.

228 N. Front St., Wilmington, N.C.
 28402; 800-672-9006;
 fax: 800-426-5566

	1991	1990
Premium volume...	\$7,067,561	\$8,311,274
Gross revenues...	\$1,576,438	\$2,012,095
Employees.....	18	18
Commercial lines...	95%	95%
Admitted business	32%	40%
Non-admitted....	68%	60%

Founded: 1970.
Business: 7% underwriting manager, 92% managing general agent, 1% broker.
Underwriting manager for: Colonia Insurance Co.

MGA for: American Livestock Insurance Co., Assicurazioni Generali S.p.A., Guaranty National Insurance Co., Jefferson Insurance Co., Landmark American, P.S. Mosse, Monticello Insurance Co., National Casualty Co., Scottsdale Insurance Co., Towy Law, G.R. Klinefelter.

Broker for: Primarily Evanston Insurance Co. (Shand Morahan & Co.), Wycon Corp.

Specialties: Commercial auto.
Principal officers: Glasgow Hicks Jr., president; David L. Parker, vp; John R. Hicks, secretary/treasurer.

Contact: David L. Parker.
Licensed in: North Carolina, South Carolina, Virginia.

Membership: AAMGA, NAPSLO, USA Alliance.

L. E. Harris Agency Inc.

1353 Holton Lane, P.O. Box 8330,
 Langley Park, Md. 20787-8330;
 301-439-4700; fax: 301-439-5800

	1991	1990
Premium volume...	\$10,586,000	\$10,121,000
Gross revenues...	\$1,487,931	\$1,741,916
Employees.....	15	14
Commercial lines...	99%	99%
Admitted business	34%	34%
Non-admitted....	66%	66%

Founded: 1922.
Business: 56% managing general agent, 44% broker.

MGA for: Aetna Life & Casualty Co., Burlington Insurance Co., First Financial Insurance Co., Jefferson Co. of New York, Lloyds of London, Monticello Insurance Co., National Indemnity Co., Nautilus Insurance Co., Penn-America Insurance Co., Sphere Drake Insurance Co. P.L.C., St. Katherine Insurance Co. P.L.C., United National Insurance Co., United States Liability Insurance Co.

Broker for: Primarily Admiral Insurance Co., American International Group Inc., Crum & Forster Managers Group, Chubb Custom Insurance Co., Evanston Insurance Co. (Shand Morahan & Co.), Employers Reinsurance Corp., Fireman's Fund Insurance Co., Illinois Insurance Exchange, Lloyds of London, Media Professional, RLI Insurance Co./Mount Hawley Insurance Co., Seaboard Surety Co., United Capitol Insurance Co.

Specialties: Commercial auto, bankers coverages, bond, mortgage impairment, professional liability.

Principal officers: David A. Riffert, president; Nicholas Taube, executive vp; Mark J. Baldwin, vp-specialty lines; Cindy Milburn, assistant

secretary.
Contact: David A. Riffert or Nicholas Taube.
Licensed in: District of Columbia, Maryland and Virginia.
Membership: AAMGA, NAPSLO, Maryland Excess & Specialty Lines Brokers Assn., Specialty Underwriters of Virginia.

Jeffrey L. Heath Inc.

P.O. Box 301, 59 S. Finley Ave.,
 Basking Ridge, N.J. 07920-0301;
 908-766-7140; fax: 908-766-4419

	1991	1990
Premium volume...	\$3,000,000	NA
Gross revenues...	\$250,000	NA
Employees.....	3	NA
Commercial lines...	100%	NA
Admitted business	80%	NA
Non-admitted....	20%	NA

Founded: 1991.
Business: 100% managing general agent.

MGA for: Guaranty National Insurance Co., Landmark American Insurance Co.

Specialties: Umbrella, contractors, transportation, general commercial accounts.

Contact: Jeffrey L. Heath.

Heath Holdings USA Inc.

4809 Cole Ave., Suite 107, Dallas,
 Texas 75205; 214-528-3999;
 fax: 214-528-9101

Founded: 1992.
Parent company: C.E. Heath P.L.C., London.

Business: 100% broker.
Broker for: Primarily General Star Insurance Co., Royal Insurance Co., International Insurance Co., International Surplus Lines Insurance Co., Admiral Insurance Co., First State Insurance Co.

Correspondent: Lloyd's of London.

Branch offices:
Subsidiaries: Heath Insurance Brokers Inc., Dallas and Atlanta.

Principal officers: Thomas Bloom, president; Ronald Travis, executive vp; Gene Eisenmann, senior vp/president-Heath Insurance Brokers Inc., Dallas; Marshall Kath, treasurer/chief financial officer; Curt Ross, president-Heath Insurance Brokers Inc., Atlanta.

Contact: Thomas Bloom.
Licensed in: Texas, Georgia.
Membership: NAPSLO.

Huycke General Agency

2904 Boniface Parkway,
 Anchorage, Alaska 99504;
 907-338-0491; fax: 907-338-7234

	1991	1990
Premium volume...	\$2,996,671	\$3,030,333
Gross revenues...	\$313,063	\$456,381
Employees.....	6	6
Commercial lines...	98%	97%
Admitted business	2%	3%
Non-admitted....	98%	97%

Founded: 1976.
Business: 100% managing general agent.

MGA for: American Family Home Insurance Co., American Modern Home Insurance Co., Minnehoma Insurance Co., National Casualty Insurance Co., Scottsdale Insurance Co.

Specialties: Commercial auto, contractors liability.

Principal officers: Peter C. Huycke, owner.
Licensed in: Alaska.
Membership: AAMGA, NAPSLO.

I

Independent Insurance Wholesalers Inc.

722 S.W. Second Ave., Suite 340,
 Portland, Ore. 97204-3130;
 503-224-1956; fax: 503-224-3010

	1991	1990
Premium volume...	\$7,400,000	\$7,300,000
Gross revenues...	\$780,000	\$780,000
Employees.....	8	8
Commercial lines...	100%	100%
Admitted business	15%	15%
Non-admitted....	85%	85%

Founded: 1983.
Business: 10% managing general agent, 90% broker.

MGA for: Columbia Casualty Co., General Star Indemnity Co., Nautilus Insurance Co., Western World Insurance Co.

Broker for: Primarily Admiral Insurance Co., Agricultural Excess & Surplus Insurance Co., Colonia Insurance A.G., General Star Indemnity Co., Tudor Insurance Co., Western Alliance Insurance Co.

Correspondent: Lloyd's of London.

Principal officers: Robert K. Stahl, president; Thomas Sanger, vp.

Contact: Robert K. Stahl.
Licensed in: Alaska and Oregon.
Membership: NAPSLO, Oregon Surplus Lines Assn.

Inter-Atlantic Insurance Services Inc.

7699 Biscayne Blvd., Miami, Fla.
 33138; 305-751-2800;
 fax: 305-758-7346

	1991	1990
Premium volume...	\$8,000,000	\$5,000,000
Gross revenues...	\$1,600,000	\$1,300,000
Employees.....	15	12
Commercial lines...	20%	10%
Admitted business	6.2%	20%
Non-admitted....	93.8%	80%

Founded: 1988.
Business: 90.6% managing general agent, 9.4% broker.

MGA for: Lloyds of London and Assicurazioni Generali S.p.A.

Broker for: Primarily Commercial Union Insurance Co., Crum & Forster Inc., Eastern Aviation & Marine Insurance Co., Albany Insurance Co., The Home Insurance Co., Homestead Insurance Co., Lexington Insurance Co., Marine Office of America Corp., VASA North Atlantic Insurance Co.

Correspondent: Lloyd's of London.

Subsidiaries: Inter-Atlantic Insurance Adjusters Inc., Miami.

Specialties: Ocean marine.
Principal officers: Alan P. Weinraub, president; Irving R. Weinraub, vp; Bill Dresback, accountant; Amalia L. Weinraub, secretary/treasurer; Joseph Grund Jr., marine & aviation manager.

Contact: Carmen Navales Gonzalez.
Licensed in: Florida.
Membership: Florida Surplus Lines Assn.

Interline Insurance Services Inc.

12641 E. 166th St., Cerritos, Calif.
 90701; 310-926-5061;
 fax: 310-926-0224

	1991	1990
Premium volume...	\$9,746,389	\$4,689,050
Employees.....	9	4
Commercial lines...	100%	100%
Admitted business	82%	10%
Non-admitted....	18%	90%

* Support services provided by parent company.
Founded: 1982.
Parent company: Crest Financial Corp.

Business: 100% managing general agent.

MGA for: Guaranty National Insurance Co., Lloyd's of London, Security Insurance Co. of Hartford, Marine Office of America Corp.

Correspondent: Lloyd's of London.

Specialties: Commercial automobile for transportation risks, professional liability, general excess and surplus business.

Principal officers: Charles J.

Escalante, president.
Licensed in: Alaska and California.

International Insurance Brokers Ltd.

3885 Upham St., Suite 100,
 Wheatridge, Colo. 80033;
 303-467-8572; fax: 303-467-8504

	1991	1990
Premium volume...	\$4,000,000	\$1,000,000
Gross revenues...	\$240,000	\$110,000
Employees.....	5	3
Commercial lines...	95%	100%
Admitted business	15%	5%
Non-admitted....	85%	95%

* Support services provided by parent company.
Founded: 1989.
Parent company: Insurance Specialists Inc.

Business: 45% managing general agent, 55% broker.

MGA for: Lloyd's of London.
Broker for: Primarily American International Group Inc., Chubb Custom Insurance Co., Colorado Western Insurance Co., First State Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Utilities and professional indemnity.

Principal officers: C. Fred Morgan, managing director; Hilton Martin, executive vp.

Contact: Toni Kochevar, 303-422-7108.
Licensed in: Colorado.
Membership: NAPSLO.

International Placement Services Inc.

7710 Carondelet, Suite 433, St.
 Louis, Mo. 63109; 314-725-8394;
 fax: 314-725-4317

	1991	1990
Premium volume...	\$12,106,167	\$12,280,000
Employees.....	16	16
Commercial lines...	100%	100%
Admitted business	60%	55%
Non-admitted....	40%	45%

Founded: 1981.
Business: 20% managing general agent, 80% broker.

MGA for: Colony Insurance Co., Lincoln Insurance Co., Lloyd's of London, Nautilus Insurance Co., Northland Insurance Co., Penn-America Insurance Co.

Broker for: Primarily American Empire Surplus Lines Insurance Co., American International Group Inc., Fidelity & Deposit Co., Fireman's Fund Insurance Cos., First State Insurance Co., Great American Insurance Co., Hartford Insurance Group, The Home Insurance Co., Illinois Insurance Exchange, International Insurance Co., Midwest Employers Casualty Co., Mount Hawley Insurance Co., Northland Insurance Co., Prudential-LMI, Reliance Insurance Co., Safety National Casualty Corp., Stonewall Surplus Lines Insurance Co., Surplus Underwriters, Transamerica Insurance Co., Travelers Corp., United Capitol Insurance Co., United Coastal Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Springfield, Mo.

Specialties: Self-insurance related risks.

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. 48084; 313-528-9090;
 fax: 313-528-3121

	1991	1990
Premium volume...	\$9,190,869	\$7,549,050
Employees.....	7	6
Commercial lines...	100%	100%
Admitted business	73%	71%
Non-admitted....	27%	29%

* Support services provided by American Continental.
Founded: 1972.
Business: 7% managing general agent, 93% broker.

MGA for: Sheffield Insurance Co.
Broker for: Primarily American Continental Insurance Co., Liberty National Fire Insurance Co., Sheffield Insurance Co., Stonewall Surplus Lines Insurance Co., United Capitol Insurance Co.

Correspondent: Lloyd's of London.

Specialties: General liability, product liability, hospital and physi-

cian professional liability.
Principal officers: Charles E. Marlin, president; John F. Flaherty, senior vp; William Duggan Jr., vp; K.V. Marlin, secretary/treasurer.

Contact: Charles Marlin.
Licensed in: Michigan.
Membership: Michigan Surplus Agents Assn.

J

Jaeger & Haines Inc.

P.O. Box 1623, Fayetteville, Ark.
 72702; 501-521-2551;
 fax: 501-521-3195

	1991	1990
Premium volume...	\$9,600,000	\$9,000,000
Employees.....	25	22
Commercial lines...	68%	68%
Admitted business	40%	35%
Non-admitted....	60%	65%

Founded: 1976.
Business: 80% managing general agent, 20% broker.

Correspondent: Lloyd's of London.

Principal officers: Larry Haines, chief executive officer; Mike Johnson, president; Matt Carter, vp; Ed Elliott, vp-marketing.

Contact: Mike Johnson or Matt Carter.
Licensed in: Arkansas, Missouri, Oklahoma, Tennessee.
Membership: AAMGA, NAPSLO, USA Alliance.

Jimcor Agency

P.O. Box 890, 366 Kinderkamack
 Road, Westwood, N.J. 07675;
 201-666-8600; fax: 201-666-5792

	1991	1990
Premium volume...	\$9,840,000	\$11,000,000
Gross revenues...	\$909,000	\$925,000
Employees.....	18	20
Commercial lines...	95%	95%
Admitted business	18%	20%
Non-admitted....	82%	80%

Founded: 1986.
Business: 70% managing general agent, 30% broker.

MGA for: Lloyd's of London, Mount Vernon Fire Insurance Co., National Casualty Co., Penn-America Insurance Co., Scottsdale Insurance Co., Terra Nova Insurance Co., Tudor Insurance Co., United States Liability Insurance Co., Western World Insurance Co.

Broker for: Primarily California Union Insurance Co., Calvert Insurance Co., Illinois Insurance Exchange, Interstate Fire & Casualty Co., Lexington Insurance Co., Tudor Insurance Co., United National Insurance Co.

Branch offices: Suffern, N.Y.; Milford, Pa.

Subsidiaries: Jimcor Associates Inc., Milford, Pa.; Jimcor Associates Corp., New York.

Principal officers: Francis J. Mastowski, president; Ellen Mastowski, vp/treasurer; Anne Grippo and Marvin Levey, vps.

Contact: Francis J. Mastowski.
Licensed in: New Jersey, New York, Pennsylvania.

Membership: NAPSLO, New Jersey Surplus Lines Assn.; Professional Insurance Wholesalers of New York.

K

K&K Insurance Group Inc.

1712 Magnavox Way, Fort Wayne,
 Ind. 46804; 219-455-3000;
 fax: 219-455-5866

See profile on page 52.

L

Lemac & Associates Inc.

5670 Wilshire Blvd., Suite 1200, Los
 Angeles 90036; 213-857-9400;
 fax: 213-857-9600

Continued on next page

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Continued from previous page

	1991	1990
Premium volume	NA	NA
Employees	24	24
Commercial lines	100%	100%
Admitted business	52%	48%
Non-admitted	48%	52%

Founded: 1972.
Business: 100% broker.
Broker for: Primarily California Compensation, General Star National Insurance Co., Crusader Insurance Co., Providence Washington Insurance Co.
Correspondent: Lloyd's of London.

Branch offices: Orange and Walnut Creek, Calif.
Specialties: General liability, workers compensation.

Principal officers: William Newton, president/chief executive officer; Frank Squibb and Pauline Kwan, vps; Mario Gomez and Barbara Higgins, assistant vps.

Contact: Bill Newton.
Licensed in: California.
Membership: NAPSLO, California Insurance Wholesalers Assn., Surplus Line Assn. of California, WAIB.

London American Risk Specialists Inc.

9301 Southwest Freeway, Suite 630, Houston, Texas 77074; 713-777-6404; fax: 713-777-5471

	1991	1990
Premium volume	\$26,665,000	\$23,260,840
Gross revenues	\$1,655,874	\$1,410,580
Employees	20	19
Commercial lines	100%	100%
Admitted business	38%	37%
Non-admitted	62%	63%

Founded: 1984.
Business: 6% managing general agent, 94% broker.

MGA for: Underwriters at Lloyd's, Western World Insurance Co., Burlington Insurance Co., Aegon Insurance Co., St. Katherine Insurance Co., Sphere Drake Insurance Co., River Thames Insurance Co., Scottish Lion Insurance Co.

Broker for: Primarily Aetna Casualty & Surety, Admiral Insurance Co., First State Insurance Co., Lexington Insurance Co., Interstate Fire & Casualty Co., Sun Insurance Co., Travelers Insurance Cos., Home Insurance Cos., Fireman's Fund Insurance Cos.

Correspondent: Lloyd's of London.

Branch offices: Dallas.
Principal officers: Brian L. Brecker, president; Kenneth S. Keathley, Roy S. Shoultz, Karl B. Emery and Michael Driscoll, vps.

Contact: Kenneth S. Keathley.
Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn.

The London Agency Inc.

Six Concourse Parkway N.E., Suite 2700, Atlanta, Ga. 30328; 404-393-9955; fax: 404-393-0888

See profile on page 50.

LoVullo Associates Inc.

689 Main St., Buffalo, N.Y. 14203; 716-856-3065; fax: 716-856-8057

	1991	1990
Premium volume	\$10,284,460	\$10,131,823
Employees	23	25
Commercial lines	70%	70%
Admitted business	72%	74%
Non-admitted	28%	26%

Founded: 1948.
Business: 63% managing general agent, 37% broker.

MGA for: American Modern Home Insurance Co., Jefferson Insurance Co. of New York, Midwest Mutual Insurance Co., National Casualty Co., National Indemnity Co., Northland Insurance Co., Evanston Insurance Co., CIGNA Corp., Lloyd's.

Broker for: Primarily Scottsdale Insurance Co., Essex Insurance Co., Evanston Insurance Co., Fireman's Fund Insurance Cos., Providence Washington Insurance Co., CNA Financial Corp., Western World Insurance Co., Lexington Insurance Co., RLI Insurance Co.

Correspondent: Lloyd's of London.

Principal officers: Leonard T. LoVullo, president; Kevin LoVullo, vp; Paul W. LoVullo, treasurer.

Contact: Leonard T. LoVullo.
Licensed in: New York.
Membership: AAMGA, NAPSLO, Professional Insurance Wholesalers of New York State.

M

MacDuff Underwriters Inc.

220 S. Ridgewood Ave., Daytona Beach, Fla. 32115; 904-252-6454; fax: 904-257-5799

	1991	1990
Premium volume	\$14,000,000	\$14,500,000
Gross revenues	\$1,243,790	\$1,292,830
Employees	17	17
Commercial lines	100%	100%
Admitted business	40%	40%
Non-admitted	60%	60%

* Support services provided by parent company.

Founded: 1980.
Parent company: Brown & Brown Inc.

Business: 45% managing general agent, 55% broker.

MGA for: AEGON N.V., Continental Insurance Co., Essex Insurance Co., Frontier Insurance Co., GAINSCO, Lincoln Insurance Co., Lloyd's of London, Nautilus Insurance Co., River Thames Insurance Co. Ltd., Sphere Drake Insurance Co. P.L.C.

Broker for: Primarily Admiral Insurance Co., Alliance General Insurance Co., Crum & Forster Inc., Hartford Specialty, The Home Insurance Co. of Illinois, Investors Insurance Co., National Insurance Co., Regis, Safety National Casualty Corp., United Capitol Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Property, large packages, errors and omissions, directors and officers.

Principal officers: J. Hyatt Brown, president; Bill Rambo, vp; Richard M. Pankratz, secretary/treasurer.

Contact: Bill Rambo.
Licensed in: Florida.
Membership: AAMGA, NAPSLO, Florida Surplus Lines Assn., Florida PIA, Volusia County Agents Assn., Professional Liability Underwriters Assn.

Maclean, Oddy & Associates Inc.

1445 Ross Ave., Suite 3900, Dallas, Texas 75202; 214-855-7700; fax: 214-855-7794

	1991	1990
Premium volume	NA	NA
Gross revenues	\$7,346,000	\$6,778,000
Employees	47	46
Commercial lines	100%	100%
Admitted business	6%	8%
Non-admitted	94%	92%

Founded: 1983.
Business: 2% managing general agent, 98% broker.

MGA for: Underwriters at Lloyd's of London.

Broker for: Primarily American International Group Inc., CIGNA Corp., Continental Insurance Cos., Crum & Forster Inc., Industrial Underwriters, The St. Paul Group, Royal Excess & Surplus Lines Insurance Co., Zurich Insurance Group.

Correspondent: Lloyd's of London.

Subsidiaries: Maclean, Oddy & Associates of Texas Inc.; Maclean, Oddy-Reinsurance Intermediaries Inc.; Maclean, Oddy Underwriting Management Co.; Maclean, Oddy International; Maclean, Oddy Consulting Services.

Specialties: Energy, utilities, transportation and heavy manufacturing.

Principal officers: R.B. Oddy, chairman; Anita Chanpong, president; Miles Lowein, executive vp; Jack Souza, executive vp/chief financial officer.

Contact: William D. Chatham.
Licensed in: Texas.
Membership: NAPSLO, Texas Surplus Lines Assn.

Markel Service Inc.

4551 Cox Road, Glen Allen, Va. 23060-3382; 804-965-1680; fax: 804-965-1633

	1991	1990
Premium volume	\$16,000,000	\$16,000,000
Gross revenues	\$1,897,500	\$1,897,500
Employees	16	25
Commercial lines	91%	91%
Admitted business	20%	20%
Non-admitted	80%	80%

* Support services provided by parent company.

Founded: 1942.
Parent company: Markel Corp.
Correspondent: Lloyd's of London.

Principal officers: Anthony Markel, president; Steven Markel, executive vp; Darrel Martin, chief financial officer; Alan Kirshner, chairman; Robert Bryant, vp-wholesale brokerage.

Contact: Robert 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

	1991	1990
Premium volume	\$19,872,018	\$20,544,394
Gross revenues	\$2,631,847	\$2,511,113
Employees	38	39
Commercial lines	98%	98%
Admitted business	40%	25%
Non-admitted	60%	75%

Founded: 1986.
Business: 60% managing general agent, 40% broker.

MGA for: Essex Insurance Co., Lincoln, Nautilus Insurance Co., Scottsdale Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Santa Clarita, Calif.

Principal officers: James M. Yates, president; James Hippard, executive vp.

Contact: James M. Yates.
Licensed in: Alaska, California, Nevada, Oregon, Washington.

Membership: AAMGA, NAPSLO, California Surplus Lines Assn., Western States Surplus Lines Assn., PIA, IIA.

G.A. Mavon & Co.

10 W. Chicago Ave., Hinsdale, Ill. 60521-3499; 708-655-2400 or 312-240-4040; fax: 708-654-4447

	1991	1990
Premium volume	\$15,000,000	\$15,000,000
Employees	28	28
Admitted business	80%	81%
Non-admitted	20%	19%

Founded: 1916.
Business: 22% managing general agent, 78% broker.

MGA for: Scottsdale Insurance Co., Northland Insurance Group, Lloyd's of London.

Broker for: Primarily General Accident Insurance Co., Chubb Group, Andover Cos., Continental Insurance Co., Standard Mutual Insurance Co.

Correspondent: Lloyd's of London.

Subsidiaries: Gamco Premium Finance Co., Hinsdale, Ill.

Principal officers: P.G. Mavon Jr., president/treasurer; Warren T. Geary, vp/secretary; Philip Mavon, assistant vp.

Contact: Warren Geary.
Licensed in: Illinois.
Membership: AAMGA, NAPSLO.

	1991	1990
Premium volume	\$1,364,825	\$1,219,250
Gross revenues	\$121,438	\$117,158
Employees	4	3
Commercial lines	98%	99%
Admitted business	9%	1%
Non-admitted	91%	99%

Founded: 1985.
Business: 95% managing general agent, 5% broker.

MGA for: Century Surety Co., Cardinal Casualty Co., Hamilton Insurance Co., Colony Insurance Co., First Financial Insurance Co., Burlington Insurance Co., Lincoln Insurance Co., American Empire Surplus Lines Insurance Co., Empire Fire & Marine Insurance Co., Adriatic Insurance Co., Scottish Lion.

Principal officers: Fred C. Wootan, president/treasurer; Barbara A. Wootan, vp/secretary; Greg Seibel and Ted Bingley, assistant vps.

Contact: Fred C. Wootan.
Licensed in: Ohio.
Membership: Ohio Assn. of Professional Specialty Lines Offices.

	1991	1990
Premium volume	\$1,364,825	\$1,219,250
Gross revenues	\$121,438	\$117,158
Employees	4	3
Commercial lines	98%	99%
Admitted business	9%	1%
Non-admitted	91%	99%

Founded: 1985.
Business: 95% managing general agent, 5% broker.

MGA for: Century Surety Co., Cardinal Casualty Co., Hamilton Insurance Co., Colony Insurance Co., First Financial Insurance Co., Burlington Insurance Co., Lincoln Insurance Co., American Empire Surplus Lines Insurance Co., Empire Fire & Marine Insurance Co., Adriatic Insurance Co., Scottish Lion.

Principal officers: Fred C. Wootan, president/treasurer; Barbara A. Wootan, vp/secretary; Greg Seibel and Ted Bingley, assistant vps.
Contact: Fred C. Wootan.
Licensed in: Ohio.
Membership: Ohio Assn. of Professional Specialty Lines Offices.

Founded: 1988.
Business: 52% managing general agent, 48% broker.

MGA for: General Agents Insurance Co., National Casualty Co., Scottsdale Insurance Co.

Broker for: Primarily Illinois Insurance Exchange, Mount Hawley Insurance Co., RLI Insurance Co., Oakbrook Property & Casualty, United National Insurance Co.

Correspondent: Lloyd's of London.

Principal officers: Jack F. McComb, president; Susan M. Flanagan, vp.

Licensed in: Illinois, Wisconsin, Minnesota, Indiana, Iowa, Virginia, South Carolina.

Metrol Insurance Services Inc.

P.O. Box 1422, 2400 Morris Ave., Union, N.J. 07083-1422; 908-688-3088; fax: 908-688-6275

	1991	1990
Premium volume	\$1,300,000	NA
Gross revenues	\$130,000	NA
Employees	3	NA
Commercial lines	100%	NA
Admitted business	60%	NA
Non-admitted	40%	NA

Founded: 1991.
MGA for: Lloyd's of London, Frontier Insurance Co.

Broker for: Primarily Fireman's Fund Insurance Cos., Affiliated FM Insurance Co., Security Indemnity, Sphere Drake Insurance Co. P.L.C.

Correspondent: Lloyd's of London.

Principal officers: Steven R. Gross, president/chief executive officer; Anthony Montana, vp.

Contact: Steven R. Gross.
Licensed in: New Jersey.
Membership: New Jersey Surplus Lines Organization.

Miami Valley Excess & Surplus Agency Inc.

2787 Orchard Run Road, Dayton, Ohio 45449; 513-438-0491; fax: 513-438-9834

	1991	1990
Premium volume	\$2,186,218	\$1,678,060
Gross revenues	\$315,946	\$228,383
Employees	6	5
Commercial lines	100%	100%
Admitted business	90%	85%
Non-admitted	10%	15%

Founded: 1985.
Business: 95% managing general agent, 5% broker.

MGA for: Century Surety Co., Cardinal Casualty Co., Hamilton Insurance Co., Colony Insurance Co., First Financial Insurance Co., Burlington Insurance Co., Lincoln Insurance Co., American Empire Surplus Lines Insurance Co., Empire Fire & Marine Insurance Co., Adriatic Insurance Co., Scottish Lion.

Principal officers: Fred C. Wootan, president/treasurer; Barbara A. Wootan, vp/secretary; Greg Seibel and Ted Bingley, assistant vps.

Contact: Fred C. Wootan.
Licensed in: Ohio.
Membership: Ohio Assn. of Professional Specialty Lines Offices.

	1991	1990
Premium volume	\$6,900,000	\$5,700,000
Employees	5	5
Commercial lines	100%	100%
Admitted business	100%	100%

Midlands Management Corp.

6441 N. Grand Blvd., Suite 305, Oklahoma City, Okla. 73116; 405-840-0074; fax: 405-840-5432

	1991	1990
Premium volume	\$3,286,000	\$910,000
Gross revenues	\$427,000	\$122,000
Employees	5	5
Commercial lines	100%	100%
Non-admitted	100%	100%

Founded: 1990.
Parent company: Caliban Holdings.

Underwriting manager for: Belvedere Insurance Co.
MGA for: Underwriters at Lloyd's, Century Surety Co., General Agents Insurance Co., Associated International Insurance Co.

Broker for: Primarily Northland Insurance Co., Associated International Insurance Co., Stonewall Surplus Lines Insurance Co., Continental Excess & Surplus, Reliance National Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Insurance agents errors and omissions, excess workers comp, excess employers liability.

Principal officers: Charles C. Caldwell, president; Wayne K. Keith, senior vp; Sherri L. Fraser, vp-finance.

Contact: Charles C. Caldwell.
Licensed in: Oklahoma.

Membership: NAPSLO, Oklahoma Professional Independent Insurance Agents, Oklahoma Surplus Lines Assn.

Midwest Indemnity Corp.

5550 W. Touhy Ave., Skokie, Ill. 60077-3200; 708-982-9800; fax: 708-982-9816

	1991	1990
Premium volume	NA	NA
Employees	85	80
Commercial lines	100%	100%
Admitted business	100%	100%

Founded: 1944.
Business: 100% underwriting manager.

Underwriting manager for: Indiana Lumbermens Mutual Insurance Co., National American Insurance Co., Security Insurance Co. of Hartford, Connecticut Indemnity Co., Cumberland Casualty & Surety Co.

Branch offices: Seattle; Newport Beach, Calif.; Fairfield, Conn.; Miami.

Specialties: Surety-contract, license and permit.

Principal officers: Marvin Silverman, president/co-chairman; Martin L. Shape, co-chairman; Perry Gantman, secretary/treasurer; Steven Swerdlow, executive vp.

Contact: Karen A. Tursi, director-marketing.
Membership: The American Surety Assn., National Assn. of Professional Insurance Agents.

Mining Insurance Markets Inc.

P.O. Box 55825, Birmingham, Ala. 35255-5825; 205-933-9162; fax: 205-930-9118

	1991	1990

Spotlight report

Continued from previous page

Founded: 1985.
Parent company: CGH Investments Inc.
Business: 100% broker.
Broker for: Primarily American Mining Insurance Co., Royal Indemnity, Lincoln General Insurance Co.
Specialties: Coal, sand and gravel 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, Tennessee, Pennsylvania.
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

	1991	1990
Premium volume...	\$146,469,582	\$177,136,599
Gross revenues...	\$13,204,951	\$14,729,055
Employees.....	130	138
Commercial lines...	100%	100%
Admitted business	60%	65%
Non-admitted.....	40%	35%

* Support services provided by parent company.

Founded: 1935.
Parent company: CIGNA.
Business: 35% managing general agent, 65% broker.
MGA for: Pacific Employers Insurance Co., Scottsdale Insurance Co., Guaranty National Insurance Co., Lloyd's of London, Western World Insurance Co.
Broker for: Primarily California Union Insurance Co., First State Insurance Co., Crum & Forster Inc., Transamerica Insurance Co., St. Paul Surplus Lines Insurance Co., Admiral Insurance Co., Home Insurance Co., RLI Insurance Co., American International Group Inc. United National Insurance Co., General Star National Insurance Co., Chubb Custom Insurance Co., Fireman's Fund Insurance Cos., Evanston Insurance Co., Employers Reinsurance Corp., Interstate Fire & Casualty Co.
Correspondent: Lloyd's of London.
Branch offices: Buffalo and New York, N.Y.; Charlotte, N.C.; Detroit; Hartford, Conn.; Philadelphia; Chicago; Houston; San Francisco; Columbus, Ohio; Kansas City, Mo.; Dallas; Denver; New Orleans.
Principal officers: Robert P. Keul, president; Robert B. Angle, regional/marketing vp; John T. Bialy, Robert T. Ricketts, regional vps.
Contact: Robert P. Keul.
Licensed in: All states.
Membership: AAMGA, NAPSLO, Western Assn. of Insurance Brokers.

Moore Excess Inc.

1 Center St., Croton Falls, N.Y. 10519; 914-277-3955;
 914-277-3572

	1991	1990
Premium volume...	\$7,000,000	\$7,000,000
Employees.....	9	9
Commercial lines...	100%	100%
Admitted business	70%	70%
Non-admitted....	30%	30%

Founded: 1978.
Business: 50% managing general agent, 50% broker.
MGA for: United States Liability Insurance Co., Hermitage Insurance Co.
Broker for: Primarily General Star National Insurance Co., General Star Indemnity Co., New England Insurance Co.
Correspondent: Lloyd's of London.
Principal officers: John Buckley.
Contact: Clair Navin, office manager.
Licensed in: New York.
Membership: NAPSLO, Excess Lines Assn. of New York, Professional Insurance Wholesalers Assn.

Morstan/LMG Group Inc.

5 Dakota Drive, Lake Success, N.Y. 11042-5004; 516-488-4747;
 fax: 516-327-0200

	1991	1990
Premium volume...	\$60,000	\$51,000
Gross revenues...	\$4,500,000	\$3,850,000
Employees.....	55	48
Commercial lines...	75%	72%
Admitted business	98%	98%
Non-admitted....	2%	2%

Founded: 1965.
Business: 60% managing general

agent, 40% broker.
MGA for: Empire Insurance Co., Republic Insurance Co., Public Service Mutual Insurance Co.
Broker for: Primarily Galaxy, Calvert Insurance Co., American International Group.
Branch offices: New York.
Subsidiaries: Morstan Agency Inc., Barclay International Risks Inc., Morstan/LMG of New Jersey.
Principal officers: Warren Goldfarb, chief executive officer; Alvin Moss, president; Barry Tash and Jay Levy, secretaries.
Contact: Warren Goldfarb.
Licensed in: New York, New Jersey.
Membership: Professional Insurance Wholesalers Assn.

N

NAS Ltd.
 100 South Wacker Drive, Chicago 60606; 312-726-2186;
 fax: 312-726-8715

	1991	1990
Admitted business	22%	24%
Non-admitted....	78%	76%

Founded: 1974.
Business: 100% broker.
Branch offices: Philadelphia, Pa.
Specialties: Products liability, large excess lines placements.
Principal officers: Thomas Cath, chairman; John T. Bogart, president; Richard Munce, vp; Joanna Gesicki, vp; Al Abramikas, vp.
Licensed in: Illinois, New Jersey, Pennsylvania.
Membership: NAPSLO.

Nason Associates Inc.

6901 W. 63rd St., Suite 207, Overland Park, Kan. 66202;
 913-677-1550; fax: 913-384-9350

	1991	1990
Premium volume...	\$5,450,000	\$5,015,000
Gross revenues...	\$338,000	\$325,000
Employees.....	7	6
Commercial lines...	80%	75%
Admitted business	95%	95%
Non-admitted....	5%	5%

Founded: 1980.
Business: 100% broker.
Broker for: Primarily United States Aviation Underwriters, American Insurance Group Aviation, American Eagle Group (AOA).
Correspondent: Lloyd's of London.
Specialties: All types of aviation insurance specializing in aircraft products liability.
Principal officers: C.H. Nason, president; Linda S. Joy, vp.
Contact: Linda S. Joy.
Licensed in: All states.
Membership: Aviation Insurance Assn.

National Insurance Professional Corp.

2601 Fourth Ave., Suite 200, Seattle, Wash. 98121-1297;
 206-441-7960; fax: 206-441-3868

	1991	1990
Premium volume...	\$17,336,363	\$18,774,104
Gross revenues...	\$1,917,911	\$2,013,263
Employees.....	25	29
Commercial lines...	100%	100%
Admitted business	35%	30%
Non-admitted....	65%	70%

Founded: 1976.
Business: 95% managing general agent, 5% broker.
MGA for: Lexington Insurance Co., CNA Financial Corp., Transamerica Insurance Co., CIGNA Corp.
Specialties: Liability coverage for social service agencies.
Principal officers: Harry L. Baker, president; Thomas C. Downs, executive vp; William J. Reese, senior vp; William L. Johnson, vp/treasurer; Barry C. Clipsham, vp.
Contact: Kathy Schufreider.
Licensed in: Washington.
Membership: NAPSLO, Professional Liability Underwriting Society.

North Island Group Inc.

30 Park Ave., Manhasset, N.Y. 11030-2444; 516-365-7440;
 fax: 516-365-7392

	1991	1990
Premium volume...	\$52,000,000	\$50,000,000
Employees.....	45	45
Commercial lines...	95%	95%
Admitted business	90%	90%
Non-admitted....	10%	10%

Continued on next page

Reader Reply Service

Products & Services Listing

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To obtain free information on the products and services advertised, turn to our post-paid Reader Service Reply Card bound in this issue, or complete the coupon below and mail to:

BUSINESS INSURANCE
Reader Service Center
 650 So. Clark St., 6th Fl.
 Chicago, IL 60605-1702

Business Insurance

FREE LITERATURE FOR READERS

Issue Date: AUGUST 17, 1992
 Card Expiration: OCTOBER 12, 1992

All questions must be answered to process inquiries. PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

- My organization is best described as:

<input type="checkbox"/> Mfg/Svcs	<input type="checkbox"/> Ins Agent	<input type="checkbox"/> Adj/Apprs
<input type="checkbox"/> Association	<input type="checkbox"/> Ins Broker	<input type="checkbox"/> TPA
<input type="checkbox"/> Union	<input type="checkbox"/> Ins/Reins Co	<input type="checkbox"/> Healthcare Inst
<input type="checkbox"/> Government	<input type="checkbox"/> Actry/Const	
<input type="checkbox"/> Educational Inst	<input type="checkbox"/> Attorney	<input type="checkbox"/> Other
- 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
- 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
- My purchasing involvement for the requested products is to:

<input type="checkbox"/> recommend only	<input type="checkbox"/> specify	<input type="checkbox"/> approve
---	----------------------------------	----------------------------------
- Do you now receive a personally addressed copy of Business Insurance?

<input type="checkbox"/> Yes	<input type="checkbox"/> No, so please send subscription info
------------------------------	---

Circle the numbers below that correspond to the companies listed on our Advertiser Index for the August 17, 1992 issue. Cards with more than 20 items circled will not be processed. This card expires October 12, 1992.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
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121	122	123	124	125	126	127	128	129	130	131	132	133	134	135
136	137	138	139	140	141	142	143	144	145	146	147	148	149	150

Please print clearly

Name _____

Title _____

Company _____

Address _____

City _____ State _____ Zip _____

Phone () _____

Continued from previous page

Founded: 1976.
Business: 65% managing general agent, 35% broker.

MGA for: National Union Fire Insurance Co. of Pittsburgh, Pa., Hermitage Insurance Co., Scottsdale Insurance Co., National Casualty Co. and United States Liability Insurance Co.

Broker for: Primarily General Star National Insurance Co., First State Insurance Co., Chubb Custom Insurance Co., Interstate Fire & Casualty Co., Investors Insurance Co. of America, Lexington Insurance Co., Marine Office of America Corp., Admiral Insurance Co., Fireman's Fund Insurance Co., Reliance Insurance Co., First Central Insurance Co., Travelers Insurance Co., Crum & Forster Inc., Evanston Insurance Co., Calvert Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: New York, Rhode Island, New Jersey.

Specialties: Social services institutional program, including professional liability.

Principal officers: Michael A. Orlando, president; Dennis Loggie and William Battistini, vps; John G. Orlando, vp/secretary.

Contact: Karen DeSocio.
Licensed in: New York, Pennsylvania, New Jersey, Connecticut, District of Columbia, Rhode Island, Virginia.

Membership: NAPSLO, Independent Insurance Agents of America, National Assn. of Professional Insurance Agents.

O

Oakside Management Corp.

366 Veterans Memorial Highway,
Commack, N.Y. 11725;
516-543-4680; fax: 516-543-5138

	1991	1990
Premium volume	NA	NA

Founded: 1986.
Business: 100% underwriting manager.

Underwriting manager for: Illinois Insurance Exchange syndicates, Classic Fire & Marine Insurance Co., United National Insurance Co.

Specialties: Municipalities, professional liability and miscellaneous products.

Principal officers: Arthur E. Torrington, president; John W. Lepre, Janet M. Wesche and Martin Cholewa, vps; Patricia A. Guercia, executive vp.

Contact: Arthur E. Torrington.

P

Paige-Ruane Inc.

983 Old Eagle School Road, Suite
616, Wayne, Pa. 19087;
215-254-9890; fax: 215-254-9893

	1991	1990
Premium volume	\$6,821,280	\$11,121,507
Gross revenues	\$826,852	\$1,300,233
Employees	8	8
Commercial lines	100%	100%
Admitted business	70%	65%
Non-admitted	30%	35%

Founded: 1979.
Business: 95% managing general agent, 5% broker.

Broker for: Primarily Gulf Insurance Co.

Specialties: Long-term automobile leasing.

Principal officers: Ronald Ruane, Sr., president; Frederick Paige, secretary/treasurer; Lisa Shaffran, resident vp; R. Nite Ruane, vp.

Contact: Lisa Shaffran.
Licensed in: Pennsylvania.
Membership: NAPSLO.

Park PM Managing General Agency Inc.

17330 Preston Road, Dallas 75023;
214-931-7650; fax: 214-380-1427

	1991	1990
Premium volume	NA	NA
Employees	2	2
Commercial lines	100%	100%
Admitted business	20%	20%
Non-admitted	80%	80%

* Support services provided by parent company.

Founded: 1977.
Parent company: Protection Mutual Insurance Co.

Business: 60% managing general agent, 40% broker.

Correspondent: Lloyd's of London.

Specialties: Excess oil and gas property, political risk, utilities, manufacturing, retail and foreign property.

Principal officers: Ronald L. Plaster, president and treasurer; James Lindley, vp and secretary.

Contact: R. Plaster.
Licensed in: Illinois and Texas.

Pomerleau Program Administrators

108 Church St., P.O. Box 6,
Burlington, Vt. 05402;
802-863-0544; fax: 802-863-8206

	1991	1990
Premium volume	\$7,800,000	\$5,600,000
Gross revenues	\$1,170,000	\$840,000
Employees	6	5
Commercial lines	100%	100%
Admitted business	30%	10%
Non-admitted	70%	90%

Founded: 1985.
Parent company: Pomerleau Agency Inc.

Business: 90% managing general agent, 10% broker.

MGA for: Columbia Casualty Co., Transcontinental Insurance Co., Continental Casualty Co.

Broker for: Primarily Agricultural Excess & Surplus Insurance Co.

Specialties: Liquor law liability, lawyers and accountants professional liability.

Principal officers: Charles S. Lord, president; Brian L. Courcy, senior vp and general manager.

Contact: Brian L. Courcy.
Licensed in: New Hampshire and Vermont.

Membership: NAPSLO.

Preferred General Agency

20 Washington Place, Providence,
R.I. 02903; 401-453-7000;
fax: 401-453-7204

	1991	1990
Premium volume	\$32,446,000	\$33,133,000
Gross revenues	\$3,703,000	\$3,677,000
Employees	58	76
Commercial lines	100%	100%
Admitted business	15%	15%
Non-admitted	85%	85%

* Support services provided by parent company.

Founded: 1973.
Parent company: PW Group and subsidiary companies.

Business: 10% underwriting manager, 60% managing general agent, 30% broker.

Underwriting manager for: Providence Washington Insurance Co. (only in Alaska).

MGA for: General Star National Insurance Co., American Empire Surplus Lines Insurance Co., Essex Insurance Co., First Financial Insurance Co., Nautilus Insurance Co., Jefferson Insurance Co. of New York.

Broker for: Varies by office.

Correspondent: Lloyd's of London.

Branch offices: Houston; Hartford, Conn.; Boston; New Orleans; Anchorage, Alaska; Cincinnati; Wheeling, W.Va.; Keego Harbor, Mich.

Principal officers: Douglas G. Olson, chairman; Joseph P. Falcone, president; Dana W. Litman, treasurer; Mary Clare Decker, secretary.

Licensed in: Texas, Massachusetts, Louisiana, Oregon, Michigan, Illinois, Pennsylvania, Ohio, West Virginia, Tennessee, Kentucky, Wisconsin, Washington.

Membership: AAMGA, NAPSLO.

Preferred General Agency of the Southwest Inc.

12707 North Freeway, Suite 340,
Houston, Texas 77267-1237;
713-872-0088;
fax: 713-872-0124

	1991	1990
Premium volume	NA	NA
Employees	12	12
Commercial lines	100%	100%
Admitted business	25%	25%
Non-admitted	75%	75%

Founded: 1980.
Parent company: The PW Group.
Business: 65% managing general agent, 35% broker.

MGA for: General Star Indemnity Co., Burlington Insurance Co., Essex Insurance Co., American Empire Surplus Lines Insurance Co., Western Alliance Insurance Co., Providence Washington Insurance Co., underwriters at Lloyd's of London.

Broker for: Primarily Stonewall Surplus Lines Insurance Co., Mount Hawley Insurance Co., United National Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Oil, gas, and energy; long haul trucking.

Principal officers: Patricia Peters, branch manager.

Contact: Patricia Peters.
Licensed in: Texas.

Membership: NAPSLO, Texas Surplus Lines Assn.

Price Forbes North America

Crump E&S Group Inc.: 7557
Rambler Rd., Suite 350, Dallas,
Texas 75231; 214-265-2660;
fax: 214-265-2661
Southern Marine & Aviation
Underwriters: 610 Poydras St., New
Orleans, Louisiana 70130;
504-524-4131; fax: 504-525-0313

See profile on page 43.

Professional Indemnity Agency Inc.

P.O. Box 130, 409 Manville Road,
Pleasantville, N.Y. 10570;
914-747-1818; fax: 914-747-3737

	1991	1990
Premium volume	\$55,000,000	\$50,000,000
Employees	35	35
Commercial lines	100%	100%
Admitted business	60%	60%
Non-admitted	40%	40%

Founded: 1978.
Parent company: Marshall Rattner Inc.

Business: 100% managing general agent.

MGA for: Lloyd's of London, Ulico Casualty Co.

Correspondent: Lloyd's of London.

Specialties: Union fiduciary liability, corporate fiduciary liability, for-profit directors and officers, non-profit directors and officers, miscellaneous errors and omissions, kidnap/ransom/extortion, aggregate and specific stop loss for self-funded medical plans.

Principal officers: Mark Rattner, president; Gerald Axel, senior vp/treasurer.

Contact: Mark E. Rattner.
Licensed in: New Jersey.

Membership: NAPSLO, Professional Liability Underwriting Society, Professional Insurance Agents of New Jersey, Professional Insurance Agents of New York.

Professional Indemnity Management Co.

120 S. Riverside Plaza, Suite 960,
Chicago, Ill. 60606; 312-876-1666;
fax: 312-876-1776

	1991	1990
Premium volume	NA	\$2,500,000
Employees	4	3
Commercial lines	100%	100%
Admitted business	35%	20%
Non-admitted	65%	80%

Founded: 1987.
Business: 100% managing general agent.

MGA for: SAFECO Surplus Lines Insurance Co., General Insurance Co. of America.

Specialties: Non-medical professional liability.

Principal officers: James M. Romano, president; Michelle A. Duffett, executive vp.

Contact: James M. Romano.
Licensed in: Illinois.
Membership: AAMGA, NAPSLO.

Professional Liability Insurance Services Inc.

P.O. Box 160640, Austin, Texas
78716; 512-328-0677;
fax: 512-327-5834

	1991	1990
Premium volume	\$6,880,000	\$6,150,000
Gross revenues	\$653,000	\$596,000
Employees	4	4
Commercial lines	100%	100%
Admitted business	20%	20%
Non-admitted	80%	80%

Founded: 1984.
Business: 100% managing general agent.

Correspondent: Lloyd's of London.

Specialties: Lawyers professional liability insurance.

Principal officers: David J. Hanley, president; Cathy Hays Cable, underwriting manager; Cal Laizure, claims manager.

Contact: David J. Hanley or Cathy Hays Cable.

Licensed in: Texas.
Membership: Professional Insurance Agents.

Professional Managers Inc.

2 N. Riverside Plaza, Suite 1460,
Chicago, Ill. 60606; 312-559-0101;
fax: 312-559-0167

	1991	1990
Premium volume	\$15,000,000	\$17,500,000
Employees	14	15
Commercial lines	100%	100%
Non-admitted	100%	100%

Founded: 1981.
Business: 98% managing general agent, 2% broker.

MGA for: Tudor Insurance Co., General Star Indemnity Co., Western World Insurance Co.

Correspondent: Lloyd's of London.

Subsidiaries: PMI Insurance Services Inc.

Principal officers: John Van Cleave, president; Guy R. Calhoun, executive vp; Brian Van Cleave, vp-underwriting.

Contact: Guy Calhoun.
Licensed in: Illinois.

Membership: AAMGA, NAPSLO, Independent Agents of Illinois, Chicago Board of Underwriters.

Professional Underwriters Agency Inc.

600 Enterprise Drive, Suite 200,
Oak Brook, Ill. 60521;
708-575-8111; fax: 708-575-0033

	1991	1990
Premium volume	\$3,999,363	\$1,594,232
Gross revenues	\$353,144	\$121,745
Employees	NA	NA
Commercial lines	100%	100%
Non-admitted	100%	100%

Founded: 1990.
Business: 97% managing general agent, 3% broker.

MGA for: Investors Insurance Co. of America, Investors Special Risk Insurance Co., underwriters at Lloyd's of London.

Broker for: Primarily St. Paul Surplus Lines Insurance Co., AEGON N.V., Anglo American Insurance Co.

Specialties: Architects, engineers and construction managers professional liability.

Principal officers: Ram H. Chandarana, president; James E. Ruiz, Nila R. Chandarana and Jeanine Benning, vps.

Contact: Ram H. Chandarana.
Licensed in: Illinois.

Membership: Professional Liability Underwriting Society.

R

RISC Inc.

2777 Stemmons Freeway, Suite
1425, Dallas, Texas 75207;
214-640-2222; fax: 214-640-2200

	1991	1990
Premium volume	\$33,500,000	\$28,000,000
Gross revenues	\$3,000,000	\$2,400,000
Employees	27	24
Commercial lines	100%	100%
Admitted business	30%	40%
Non-admitted	70%	60%

* Support services provided by parent company.

Founded: 1966.
Parent company: RIGG Group Inc.

Business: 10% underwriting manager, 50% managing general agent, 40% broker.

Underwriting manager for: International Lloyds Insurance Co.

MGA for: Underwriters at Lloyd's of London, Harco National Insurance Co., American Empire Surplus Lines

Insurance Co., Northern County Mutual Insurance Co.

Broker for: Primarily First State Insurance Co., Lexington Insurance Co., Interstate Fire & Casualty Co., Alliance General Insurance Co., Royal Excess & Surplus Lines Insurance Co., Aetna Casualty & Surety Co.

Specialties: Transportation, energy, logging property.

Principal officers: David L. Geary, president; Frances Griffin, Daniel Whitt, and Chris Floden, vps.

Contact: Mary Ann Johnson, secretary.

Licensed in: Texas.

Membership: NAPSLO, Independent Insurance Agents of Texas, Texas Surplus Lines Assn.

Repath Associates Inc.

4301 Hillsboro Road, Suite 314,
Nashville, Tenn. 37215;
615-297-1739; fax: 615-297-3796

	1991	1990
Premium volume	\$24,000,000	\$23,000,000
Gross revenues	\$1,600,000	\$1,490,000
Employees	22	23
Commercial lines	99.5%	99.5%
Admitted business	27%	35%
Non-admitted	73%	65%

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., underwriters at Lloyd's of London.

Broker for: Primarily Interstate Fire & Casualty Co., Home Insurance Co., American International Group Inc., First State Insurance Co., Fireman's Fund Insurance Co., Transamerica Insurance Co., RLI Insurance Co., General Star Insurance Co., Chubb Custom Insurance Co., Zurich American Insurance Co., California Union Insurance Co., Evanston Insurance Co., United Capitol Insurance Co., United Coastal Insurance Co., Tudor Insurance Co., Columbia Casualty Co., Illinois Insurance Exchange syndicates, Eden Park Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Indianapolis; Greensboro, N.C.; Grand Rapids, Mich.

Specialties: Heavy products accounts, umbrella, large property accounts.

Principal officers: Derek J. Rappath, chairman; Wayne N. Sanders and Ralph Costanzo, senior vps; Russ Bergen, president.

Licensed in: Indiana, Ohio, Michigan, North Carolina, Tennessee.

Membership: NAPSLO.

Recreational Insurance Services Inc.

117 Mill St., Hillsboro, Wis. 54634;
608-489-3221; fax: 608-489-3636

Continued from previous page
Founded: 1980.
Business: 35% underwriting manager, 65% broker.
Underwriting manager for: North American Specialty Insurance Co., Investors Insurance Co. of America, Equipco Insurance Co. Ltd.
Broker for: Primarily Home Insurance Co. of Illinois, Great American Insurance Co., Investors Insurance Co. of America, Reliance National Insurance Co., Alliance General Insurance Co., Illinois Insurance Exchange syndicates, Colony Insurance Co.
Specialties: Products liability, CGL and property for mining risks, employment conditions liability insurance.
Principal officers: James H. Godfrey Jr., president; David G. Condon, vp/general counsel; Chris Stough, treasurer; Lamar Andrews, Donna Stanley, assistant vps.
Contact: Lamar Andrews or Dave Condon.
Licensed in: Alabama.

W.A. Schickendanz Agency Inc.
 300 W. Main St., Belleville, Ill.
 62222; 618-233-0644;
 fax: 618-233-0672

	1991	1990
Premium volume	\$7,200,000	\$7,000,000
Employees	15	16
Commercial lines	80%	80%
Admitted business	80%	80%
Non-admitted	20%	20%

Founded: 1931.
Business: 70% managing general agent, 30% broker.
MGA for: Aegon Insurance Co. (UK) Ltd., American Reliable Insurance Co., Empire Fire & Marine Insurance Co., Evanston Insurance Co., First Financial Insurance Co., Guaranty National Insurance Co., Insurance Co. of Evanston, Landmark American Insurance Co., Nautilus Insurance Co., Northfield Insurance Co., Northland Insurance Co., Sphere Drake Insurance Co. P.L.C., underwriters at Lloyd's, Empire Indemnity Insurance Co.
Broker for: Primarily Guaranty National Insurance Co., Lexington Insurance Co., Mount Hawley Insurance Co., R.L.I. Insurance Co., St. Katharine Insurance Co. P.L.C., Terra Nova Insurance Co. Ltd.
Correspondent: Lloyd's of London.
Subsidiaries: Gateway Premium Budget Inc., Belleville, Ill.
Specialties: Illinois liquor liability and related property and liability, truck liability and physical damage.
Principal officers: C. Jack Miller, president/chief executive officer; Steven C. Miller, executive vp.

Licensed in: Illinois.
Membership: AAMGA, NAPSLO, Illinois Surplus Lines Assn.
The Schinnerer Group
 2 Wisconsin Circle, Chevy Chase, Md. 20815; 301-961-9800;
 fax: 301-951-5444

See profile on page 53.

Seaboard Underwriters Inc.
 2732 Anne Elizabeth Drive, P.O. Box 659, Burlington, N.C. 27215;
 919-584-1465; fax: 919-584-1244

	1991	1990
Premium volume	\$34,619,260	\$34,469,328
Gross revenues	\$2,865,599	\$3,449,103
Employees	52	59
Commercial lines	100%	100%
Admitted business	70%	70%
Non-admitted	30%	30%

Founded: 1957.
Parent company: Acceptance Insurance Holdings Inc.
Business: 70% managing general agent, 30% broker.
MGA for: First State Insurance Co., New England Insurance Co., Acceptance Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Transportation.
Principal officers: Joseph P. Hutelmyer, president and chief operating officer; Andrew Wolff, senior vp; Thomas Fletcher, senior vp; Phillip Hogan, vp; Kathy Cox, assistant vp-accounting manager.
Contact: Lynne B. Cox.
Licensed in: All states.
Membership: AAMGA, NAPSLO.

Seminole All Risk Insurance Underwriters
 Ravenswood Office Center, Suite 114, 5201 Ravenswood Rd., Fort Lauderdale, Fla. 33312-6004;
 305-989-0204; fax: 305-966-0417

	1991	1990
Premium volume	\$1,776,000	\$1,213,000
Gross revenues	\$110,098	\$74,213
Employees	3	3
Commercial lines	100%	100%
Non-admitted	100%	100%

* Support services provided by Florida Adjustment Bureau Inc.
Founded: 1987.
Business: 10% managing general agent, 90% broker.
Broker for: Primarily Assicurazioni Generali S.p.A.
Correspondent: Lloyd's of London.
Specialties: Restaurants, hotels, motels, office buildings, apartment complexes.

Principal officers: Christopher F. Manfre, president, secretary; G.L. Manfre, vp.
Contact: Christopher F. Manfre.
Licensed in: Florida, Illinois, New York.
Membership: NAPSLO, Florida Surplus Lines Assn.

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

	1991	1990
Premium volume	\$108,858,000	\$106,813,000
Gross revenues	\$25,666,048	\$22,739,958
Employees	198	263
Commercial lines	100%	100%
Admitted business	10%	9%
Non-admitted	90%	91%

Founded: 1970.
Parent company: Markel Corp.
Underwriting manager for: Evanston Insurance Co., Insurance Co. of Evanston.
Correspondent: Lloyd's of London.
Subsidiaries: Altis Services Inc., Evanston Ill.
Specialties: All professional liability, errors and omissions, directors and officers and product liability. Unique property and casualty risks.
Principal officers: Anthony F. Markel, chief executive officer; Paul W. Springman, chief operating officer; Steven K. Lauer, chief financial officer.
Contact: Colleen Seffren.
Membership: AAMGA, NAPSLO.

Sherwood Insurance Services
 201 California St., Suite 900, San Francisco, Calif. 94111-5086;
 415-956-3236; fax: 415-956-1204

	1991	1990
Premium volume	\$98,000,000	\$94,000,000
Gross revenues	\$7,700,000	\$7,500,000
Employees	66	60
Commercial lines	100%	100%
Admitted business	80%	80%
Non-admitted	20%	20%

* Support services provided by Florida Adjustment Bureau Inc.
Founded: 1978.
Parent company: Frank B. Hall & Co. Inc.
Business: 10% managing general agent, 90% broker.
MGA for: British National Insurance Co. Ltd., underwriters at Lloyd's of London, Scottsdale Insurance Co., New England Insurance Co., Nautilus Insurance Co.
Broker for: Primarily RLI Insurance Co., Associated International Insurance Co., Scottsdale Insurance Co., New York Marine & General In-

urance Co., Allianz Underwriters Insurance Co., Cameron & Colby Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Woodland Hills, Calif.
Specialties: Commercial earthquake.
Principal officers: James W. Barnes, chief executive officer and chairman; David Hartoch, chief operating officer/president; Casey Hamlin, senior vp; Kevin Schrage, chief financial officer.
Membership: NAPSLO, Western Assn. of Insurance Brokers; Professional Liability Underwriting Society; Professional Insurance Agents of California and Nevada.

Leon F. Skinner Agency Inc.
 1032 Sibley Tower Building, Rochester, N.Y. 14604;
 716-232-3585; 800-836-4430;
 fax: 716-232-2173

	1991	1990
Premium volume	\$7,452,500	\$6,775,000
Employees	6	6
Commercial lines	100%	100%
Admitted business	90%	90%
Non-admitted	10%	10%

Founded: 1952.
Business: 100% managing general agent.
Specialties: Trucking, primary liability and physical damage, cargo, bobtail and deadhead liability.
Principal officers: Leon F. Skinner, president.

Southern Insurance Managers Inc.
 95 Whitebridge Road, Cavalier Building, Nashville, Tenn. 37205;
 615-356-2900; fax: 615-356-3795

	1991	1990
Premium volume	\$6,674,063	\$6,749,575
Gross revenues	\$921,875	\$830,105
Employees	15	14
Commercial lines	82.8%	82.4%
Admitted business	64.2%	69.6%
Non-admitted	35.8%	30.4%

* Support services provided by Arcom, Dallas.
Founded: 1953.
Business: 98% managing general agent, 2% broker.
MGA for: Canal Insurance Co., National Indemnity Co., Scottsdale Insurance Co., National Casualty Co., Thomas Jefferson Insurance Co., Nautilus Insurance Co., Transamerica Premier Insurance Co., Transamerica Specialty Insurance Co., First Financial Insurance Co., Sphere Drake Insurance Co. P.L.C., AEGON Insurance Co., underwriters at Lloyd's of London.
Broker for: Primarily RLI Insurance Co., Employers Reinsurance Corp., Illinois Insurance Exchange syndicates.
Correspondent: Lloyd's of London.
Specialties: Commercial trucking, buses, special multi-peril, monoline fire & general liability.
Principal officers: Edward J. Knish, president; Roy E. Beardin, executive vp; Jan Bessire, vp; Faye Bain, treasurer.
Contact: Edward J. Knish.
Licensed in: Tennessee.
Membership: AAMGA, NAPSLO.

Sovereign Group International Inc.
 242 Main St., Staten Island, N.Y. 10307; 718-317-7000;
 fax: 718-317-8809

	1991	1990
Premium volume	\$20,750,000	\$21,000,000
Gross revenues	\$1,700,000	\$1,900,000
Employees	37	42
Commercial lines	100%	100%
Admitted business	60%	60%
Non-admitted	40%	40%

Founded: 1975.
Business: 60% managing general agent, 40% broker.
MGA for: Scottsdale Insurance Co., National Casualty Co., Frontier Insurance Co., underwriters at Lloyd's of London.
Broker for: Primarily International Insurance Co., General Star Indemnity Co., First Central Insurance Co., Calvert Insurance Co., Reinsurance Corp. of New York, United National Insurance Co., Home Insurance Co.
Correspondent: Lloyd's of London.
Subsidiaries: Sovereign Insurance Services Inc., Iselin, N.J.; Sovereign

General Agency Inc., Bristol Pa.; Sovereign Excess Inc., Braintree, Mass.
Specialties: Contractors, real estate properties.
Principal officers: William F. Lynch, president; Daniel J. Lynch, vp; Joseph V. Certo, assistant vp; Wendy Radler, manager-New Jersey office; Pam Driscoll, manager-Massachusetts office.
Contact: Joseph V. Certo, Wendy Radler, Richard McSweeney or Pam Driscoll.
Licensed in: New York, New Jersey, Pennsylvania, Massachusetts.
Membership: AAMGA, NAPSLO, Professional Insurance Wholesalers of New York, New Jersey Surplus Line Assn., National Assn. of Professional Insurance Agents, Independent Insurance Agents of America.

Special Program Management Inc.
 2 Hudson Place, Hoboken, N.J. 07030, 201-798-5100;
 fax: 201-798-9064

	1991	1990
Premium volume	\$16,944,910	\$15,790,435
Employees	9	9
Commercial lines	100%	100%
Admitted business	14%	12%
Non-admitted	86%	88%

* Support services provided by Calvert Insurance Co.
Founded: 1987.
Parent company: Willis Corroon P.L.C.
Business: 14% underwriting manager, 86% managing general agent.
Underwriting manager for: Calvert Insurance Co.
MGA for: Underwriters at Lloyd's of London.
Correspondent: Lloyd's of London.
Specialties: Directors and officers liability (commercial, for-profit and non-profit), fiduciary, trustee, protective liability.
Principal officers: James R. Martocci, president.
Licensed in: New Jersey.
Membership: AAMGA, Professional Liability Underwriting Society.

Specialty Insurance Services Inc.
 6624 Merrill Road, Jacksonville, Fla. 32211; 904-743-4314;
 fax: 904-743-5657

	1991	1990
Premium volume	\$3,708,746	\$4,283,900
Gross revenues	\$579,676	\$714,172
Employees	14	15
Commercial lines	90%	92%
Admitted business	40%	45%
Non-admitted	60%	55%

Founded: 1979.
Business: 95% managing general agent, 5% broker.
MGA for: Agriculture Excess & Surplus Lines Insurance Co., Empire Fire & Marine Insurance Co., Empire Indemnity Insurance Co., Penn-American Insurance Co., Lincoln Insurance Co., River Thames Insurance Co., St. Katherine Insurance Co. P.L.C.
Broker for: Primarily International Surplus Lines Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Brunswick, Ga.
Subsidiaries: Specialty Insurance Services of Georgia Inc., Brunswick, Ga.; Brundick Marine Underwriters and Commercial Underwriters of Fla., Jacksonville, Fla.
Specialties: Commercial automobile, surplus property, pulpwood equipment floaters.
Principal officers: Harley K. Dulaney, Joanne S. Dulaney, Harley K. Dulaney III.
Contact: Harley K. Dulaney.
Licensed in: Florida, Georgia.
Membership: NAPSLO, Florida Surplus Lines Assn., Georgia Surplus Lines Assn.

Steel Village Agency Public Entities
 1501 Hamburg Turnpike, Box 4720; Wayne, N.J. 07474; 201-696-4600;
 fax: 201-696-8635

	1991	1990
Premium volume	\$15,000,000	\$12,000,000
Gross revenues	\$490,000	\$490,000
Employees	5	5
Commercial lines	100%	100%
Admitted business	90%	90%
Non-admitted	10%	10%

Founded: 1990.
 Continued on next page

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 BEAVERTON, OR (503) 643-4811
 BOTHELL, WA (206) 485-4279

Continued on next page

Business: 100% broker.
Broker for: Primarily Crum & Forster Inc., Employers Reinsurance Corp., American Re-Insurance Co., Safety National Casualty Co., Mutual Reinsurance Bureau, Transamerica Insurance Co.
Specialties: Reinsurance for cities, towns, schools, colleges, pools.
Principal officers: Gerald Drecker, president.
Licensed in: All states.
Membership: PIA.

Allen Sterger & Associates Insurance Services

425 North Date St., Escondido, Calif. 92025; 619-738-8047; fax: 619-738-1664

	1991	1990
Premium volume...	\$8,000,000	\$5,000,000
Gross revenues...	\$750,000	\$475,000
Employees.....	6	4
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted....	5%	5%

Founded: 1989.
Business: 95% managing general agent, 5% broker.
MGA for: Insurance Co. of the West.
Broker for: Primarily Employers Reinsurance Corp., Evanston Insurance Co., American International Group Inc.
Specialties: lawyers professional liability.
Principal officers: Allen Sterger, president; Eileen Sterger; Katie Freeman.
Contact: Allen Sterger.
Licensed in: California.

Myron F. Steves & Co.

3131 Eastside, Suite 600, Houston 77098; 713-522-1100; fax: 713-524-8438

	1991	1990
Premium volume...	\$88,000,000	\$82,000,000
Gross revenues...	\$9,107,000	\$8,174,000
Employees.....	93	92
Commercial lines	84%	87%
Admitted business	13.4%	12.4%
Non-admitted....	86.6%	87.6%

Founded: 1955.
Business: 78% managing general agent, 22% broker.
MGA for: Scottsdale Insurance Co., Guarantee National Insurance Co., Lloyd's of London syndicates, United National Insurance Co., National Indemnity Co.
Broker for: Primarily First Specialty Insurance Co., Surplus Underwriters Casualty Insurance Co., Admiral Insurance Co., Lexington Insurance Co., Chubb Custom Insurance Co., Reliance National Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Naperville, Ill.
Specialties: Hospital & health care professional liability excess of self-insured retentions, miscellaneous medical professional liability, commercial surplus lines auto and general liability, non-standard homeowners and commercial property.
Principal officers: Buddy Steves, executive director-health care liability division; Fred Steves, executive director-property & casualty division; Ida Havens, managing director-health care liability; Bruce Wise, managing director-property & casualty; Larry Willoughby, executive director-insurance operations.
Licensed in: Texas, District of Columbia.
Membership: AAMGA, NAPSLO.

Stewart Smith Group Inc.

3200 Wilshire Blvd., Los Angeles 90010; 213-382-6201; fax: 213-383-8236

See profile on page 47.

Sunbelt Special Risks Inc.

9428 Brookline Ave., Baton Rouge, La. 70809; 504-928-7700; fax: 504-928-7333

	1991	1990
Premium volume...	\$4,750,000	\$4,250,000
Employees.....	9	9
Commercial lines	98%	98%
Admitted business	2%	2%
Non-admitted....	98%	98%

Founded: 1983.
Business: 90% managing general agent, 10% broker.
Correspondent: Lloyd's of London.
Specialties: Contractors, daycare centers, burglar/fire alarm contractors, specialty care homes, welders, landscape contractors, apartments, bars, restaurants.
Principal officers: Michael J. Ardoin, president; Russell A. Landry Jr., vp.
Contact: Mike Ardoin.
Licensed in: Louisiana.
Membership: NAPSLO, Independent Insurance Agents of Louisiana, Professional Insurance Agents, Louisiana Surplus Lines Assn.

Swett & Crawford Group

3699 Wilshire Blvd., Los Angeles 90010; 213-251-1200; fax: 213-383-0241

See profile on page 42.

Symons International Group Inc.

5900 N. Andrews Ave., Ft. Lauderdale, Fla. 33309; 305-772-5061; fax: 305-772-9873

	1991	1990
Premium volume...	\$2,500,000	\$1,800,000
Gross revenues...	\$526,000	\$512,000
Employees.....	9	10
Commercial lines	100%	100%
Non-admitted....	100%	100%

Founded: 1975.
Parent company: Symons International Group Inc. (Indianapolis).
Business: 40% underwriting manager, 50% managing general agent, 10% broker.
Underwriting manager for: Pafco General Insurance Co., United National Group.
MGA for: United National Insurance Co., Terra Nova Insurance Co., underwriters at Lloyd's of London.
Broker for: Primarily Regis Insurance Co., Great American Insurance Co., Western Alliance Insurance Co., Great Republic Insurance Co.,

American Property & Casualty Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Jewelers block, liquor liability.
Principal officers: Douglas H. Symons, president; James F. Young, senior vp; Edward L. Lustigman, vp and general manager.
Contact: Edward L. Lustigman CPCU.
Licensed in: Florida.
Membership: NAPSLO, Florida Surplus Lines Assn.

T

TCO Insurance Services

2029 Village Lane, Solvang, Calif. 93463; 805-688-4995; fax: 805-688-2668

	1991	1990
Premium volume...	\$29,989,383	\$44,090,195
Gross revenues...	\$13,879,631	\$19,204,244
Employees.....	164	208
Commercial lines	100%	100%
Non-admitted....	100%	100%

Founded: 1975.
Parent company: Exstar Financial Corp.
Business: 81% underwriting manager, 19% managing general agent.
Underwriting manager for: Transco Syndicate #1 Ltd., Alpine Insurance Co.
MGA for: United National Insurance Co.
Branch offices: Chicago.
Specialties: Architects and engineers professional liability, general liability/products liability.
Principal officers: Peter J. O'Shaughnessy, president; Steven C. Shinn, Craig L. Rice, executive vps; Christy Renken, Richard G. Kersten, Richard P. Shemitis, Jerry Hart, John T. Clark, Erik Hallberg, senior vps.
Contact: Craig L. Rice.
Membership: NAPSLO.
 Continued on next page

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Spotlight report

Continued from previous page

Tennant Risk Services Inc.

CityPlace II, 185 Asylum St., Hartford, Conn. 06103; 203-527-9717; fax: 203-527-2438

	1991	1990
Premium volume	\$5,000,000	\$4,000,000
Employees	7	5
Commercial lines	100%	100%
Admitted business	20%	5%
Non-admitted	80%	95%

Founded: 1987.
Business: 30% managing general agent, 70% broker.
Broker for: Primarily American International Group Inc., Prudential, The Home Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Insurance agents and brokers errors and omissions, miscellaneous professional liability, trucking.
Principal officers: Robert T. Sargent, president; Kimberley L. Byrd, vp.
Contact: Kimberley L. Byrd.
Licensed in: Connecticut.
Membership: NAPLSLO.

Texas General Agency Inc.

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

	1991	1990
Premium volume	\$20,100,000	\$12,000,000
Employees	35	27
Commercial lines	20%	20%
Admitted business	80%	75%
Non-admitted	20%	25%

Founded: 1980.
Business: 15% underwriting manager, 83% managing general agent, 2% broker.

Underwriting manager for: Gulf States Insurance Co.
MGA for: Old American County Mutual Fire Insurance Co.
Broker for: Primarily Appalachian Insurance Co., General Star Indemnity Insurance Co., International Insurance Co.
Branch offices: Lubbock, Texas.
Subsidiaries: Gulf States Insurance Co., Oklahoma City.
Specialties: Small to medium commercial auto.
Principal officers: Sam M. Cangelosi, president; Don A. Cangelosi and Don E. Meyer, vps; Janice Webre, treasurer/secretary.
Contact: Sam M. Cangelosi or Saul Garcia, marketing director.
Licensed in: Texas.
Membership: AAMGA, Independent Insurance Agents of Texas, Texas Surplus Lines Assn.

Tower Transportation Underwriters Inc.

P.O. Box 35656, 7501 Boulders View Drive, Suite 120, P.O. Box 35656, Richmond, Va. 23235; 804-330-0543; fax: 804-330-3430

	1991	1990
Premium volume	\$5,097,353	\$4,165,734
Gross revenues	\$426,133	\$375,108
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 370, Pleasant Hill, Calif. 94523; 510-603-8500; fax: 510-674-0145

	1991	1990
Premium volume	\$6,000,000	\$3,000,000
Gross revenues	\$500,000	\$245,000
Employees	6	3
Commercial lines	100%	100%
Admitted business	10%	10%
Non-admitted	90%	90%

* Support services provided by Stepan H. Dobrus and Associates.
Founded: 1989.
Business: 100% broker.
Broker for: Primarily First Assurance & Casualty Co. Ltd., RLI Insurance Co.
Specialties: Commercial auto, surety bonds.
Principal officers: Merle Boger, chairman/secretary; John Smalley, president/treasurer.
Contact: John Smalley.
Licensed in: California.
Membership: Western Assn. of Insurance Brokers.

Transportation Insurers Inc.

111 E. Main St., Delphi, Ind. 46923; 317-564-2165; fax: 317-564-4638

	1991	1990
Premium volume	\$7,500,000	\$6,500,000
Gross revenues	\$1,000,000	\$750,000
Employees	18	15
Commercial lines	85%	85%
Admitted business	25%	25%
Non-admitted	75%	75%

Founded: 1859.

Parent company: Bradshaw Insurance Agency Inc.
Business: 15% underwriting manager, 40% managing general agent, 10% broker.
MGA for: Lloyd's of London, Sphere Drake Insurance Co. P.L.C.
Correspondent: Lloyd's of London.
Specialties: Long-haul trucking, commercial transportation.
Principal officers: William H. Bradshaw, president; Thomas C. Bradshaw, vp; Sara Rouse.
Contact: William H. Bradshaw or Thomas C. Bradshaw.
Licensed: Nationwide.
Membership: NAPLSLO.

Tri-City Insurance Brokers Inc.

110 William St., New York, N.Y. 10038; 212-732-1255; fax: 212-619-5202

See profile on page 44.

Tri-State General Insurance Agency Ltd.

208A E. Main St., Salisbury, Md. 21801; 301-546-1255; fax: 301-546-3953

	1991	1990
Premium volume	\$10,100,000	\$9,300,000
Gross revenues	\$1,300,000	\$1,100,000
Employees	26	26
Commercial lines	100%	100%
Admitted business	30%	15%
Non-admitted	70%	85%

Founded: 1979.
Business: 85% managing general agent, 15% broker.
MGA for: Guaranty National Insurance Co., First Financial Insurance Co., Lincoln Insurance Co., Lloyd's of London.
Correspondent: Lloyd's of London.
Branch offices: Westchester, Pa.; Cherry Hill, N.J.; Richmond, Va.
Principal officers: Ed Dickerson Sr., chief executive officer; Ed Dickerson III, president; Kathy Ellmaker, vp.
Contact: Ed Dickerson Sr.
Licensed in: Maryland, Pennsylvania, Virginia, New Jersey, District of Columbia, Delaware.
Membership: NAPLSLO.

Trinity E&S Insurance Services/Trinity MGA Insurance Services Inc.

79-301, Country Club Drive, Suite 200, Bermuda Dunes, Calif. 92201; 619-360-4100; fax: 619-360-0055

	1991	1990
Premium volume	\$9,108,225	\$9,458,300
Gross revenues	\$1,066,015	\$1,079,200
Employees	11	9
Commercial lines	100%	100%
Admitted business	43%	45%
Non-admitted	57%	55%

* Support services provided by TCO Insurance Services.
Founded: 1985.
Business: 30% managing general agent, 70% broker.
MGA for: Penn-America Insurance Co.
Broker for: Primarily Transco Syndicate, First Oak Brook Syndicate, Burlington Insurance Co., Lincoln Insurance Co.
Correspondent: Lloyd's of London.
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: NAPLSLO, California Insurance Wholesalers Assn.

Trinity Managers International Inc.

111 Broadway, 7th Floor, New York, N.Y. 10006; 212-766-7000; fax: 212-766-7009

	1991	1990
Premium volume	\$10,000,000	NA
Employees	5	NA
Commercial lines	100%	NA
Admitted business	50%	NA
Non-admitted	50%	NA

* Support services provided by outside company.
Founded: 1991.
Business: 100% broker.
Broker for: Primarily CNA Insurance Cos., Allianz Underwriters Insurance Co., Home Insurance Co.

Correspondent: Lloyd's of London.
Specialties: Architects and engineers professional liability, product liability.
Principal officers: Barnett Rothenberg, president; Susan Burnham, vp.
Contact: Barnett Rothenberg.
Licensed in: New York.

Truckers Insurance Associates Inc.

7117 Hickman Road, Des Moines, Iowa 50322; 515-276-7704 or 800-652-9515; fax: 515-276-1418

	1991	1990
Premium volume	\$16,500,000	\$14,900,000
Employees	19	17
Commercial lines	99%	99%
Admitted business	99%	99%
Non-admitted	1%	1%

Founded: 1943.
Business: 90% managing general agent, 10% broker.
MGA for: Northland Insurance Co., Carolina Casualty Insurance Co.
Broker for: Primarily The Hartford Insurance Group, Continental-Western Insurance Co., Hawkeye-Security Insurance Co., Marine Office of America Corp., Crum & Forster Commercial Insurance.
Correspondent: Lloyd's of London.
Specialties: Trucking, public auto.
Principal officers: Gary K. Albaugh, chairman/chief executive officer; John D. Wilson, president.
Contact: Gary K. Albaugh.
Licensed in: Iowa.
Membership: AAMGA.

U.S. & Overseas Agencies Inc.

1693 Stuyvesant Ave., Union, N.J. 07083; 908-964-5950; fax: 908-964-9487

	1991	1990
Premium volume	\$3,600,000	\$3,739,000
Gross revenues	\$506,000	\$428,000
Employees	10	11
Commercial lines	85%	85%
Admitted business	15%	15%
Non-admitted	85%	85%

Founded: 1933.
Business: 80% managing general agent, 20% broker.
MGA for: Lincoln Insurance Co., underwriters at Lloyd's of London, Mount 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 Neubauer.
Licensed in: New Jersey.
Membership: NAPLSLO.

U.S. Risk Inc.

5910 N. Central Expressway, Suite 1580, Dallas, Texas 76206-5146; 214-265-7090; fax: 214-739-1421

	1991	1990
Premium volume	\$43,000,000	\$29,000,000
Gross revenues	\$3,500,000	\$2,200,000
Employees	47	38
Commercial lines	100%	100%
Admitted business	5%	5%
Non-admitted	95%	95%

Founded: 1977.
Business: 40% managing general agent, 60% broker.
MGA for: Underwriters at Lloyd's of London, Acceptance Insurance Co., General Agents Insurance Co.
Broker for: Primarily Aetna Casualty & Surety Co., Evanston Insurance Co., Transamerica Insurance Co., Home Insurance Co., Chubb Custom Insurance Co., Great American Insurance Co., Alliance General Insurance Co., GRE of America Corp., General Star Indemnity Co., United National Insurance Co.
Correspondent: Lloyd's of London.

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Continued from previous page

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Subsidiaries: U.S. Risk Underwriters Inc., Dallas; R.L. Jarrett Risk Services Inc., Austin, Dallas and Houston, Texas; Jarrett Energy Inc., Dallas; Jean Deal & Associates, Dallas; U.S. Risk of Florida Inc., Boca Raton, Fla.; Jarrett Specialty Insurance Services, Larkspur, Calif.; U.S. Risk of Tennessee Inc., Nashville, Tenn.

Specialties: Professional liability, directors and officers liability, excess casualty, umbrella.

Principal officers: Randall G. Goss, president/chief executive officer; L.M. Wesson Jr., Caren P. Roberts, executive vps; L. Douglas Williams, executive vp/chief financial officer.

Contact: L.M. Wesson Jr.
Licensed in: Texas, Florida, California, Tennessee.

Membership: AAMGA, NAPSLO, Texas Surplus Lines Assn.

W

Alexander J. Wayne & Associates Inc.

651 W. Washington Blvd., Suite 303, Chicago, Ill. 60661;
312-993-9666; fax: 312-993-1108

	1991	1990
Premium volume	\$6,000,000	\$4,000,000
Gross revenues	\$490,000	\$380,000
Employees	5	4
Commercial lines	100%	100%
Admitted business	70%	60%
Non-admitted	30%	40%

Founded: 1989.
Parent company: C.E. Heath Ltd., London.
Business: 20% managing general

agent, 80% broker.

MGA for: Lloyd's of London.
Broker for: Primarily National Re, American International Group Inc., Lloyd's of London.

Correspondent: Lloyd's of London.

Specialties: Directors and officers/errors and omissions.

Principal officers: Alexander J. Wayne, president; Arthur Baden, Thomas J. Cummane, vps; Gerilyn Desmond, assistant vp.

Contact: Alexander J. Wayne.
Licensed in: Illinois.

Membership: Illinois Surplus Lines Assn., Assn. of Lloyd's Brokers.

Westport Management Group Ltd.

366 Veterans Memorial Highway, Commack, New York 11725;
516-543-5010; 516-543-5138

	1991	1990
Premium volume	NA	NA
Employees	14	13
Commercial lines	100%	100%

Founded: 1985.
Business: 100% underwriting manager.

Underwriting manager for: Classic Syndicate Inc., Classic Fire & Marine Insurance Co.

Specialties: Insurance agents errors and omissions, clergy liability, environmental consultants.

Principal officers: Arthur E. Torrington, chairman; John W. Lepre, president; Janet M. Wesche and Martin Cholewa, vps; Patricia A. Guecia, executive vp.

Contact: Arthur E. Torrington.
Licensed in: New York.
Membership: NAPSLO.

The Wetzel Co. Inc.

P.O. Box 66452, Five Post Oak Park, Suite 510, Houston, Texas 77266; 713-621-6033;
fax: 713-621-7034

	1991	1990
Premium volume	\$51,000,000	\$48,700,000
Gross revenues	\$3,850,000	\$3,700,000
Employees	32	28
Admitted business	57%	60%
Non-admitted	43%	40%

Founded: 1973.
Parent company: Miller Insurance Group-London.

Business: 16% managing general agent, 84% broker.

MGA for: American Insurance Co.
Broker for: Primarily Lloyd's of London and various Institute of London Underwriters.

Correspondent: Lloyd's of London.

Specialties: Oil and gas.

Principal officers: Ed Cave, chief executive officer; William G. Cole, vp/chief financial officer; Gerald Averitt, James Brewer, Michael O'Reilly, vps.

Contact: William G. Cole.
Licensed in: Texas.

Membership: NAPSLO, Texas Surplus Lines Assn.

Wood & Co. Inc.

5335 Triangle Parkway, Suite 300, Norcross, Ga. 30092; 404-448-7148 or 800-476-4703; fax: 404-448-7105

	1991	1990
Premium volume	\$41,209,981	\$35,886,171
Gross revenues	\$2,823,879	\$2,564,061
Employees	22	22
Commercial lines	100%	100%
Admitted business	60%	55%
Non-admitted	40%	45%

Founded: 1984.

Parent company: McGriff, Seibel & Williams Inc.

Business: 10% managing general agent, 90% broker.

MGA for: Lloyd's of London.

Broker for: Primarily Royal Indemnity Co., International Insurance Co., Fireman's Fund Insurance Cos., The Home Insurance Co., St. Paul Surplus Lines Insurance Co., Transamerica Insurance Co., Travelers Insurance Co., First State Insurance Co., Northfield Insurance Co., Interstate Fire & Casualty Co., Chubb Custom Insurance Co., General Star Management Co., Zurich American Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Manufacturing, processing, retail, real estate, contractors.

Principal officers: Bruce Wood, president/chief executive officer; Evelyn Wood, vp/secretary; Mike Rimbe, George Showalter and Don Swift, vps.

Contact: Bruce Wood.

Licensed in: Georgia, Alabama, Virginia.

Membership: NAPSLO, Georgia Surplus Lines Assn., Georgia Property & Casualty Insurance Wholesalers.

Worldwide Facilities Inc.

3530 Wilshire Blvd, Suite 1400, Los Angeles, Calif. 90010;
213-380-4670; fax: 213-384-5180

	1991	1990
Premium volume	\$30,000,000	\$32,000,000
Gross revenues	\$2,000,000	\$2,100,000
Employees	23	23
Commercial lines	100%	100%
Admitted business	30%	30%
Non-admitted	70%	70%

Founded: 1970.
Parent company: Worldwide Facilities Inc.

Business: 100% broker.

Broker for: Primarily Admiral Insurance Co., Associated International Insurance Co., Chubb Custom Insurance Co., Continental Corp., Crum & Forster Inc., Eden Park Insurance Co., First State Insurance Co., General Star Management Co., The Home Insurance Co., Illinois Insurance Exchange, Mutual Marine Office Inc., Reliance National Insurance Co., Transamerica Insurance Co., Transcontinental Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Construction, manufacturing, public entity.

Principal officers: Donald R. Davis, chairman; Stephen B. Campbell, vice chairman; Davis D. Moore, president; Frank J. Bermack and Lynn W. Davis, vps.

Contact: Stephen B. Campbell.

Licensed in: California.

Membership: NAPSLO.

QE2 damage

Continued from page 1
overhaul in November.

He added that two days had been lost because dry dock facilities were not readily available at General Ship Corp. of Boston, which is conducting the repairs.

The spokesman said the vessel was fully insured against loss of revenues arising from the two canceled voyages. However, he said he could not estimate how much Cunard lost by canceling the cruises.

Based on ticket prices and passenger counts obtained from a Cunard ticket office in London, the loss undoubtedly would amount to well in excess of 2 million pounds (\$3.85 million). And if the ship—which suffered a 300-foot dent in its hull, according to initial reports—is unable to sail on Aug. 18, refunds on the 10 highest-priced berths alone would amount to a further 56,050 pounds (\$107,896), assuming all 10 tickets were sold at full fare.

Hull and business interruption coverage for the QE2 are placed in the London market by Willis Corroon Group P.L.C. and are led by Commercial Union P.L.C.

Marine liability coverage is underwritten by the Steamship Mutual Underwriting Assn., a protection and indemnity club.

Peter Ward, chief executive officer in the United Kingdom for Commercial Union, last week played down the effect any claim from the QE2 would have on the company's marine account, which incurred a 34 million pound (\$65.5 million at current exchange rates) underwriting loss last year.

Still unclear are the issues of who is responsible for the accident and whether negligence played a part. No one was hurt when the vessel, carrying its maximum capacity of 1,806 passengers and a crew of more than 1,000, shuddered to a halt after it struck an unidentified submerged object as it was progressing slowly through Vineyard Sound off Martha's Vineyard, Mass.

The Cunard spokesman made no attempt to attribute responsibility

before the formal investigation into the mishap. He did say that a local pilot was at the ship's wheel at the time of the accident, as is customary in coastal waters.

The National Transportation Safety Board is working with a team from the maritime accident investigation branch of Britain's Department of Transport. The team flew to Boston within 24 hours of the accident.

Cunard's ticket office in London confirmed that tickets for the QE2's Atlantic crossings in August range from M class at 635 pounds (\$1,222) per ticket to A class at 5,605 pounds (\$10,790) per ticket. All 10 A class cabins are booked for the Aug. 18 crossing, the ticket office said.

The Cunard spokesman said that the company's greatest fear is that passengers booked for cruises later in the year would conclude that the QE2, or sea travel generally, was unsafe and would cancel reservations. But this risk, for which Cunard is not insured, has not materialized, he said.

He stressed that the 23-year-old ship, which has carried 1.5 million people more than 3.5 million miles, has a good safety record.

Cunard will pay for accommodations for the crew stranded while the ship is being repaired. The spokesman did not know whether the cost would be covered by insurance.

Fewer than half of the 1,000 crew members aboard the QE2 are employed directly by Cunard, the company said. The remainder are employees of various concessionaires and suppliers.

If the accident had occurred in Southampton, "half the crew could simply have gone home," the spokesman said.

A spokesman for General Ship Corp. said last week the company was "hopeful" that it can restore the QE2 to a seaworthy condition in time for the Aug. 18 cruise. But he stressed that a proper assessment of the damage to the hull would not be possible until the vessel was in dry dock.

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BC/BS woes

Continued from page 1

Others note that the Blues have a history of merging troubled plans with successful plans to avoid insolvencies and that BC/BS plans would not be under scrutiny now if it were not for the financial problems that have hit several large life/health insurance companies.

Blue Cross & Blue Shield Assn. President Bernard T. Tresnowski admits that the association is closely "monitoring" at least 14 BC/BS plans because of signs of financial weakness. However, other sources and media reports have indicated that as many as 20 Blues plans are having financial or management problems.

Mr. Tresnowski of the Chicago-based association would not identify the plans under scrutiny.

However, several of the system's 73 plans are reporting surplus deficiencies. For example, Blue Shield of Western New York reported a \$25.5 million surplus shortfall as of Jan. 1.

Other plans whose claims finances do not meet state statutory requirements include:

- Empire BC/BS in New York City, which reported an \$81.6 million surplus as of the end of May—less than 17% of the \$492 million statutory target.

- BC/BS of Vermont, which reported an accumulated surplus of \$7.5 million for 1991—or about half the amount the Berlin, Vt.-based plan needs under the state's statutory requirements.

- BC/BS of New Jersey, whose surplus is only \$17 million—just a fraction of the state-mandated \$70 million requirement for the Blues plan.

Some insurance commissioners have complained about problems regulating BC/BS plans. Regulators have charged that the plans' directors sometimes refuse to provide information sought by state officials, according to a report by the Senate Permanent Subcommittee on Investigations. Senate investigators are concerned that the BC/BS system may be riddled with financial mismanagement and misconduct.

But Mr. Tresnowski told the subcommittee, chaired by Sen. Sam Nunn, D-Ga., that the overall BC/BS system is "strong, stable and financially sound."

Many of the financial problems encountered by individual plans are the result of local economic, political and regulatory conditions, Mr. Tresnowski said.

During his testimony before the Senate subcommittee, he stressed that the failure of BC/BS of West Virginia in 1990 was in part due to "a depressed economy and high health care prices."

While benefit consultants say serious mismanagement probably had a hand in undoing the West Virginia plan, they agree that the economic and regulatory environments in each state can cause trouble for BC/BS plans.

"The regulatory environment can have an impact on the ability of the Blues to be solvent," said Harvey Sobel, a consulting actuary with William M. Mercer Inc. in New York.

"Insurance departments may OK rate increases, but consumer groups in the state may not want increased rates," Mr. Sobel explained.

As a result, some insurance commissioners, particularly during an election year, may be reluctant to approve rate increases for BC/BS plans "because it's poli-

tically unsound," pointed out Dr. Michael McGarvey, managing director and director of the Health Strategies Group of Alexander & Alexander Consulting Services Inc. in Lyndhurst, N.J.

In some states, "the insurance department will appear to be tough and not grant rate increases, and then the Blues end up not getting adequate rates to run their business."

Furthermore, consultants say, some plans' financial problems have been caused by the underwriting practices of commercial insurers. These insurers are able to "cherry pick" the healthiest risks, leaving BC/BS plans—which in most states must cover all comers—to underwrite the groups and individuals with the worst experience.

Others point to the volatility of the health insurance marketplace and the inability of BC/BS plans, unlike some large multiline commercial insurers, to withdraw from that line of business if it becomes too risky.

And, the inadequate surplus reported by some BC/BS plans does not necessarily spell disaster for those plans or their policyholders, consultants say.

"I'm telling clients (Empire BC/BS) has some inherent problems, but I don't see it as a red flag. I'm not saying I wouldn't use them," said Barry Barnett, a principal in the New York office of Deloitte & Touche.

Because each plan's financial and regulatory circumstances differ, Mercer's Mr. Sobel discourages clients from over-generalizing. He tells benefit managers to examine their own plan's finances.

"If an employer says, 'I'm worried about BC/BS,' I ask which plan it is insured by. If necessary, we can get their financial statements and look into it further. But each plan has to be taken on its own merits," he said.

Even some employers with coverage underwritten by one of the BC/BS plans perceived to be in danger are not ready to abandon ship.

The City of New York offers 650,000 active employees and their dependents hospital coverage through Empire BC/BS and 7,000 other workers coverage through an Empire BC/BS health maintenance organization.

"We discussed their situation with their financial people and we are monitoring it closely. But we haven't seen any evidence that they are in real trouble," said Caroline Sullivan, deputy commissioner in the office of labor relations and employee benefits for the city.

"We know they are impaired, but for a company their size, it isn't exactly a death knell," said Leonard Leto, director of the city's health benefit programs.

Empire BC/BS, meanwhile, is suing New York state insurance regulators to force the approval of a three-year plan designed to restore its surplus to half the statutory requirement (BI, Aug. 3).

"No one with Blue Cross coverage is raising this issue as a reason to leave Blue Cross," said Tom Billet, a principal with A. Foster Higgins & Co. Inc. in Stamford, Conn.

"No one is more concerned about Blue Cross than about an Aetna or a Travelers," he said, referring to two commercial insurers whose troubled real estate investment portfolios have grabbed the attention of ratings

agencies.

"In a market economy, whether you are a Blue Cross plan or a (commercial) insurance company, there will be failures," pointed out Mr. Sobel of Mercer.

But, he said, "I don't think this means the whole BC/BS system is in trouble. I think it's been blown out of proportion."

But there are skeptics. "I don't think it's as simple as any of those arguments," said John Dabolt, an independent health care management consultant in Rochester, N.Y.

For example, other insurers and managed care organizations in New York have been able to thrive in the same arena that BC/BS plans say is causing them problems, Mr. Dabolt said.

There may be some validity to the argument that some commercial insurers are cherry picking the good risks, leaving the BC/BS plans with unhealthy risks, Mr. Dabolt said. But, "There is more under the surface than meets the eye."

'In a market economy, whether you are a Blue Cross plan or a (commercial) insurance company, there will be failures. . . . But, I don't think this means the whole BC/BS system is in trouble. I think it's been blown out of proportion,' says Mercer's Mr. Sobel.

Others agree, saying poor management may be the real reason why some BC/BS plans, like Empire BC/BS, are having trouble.

"There is certainly some truth to the argument that other organizations leave Empire with poorer risks, but the business question that needs to be asked is: 'Why did they take so long to respond to that issue?'" said John Urban, chief executive officer of Preferred Care, a Rochester, N.Y.-based HMO.

Preferred Care operates in the same market as Rochester BC/BS. Because the plans compete head to head, "we both operate on thin margins," Mr. Urban said.

However, the management of the Rochester plan "woke up to the fact that they had a serious threat and responded appropriately" by, among other things, offering more competitive products.

"I think there are some very legitimate questions that can be raised about Empire, though. There are a number of people and institutions that would question their management practices," Mr. Urban said.

Indeed, the New York state Legislature has mandated that a special audit be conducted of Empire's general operations by May 1993.

An Empire spokesman defended the plan's management practices and blamed its troubles on inadequate rate increases approved by regulators and cherry picking by commercial health insurers.

Weiss Research ratings of individual BC/BS plans has heightened policyholders' concerns over the Blues' financial strength.

However, consultants say the Weiss ratings may not necessarily paint the clearest picture of a plan's stability.

Weiss Research is the only insurance ratings organization that systematically evaluates all BC/BS plans in terms of their financial strength and ability to pay future claims.

"They floated to the top as an

authority because no one else rates all BC/BS plans," said Foster Higgins' Mr. Billet. However, "The methods they are using need to be scrutinized."

Many BC/BS plans assigned a poor rating by Weiss Research are outraged, claiming, among other things, that the agency used old financial data.

Others agree. "Our impression was perhaps (Weiss) was working with some dated material," said a spokesman for the Massachusetts Department of Insurance.

Weiss assigned an E "safety rating" to BC/BS of Massachusetts, identifying it as one of the six lowest-rated hospital, medical and dental indemnity plans in the country.

However, "In the last 18 months, BC/BS of Massachusetts has shown some significant improvement, and their reserves meet the statutory requirements in the state," the Massachusetts department spokesman said.

A spokeswoman for BC/BS of

Massachusetts said 1991 was the

third year the plan reported a financial gain: \$39.3 million or roughly 1% of its \$3.5 billion in net written premiums. The plan reported \$500 million in cash and investments for 1991 and a statutory surplus of nearly \$150 million, which exceeds Massachusetts' \$70 million requirement, she added.

"The Weiss report used 2-year old data," the BC/BS of Massachusetts spokeswoman complained. "In the analysis, they were critical of our stock portfolio because it wasn't 'diverse.' That comment is outrageous. Our investments are in Treasury bonds and blue chip stocks, which we consider sound investments."

Weiss Research stands by its ratings. "We look at many different things when we rate a plan, and any one thing may be OK. But looking at the entire picture is how we come up with our ratings," a spokeswoman said.

Weiss research collects plans' most recent financial data—in this case financials from year-end 1991—and examines information that BC/BS plans are required to file with the National Assn. of Insurance Commissioners, she said (BI, July 6).

Explaining Weiss' assessment of the Massachusetts plan's investment portfolio, the rating agency spokeswoman said: "According to the information we have from the NAIC, they have zero investments in government securities, a 6.5% investment in real estate and the rest is all in investment grade bonds. If that situation has changed, they should give the NAIC the new information."

Hawaii BC/BS officials also disagree with Weiss' rating of their plan. "We are still in some discussion with Weiss about the information they used to come up with the rating," said Marvin Hall, president of Hawaii Medical Service Assn., the BC/BS plan in Honolulu. Weiss assigned an E rating to the plan, even though it has nearly \$129 million

in surplus as of June. Under Hawaii's insurance regulations, the plan must have slightly more than \$2 million of surplus in 1992, Mr. Hall said.

The heightened attention on the solvency of BC/BS plans also is due in part to the highly publicized failure of Executive Life Insurance Co. and the financial troubles that led to Mutual Benefit Life Insurance Co.'s rehabilitation, consultants say.

Less than half of the states provide guaranty fund coverage to pay the claims of individuals insured by a failed BC/BS plan. "The Blues are 'insurers of last resort,'" A&A's Dr. McGarvey explained. "If a BC/BS plan goes out of business, its policyholders will not be enthusiastically embraced by other insurers." As a result, the possibility of a plan failure "becomes very newsworthy."

And, the public's outrage over the savings and loan scandal has made solvency a top concern, they say.

In addition, the public and the press may be hungering to hear gory details of financial mismanagement within BC/BS plans because "problems with BC/BS plans in the past have been quietly taken care of behind the scenes," mostly through mergers, Mercer's Mr. Sobel said.

In fact, the BC/BS Assn. has been encouraging financially anemic plans to merge with robust plans so the system "will end up with fewer, stronger, plans," he noted.

That strategy may help Blue Shield of Western New York, which has announced a tentative agreement to merge with financially solvent Blue Cross of Western New York.

Encouraging weaker plans to merge with strong plans is about all the BC/BS Assn. can do, consultants and BC/BS officials say. The BC/BS Assn. has no authority to guarantee the solvency of the 73 plans that carry its trademarks.

BC/BS officials stress that each of the 73 plans are separate legal and financial entities managed by their own boards of directors.

The BC/BS Assn. licenses its trademarks to individual plans that meet its requirements, including standards for financial strength. If the association learns of any financial or management problems, it will alert the plans' board of directors and local regulators—but not the policyholders.

At best, if an individual plan does not measure up over time, the association can rescind the right to use its trademarks.

However, that has never occurred. "I don't know if the association has the ability or the duty to blow the whistle and alert the public to plans' troubles," Mr. Sobel said. "They are in somewhat of a quandary: They don't want a run on the bank if the bank can succeed."

Some BC/BS plans are welcoming the scrutiny.

"I believe the attention being paid to the whole issue of solvency—not just of health insurers but also life insurers—is a healthy thing," said Ray McCaskey, president and chief operating officer of BC/BS of Illinois.

"The quality and professionalism of regulation does vary around the country, and people have the right to be concerned that something as important as health insurance will be there when they need it."

Antitrust suit

Continued from page 1

pared the brief at the Supreme Court's request (BI, March 30). At the appellate level, the department had supported the state attorneys general's arguments (BI, May 21, 1990).

Insurance industry defendants plan to respond with their own brief, possibly sometime this week.

The Supreme Court is expected to decide in early October whether to hear the case. If the court does not take the case, it would be returned to the district court, where it has been assigned to Judge Charles Legge, who was appointed by President Reagan in 1984.

Judge Schwarzer is now director of the Federal Judicial Center in Washington, the research and education arm of the judiciary.

In their lawsuit, originally filed in 1988, the state attorneys general allege 32 defendants engaged in a boycott to manipulate the U.S. liability insurance market. The defendants include major U.S. insurers and reinsurers, the Insurance Services Office Inc. and the Reinsurance Assn. of America, as well as several London underwriters.

The suit alleges the boycott forced ISO to rewrite its commercial general liability form to exclude coverage for pollution incidents and to include a retroactive date in the claims-made version of the form.

The antitrust exemption insurers enjoy under the McCarran-Ferguson Act does not extend to boycotts or coercion.

"Obviously, we would have preferred it if the Justice Department had said 'Yes, you should have taken it,'" said Bartlett H. McGuire, a lawyer representing New York-based ISO. But the brief could still provide some "very powerful arguments" for taking the case,

said Mr. McGuire of Davis, Polk & Wardell in Washington.

To the plaintiffs, the brief offered welcome support.

"I think the brief is very helpful to the states," said Kevin O'Connor, assistant attorney general for Wisconsin, one of the 20 plaintiff states. "It's much more likely the Supreme Court will decide not to hear it."

In the 26-page brief, the solicitor general stresses the importance and complexity of the case, but points out that the appellate court's ruling does not conflict with other appellate or Supreme Court decisions.

The brief next points to the 9th Circuit's "suggestion" that domestic insurers forfeit their antitrust immunity under McCarran-Ferguson by acting in concert with foreign reinsurers. "Although we are troubled" by this suggestion, the brief said, "that does not alter the result."

Defendants are concerned about the implications of the court's reasoning on this issue on their day-to-day business activities, the brief acknowledged. "This is a legitimate and justifiable concern, but we are not persuaded that the 9th Circuit's brief and singularly unilluminating discussion of the forfeiture issue warrants interlocutory review."

On the remaining issues, however, the Justice Department said it sides with the 9th Circuit.

For instance, it agrees that the activities alleged in the suit could be considered a boycott. "In our view, the conduct alleged in the complaint falls within the exception to McCarran-Ferguson immunity for 'any... act of boycott, coercion or intimidation,'" says the brief.

Furthermore, it adds, "The legislative history of the McCarran-Ferguson Act reinforces the conclusion that the activities alleged here fall within the boycott exception."

The Justice Department also rejected defendants' argument that the boycott exception applies only to an absolute refusal to deal on any terms.

Under such a limited reading, the Justice Department contends, the McCarran-Ferguson act "would immunize virtually any form of coercive activity, as long as the companies engaging in coercive tactics did not seek to drive their competitors completely out of business by refusing to deal with them on any terms. We therefore agree with the court of appeals that petitioners' alleged conduct is within the boycott exception of McCarran-Ferguson."

The attorneys general charge that there was a concerted refusal by reinsurers to deal at the behest of a group of primary insurers. Because this conduct falls within the boycott exception, the Justice Department argued, "There is thus no antitrust exemption for the alleged conduct, and the question whether petitioners' alleged conduct was lawful therefore must be analyzed under the antitrust laws."

The defendants, however, will have the opportunity to make "plausible arguments" that their activities "were intended to enhance overall efficiency and make markets more competitive," says the brief, in quoting another case.

The Justice Department also agreed with the 9th Circuit that the insurers' activities were not exempt from federal antitrust laws under the state action doc-

trine. That doctrine exempts anticompetitive restraints of trade from antitrust law if the restraints reflect a state policy and if the state actively supervises any private anticompetitive practice.

"The court of appeals applied the correct legal standard," says the brief.

"Indeed," it continues, "it is highly unlikely that state officials approved such activity, because the state insurance laws expressly prohibit coercion and boycotts."

In its brief, the Justice Department also agrees with the 9th Circuit on the issue of comity, which is a reciprocal respect for foreign law. Judge Schwarzer had dismissed the foreign defendants from the case on the basis of comity, but was overturned on appeal.

The 9th Circuit correctly recognized that application of federal antitrust law in this context is inconsistent with British law and policy, the Justice Department said.

But the court concluded this inconsistency is outweighed by several other factors, among them "substantial and foreseeable adverse effects" in the United States, where the defendants do at least half their casualty underwriting. "There is no reason for this court to review this fact-specific analysis by the court of appeals at this juncture," the brief concludes.

In a footnote, the Justice Department states that it believes the 9th Circuit reached the right result, but it supports the approach taken by Judge Schwarzer "to require the parties to form their contentions and resolve as many legal and factual issues as possible without trial."

"Moreover," continues the footnote, "we do not view the court of appeal's decision as precluding the possibility that the case can be resolved on remand on motion for summary judgment."

Ironically, defense lawyers contend the Justice Department brief may actually encourage the Supreme Court to take the case.

The Justice Department is

"looking in two directions," said Steven M. Shapiro of Mayer, Brown & Platt in Chicago, which prepared the review petition filed by most of the U.S. defendants.

On the one hand, it acknowledges the case's importance, cites an error in the ruling on the forfeiture issue and discusses the uncertainty surrounding the boycott issue, he said. Yet, the bottom line in the brief is that the Supreme Court should not review it, Mr. Shapiro observed.

While the Supreme Court follows the advice of the Justice Department in two out of three cases, "this is an unusual brief," he said. "I think it's a case likely to get close attention from the court."

Mr. McGuire, the ISO attorney, said: "I think we have a better chance than we did before the solicitor general filed the brief, even though his bottom line is that the Supreme Court shouldn't take the case."

Because the Justice Department had earlier supported the state attorneys general, it would have been "a little unusual" for it to seek review by the Supreme Court, he said.

Mr. McGuire also said he believes the court will look closely at the brief itself, and not just at its bottom-line recommendation. The justices obviously were interested in the case because they asked for the solicitor general's opinion, he said. And having done so, they are likely to consider it carefully.

A spokesman for ISO said the solicitor general did not realize the uncertainty the 9th Circuit ruling had created.

"We're confident that the Supreme Court will appreciate the difficulties that the appellate court created and will hear the case," he said.

The fact that the Justice Department disagreed with a key finding in the brief "underscores the desirability of a Supreme Court review," the spokesman said.

But state attorneys general stress that the appellate court's stance on the forfeiture issue was an alternative holding. Even if it

had ruled differently on this point, the court still would have found that by establishing a boycott the defendants gave up their antitrust immunity.

"It's simply a redundant issue in many respects," said Mr. O'Connor of Wisconsin.

"The case can rest perfectly well on the boycott issue," agreed Thomas M. Alpert, assistant attorney general for Massachusetts, another plaintiff state. The Justice Department was "100% behind us" on this issue, he said.

Furthermore, on every other issue—including state action, standing and comity—"the brief comes squarely down on the side of the states," Mr. Alpert said. "This is a very strong pro-state brief."

State attorneys general also note that the 9th Circuit ruling did not conflict with other appellate court rulings.

So long as this is true, "this is not the kind of case the Supreme Court should take, and I think that's most important to the court," said Ellen Cooper, assistant attorney general for Maryland.

The 9th Circuit decision was "very mainstream," said James R. Lewis, assistant attorney general for Colorado. "There's nothing of a cutting edge nature there" that would call for Supreme Court review.

"I think the chances are very slim that they will hear the case," agreed California Deputy Attorney General Kathleen E. Foote. She said it is possible that only one justice had asked for the solicitor general's opinion, "but I would assume that's been satisfied right now," and the court will follow his recommendation.

It is unlikely the court will decide to review the case, agreed Mr. Lewis. The brief is "pretty much a ringing endorsement of what the 9th Circuit Court did."

Mr. Lewis also noted that the original complaint was filed in 1988, more than four years ago. "We think it's time to get the case back to the district court," he said. "Let's get down to the facts."

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Retiree benefits

Continued from page 1
 the respondents offering retiree benefits could separate costs for retirees from active workers' health care costs.

In general, "people are doing a little bit of this and a little bit of that" to hold down retiree health care costs, said Ms. Wilson.

"For example, they're tightening up on eligibility—that's a no-brainer," she said.

The survey, which covered 2,409 employers, found that 56% of respondents currently plan to offer health care benefits to future retirees under age 65, down from 60% that offered such benefits in 1990.

The percentage of employers that plan to offer health benefits to future retirees aged 65 and older—who are eligible for Medicare—also continued to drop.

Slightly less than half—49%—of the respondents said that they offered such benefits, down from 54% in 1990.

"The decline in retiree medical benefits comes primarily from employers terminating coverage for future rather than current re-

tirees," the survey noted, adding that only 1% of employers have terminated coverage for current retirees in the past two years or intend to do so in 1993.

The size of the employer and the degree of unionization among its workforce appear to play key roles in determining whether it offers retiree benefits.

Seventy-three percent of the surveyed employers with more than 1,000 employees reported offering retiree medical benefits, compared with only 41% of the smaller employers.

In addition, retiree medical benefits are provided by 77% of the organizations at which at least half the workforce is unionized. Only 45% of the organizations where less than half the workforce is unionized provide benefits.

For example, 93% of the surveyed utilities—which the survey describes as being "large, well-established and highly unionized"—offer medical benefits to retirees under 65, and 89% offer benefits to retirees over 65.

By contrast, less than one-third of the health service and technical/professional services organizations—which don't tend to be large, old

or unionized—offered medical benefits to either category of retirees.

Retiree health care costs vary considerably by region, the survey reported. Costs were highest in the Pacific region at \$2,603 per retiree in 1991, up 21.3% from \$2,145 in 1990. The lowest cost was in the North Central region at \$2,417, up 3.6% from \$2,333 in 1990.

Not surprisingly, employers in the Pacific region were the least likely to offer retiree medical benefits in 1991, with 41% offering benefits to retirees under age 65 and 32% to those 65 and over.

By contrast, employers in the North Central region were more likely than the national average to offer benefits to both classes of retirees, with 60% offering benefits to retirees under 65 and 52% offering benefits to those 65 and older.

Faced with increased costs associated with retiree health coverage and the specter of FAS 106, employers are changing the design of their plans. The survey predicts that "new patterns of plan design changes are likely to emerge as employers look for ways to control both cost and liability."

Half of the employers offering

retiree health benefits reported having made plan changes within the past two years, and 33%—including some who had already made changes—intended to make changes by the end of next year.

Although retiree health plans have traditionally been treated like an extension of the plan for active employees and changed only when that plan changed, only 16% of the employers in the 1991 survey said they were changing their retiree plan because they were making the same change to the active employee plan.

Among the cost cutting methods cited by respondents were:

- Tightening eligibility requirements. The survey found that 11% of employers have made eligibility requirements—like the number of years of service needed to become eligible for benefits—stricter since 1989, and another 10% said they plan to do so by next year.

The survey notes, however, that changes generally don't affect current retirees or those close to retirement. In fact, "the new requirements often apply to new hires only, or don't become effective for a number of years after they're announced."

- Making retirees pay a greater share of the premium. Employers are increasingly requiring retirees to pay the entire premium for individual coverage. Twenty-three percent of the 1991 respondents said they were requiring retirees under 65 to pay the whole premium, compared with 19% in 1990. Nineteen percent of the 1991 respondents required retirees 65 or older to pay the whole premium, compared with 16% a year earlier.

A similar increase emerged among plans that require some retiree contribution, the survey found. The average retiree contribution rose to 55% of premium for retirees under 65 from 50% a year earlier, according to the survey. For retirees 65 and older, the average required contribution increased to 56% in 1991 from 51% in 1990.

The survey notes that "a similar shift occurred with contributions for family coverage. The number of employers requiring retirees to pay the entire premium rose from 21% to 25% for retirees under age 65, and from 19% to 21% for retirees over age 65. Average retiree contribution levels for the two groups are now at 55% and 56% of premium, respectively."

- Changing methods of Medicare integration. Because Medicare is the primary payer of benefits for retirees age 65 and older, determining how to split remaining costs between the retiree and the employer "can have a significant impact on employer cost and future liability," according to the survey.

Forty-four percent of the employers reported using a so-called "true carve-out" method to determine plan benefits in 1991, compared with 39% in 1990. With the true carve-out, the plan's normal benefit is calculated first, and then Medicare's payment is subtracted to determine the employer's actual payment.

An additional 19% reported using a modified carve-out method, compared with 21% a year earlier. Using a modified carve-out, Medicare's payment is subtracted from eligible expenses before employer plan benefits are calculated.

However, the percentage of employers reporting using a coordination of benefits method fell to 23% in 1991 from 26% a year earlier. Under coordination of benefits, Medicare is treated as a separate plan. The claimant or retiree may

receive up to 100% of expenses from a combination of Medicare and employer plans.

The survey predicts that coordination of benefits will continue to decline in popularity because it "generally results in higher employer costs and often provides more comprehensive benefits than are provided to active employees."

In fact, the survey found that the average cost per retiree for employers using either form of carve-out was \$2,375, while that for employers using coordination of benefits was \$2,630.

- Keeping closer tabs on prescription drug costs. Ninety-four percent of the employers offered retirees coverage for outpatient prescription drugs. Although most offer the coverage as part of a basic/major medical or comprehensive plan, 22% only offer a separate card or mail-order plan, while 7% offer both types.

Ms. Wilson said that better management of prescription drug costs through mail-order or plastic-card plans could have a significant impact on employers' retiree health costs and FAS 106 liability.

Although people age 65 and over make up only 12% of the population, they account for about 35% of prescription drug consumption, she said. And because older Americans take more drugs, they are more likely to suffer negative interactions between drugs, which can require hospitalization, she explained.

Careful monitoring of prescription drugs will focus attention on which drugs are being used and whether they are indeed necessary, thereby potentially diminishing the incidence of drug-related ailments, she said.

- Increasing cost-sharing. Twenty-six percent of the employers said that they had begun requiring retirees to pay higher deductibles, coinsurance or higher out-of-pocket expenses during the past two years. Fourteen percent said they intended to institute the same measures by 1994.

Ms. Wilson noted that some of the steps are being taken specifically to reduce employers' FAS 106 liabilities. However, the survey found that employers aren't rushing to comply with the financial accounting standard.

"Many employers may be hoping that FAS 106 will go the way of Section 89," according to the report. Section 89, which was part of the Tax Reform Act of 1986, set complex non-discrimination rules for health care plans. Congress repealed Section 89 after a wave of employer protests (BI, Nov. 13, 1989).

According to the survey, only 41% of private employers had performed a valuation, forecast or both to determine FAS 106 liability, unchanged from 1990. Forty-three percent replied that they intended to do so by the end of this year. The remaining 16% said they didn't intend to comply.

In addition, "more than half of the employers providing retiree health benefits haven't decided when they'll implement the accounting standard," says the survey. The majority of those that have decided are putting it off as long as possible. Only 12% adopted FAS 106 in 1991 or earlier; 31% say they will adopt it in 1992; and 57% will adopt it in 1993.

Copies of the "1991 Foster Higgins Health Care Survey," Report 4: Retiree Health Care, are available from Sheila Lynn at Foster Higgins, 212 Carnegie Center, Princeton, N.J. 08543. Attn: Survey Services; 609-520-2695. The cost is \$100 and prepayment is requested.

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NCOIL offers insolvency plan

Panel of regulators would coordinate guaranty fund operations

By LAURA MAZZUCA

BROOKFIELD, Wis.—A new proposal by state legislators for regulating insurer solvency would establish an interstate guaranty fund agreement and make insurance commissioners in participating states the joint receivers of insolvent insurers.

Backers of the proposal by the National Conference of Insurance Legislators say the plan would speed up payments to policyholders of insolvent insurers, make it easier for multistate insurers to comply with solvency regulations and eliminate regulator involvement in disputes involving how guaranty fund assets are divided after an insolvency.

Some insurance industry groups support the idea of broadening the guaranty fund system.

But, others are concerned about the practical application of the program and whether the minimum number of states needed for such a compact will find the proposal feasible.

Under the "Interstate Insurance Protection Compact," unveiled by Brookfield, Wis.-based NCOIL on Aug. 7, a commission composed of insurance regulators from participating states would oversee, coordinate and standardize the activities and functions of insurance guaranty funds in their states.

A minimum of 26 states would have to adopt the compact—in essence, agree to enact identical pieces of legislation—for the pro-

posal to proceed.

Participating states also would have the option of shuttering their existing guaranty funds and establishing new funds that conform to the compact's standards, said Robert E. Mackin, president of Mackin & Co., an Albany, N.Y.-based consultant to NCOIL's state-federal relations committee.

Although the McCarran-Ferguson Act grants states primary authority to regulate the insurance industry, the U.S. Constitution requires that interstate compacts receive congressional approval.

Under NCOIL's proposal, the commission also would act as the rehabilitator or liquidator of all insolvent insurers domiciled in the states that have adopted the compact.

The commission also could develop guidelines on related solvency regulation issues, like minimum capitalization requirements for insurers.

Included in the proposal's definition of "insurer" are property/casualty and life/health insurers, reinsurers and risk retention groups.

Insurers operating in participating states would pay guaranty fund assessments based on net written premiums to cover the commission's administration costs and to finance the guaranty funds in their respective states. The commission would determine when to levy and collect assessments.

The draft is the second version of an interstate compact proposal

NCOIL has been developing since 1990. The group has held two public hearings and solicited comments from insurers and industry associations.

The new version of the compact, which focuses solely on applying the interstate commission to insurer insolvencies, is more clear-cut than earlier versions, said New York State Sen. Donald M. Halperin, chairman of the NCOIL state-federal relations committee, who helped draft the proposal.

Earlier versions of the draft envisioned interstate compacts for a wide range of regulatory measures, including minimum capitalization standards and funding levels for insurance departments, Sen. Halperin said.

"That broad, sweeping approach frightened some people away," he said. "So we narrowed the perspective to what required the highest degree of cooperation between regulators. This doesn't mean that everybody's jumping on board, but they recognize that commissioners do have a lot of problems with liquidations."

The more narrowly focused compact could improve the odds of states adopting it, said Pat Wilson, director of state affairs for the American Insurance Assn., a New York-based property/casualty insurer trade association.

"Solvency regulation is an area where a lot of the states would be more interested in getting involved," Ms. Wilson pointed out, adding, "It's good that NCOIL has

narrowed its focus."

While not overtly endorsing the proposal, the AIA supports the concept of interstate compacts as "an area to be discussed," she said. "We're willing to investigate anything that may be an innovative idea."

The Alliance of American Insurers in Schaumburg, Ill., views interstate compacts "with interest" because the Alliance favors state-based solvency oversight, a spokesman said.

Interstate compacts are "an alternative short of federal takeover that would give equal protection across state borders," said J. Robert Hunter, president of the National Insurance Consumer Organization in Alexandria, Va.

Such arrangements especially make sense for smaller states, which might not have the best-run guaranty funds, he added.

However, the Alliance says it is concerned with the "extremely complicated" process of getting such a mechanism approved by the minimum number of states and by Congress.

The proposal says that the compact would be rendered null and void unless at least 26 states approved the program before Dec. 31 of the fifth full calendar year after the first state signs it into law.

Some observers are concerned that the potentially lengthy and difficult process of obtaining state and congressional approval for an interstate compact could discourage states from participating in the compact.

Compacts "are an interesting arrangement, but they only work when there is full participation," said Ms. Wilson of the AIA. "There is a concern regarding how quickly

people would get involved."

The proposal could run into problems in getting enough states to participate and in attracting larger states that could act as anchors to prevent other states from pulling out of the program, Mr. Hunter said.

But Sen. Halperin suggested that "it would be a lot easier to get this through Congress than the Dingell proposal because it won't engender the same amount of opposition."

Rep. John Dingell, D-Mich., earlier this year introduced a sweeping insurance solvency regulation bill that calls for the creation of a federal regulatory agency (BI, April 13).

"If Congress puts its imprimatur on this (NCOIL) approach," states will be more than willing to sign on, Sen. Halperin contends.

A spokesman from the Reinsurance Assn. of America in Washington noted that while the current NCOIL proposal is more specific than earlier versions, it is still unclear on how the compact would succeed in achieving uniform administrative and operational procedures in participating states' guaranty funds.

Other industry associations—including the National Assn. of Insurance Commissioners and the National Assn. of Independent Insurers—say it is too early to give an opinion of the proposal.

NCOIL is now soliciting comments and suggestions from insurers, agents and brokers, regulators and consumer groups on the interstate compact's feasibility. A final version of the plan will be considered for formal adoption at NCOIL's annual meeting, scheduled for November in Charleston, S.C. ■

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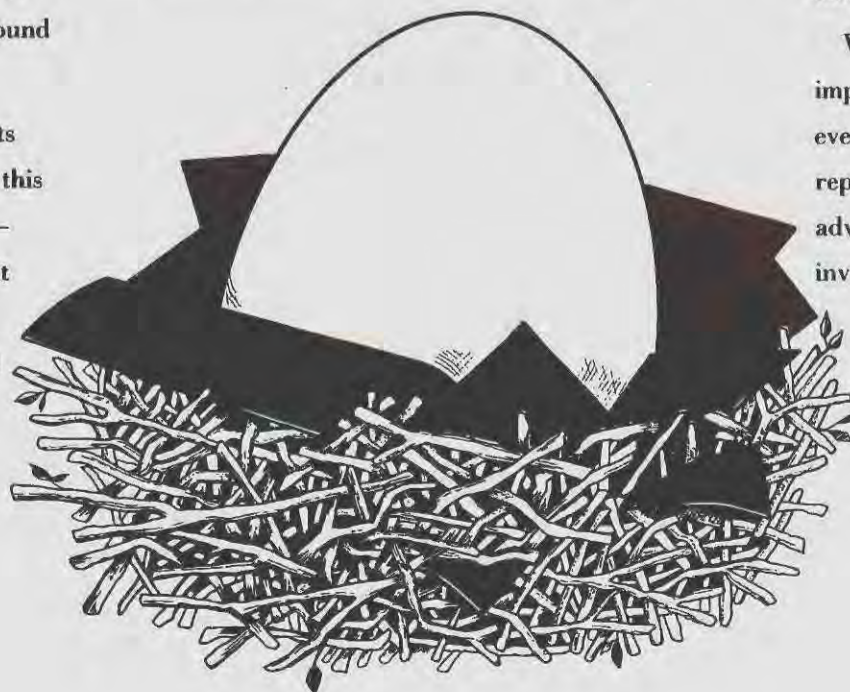
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UNI Storebrand changes makeup of board

Following the resignation of its president and chief executive officer last month amid criticism of its failed takeover of Skandia Holding A.B., Norway's UNI Storebrand A/S has reshuffled its management. The insurer's supervisory board of representatives has gone outside the company to recruit Rune Brandlinger to succeed Jan Erik Langanen as CEO (*BI*, Aug. 3). Mr. Brandlinger, a Swede, formerly worked for Skandia Insurance Co. Ltd. In addition, Anders Eckhoff will succeed Thorlief Borge as chairman of the insurer's board of directors. The board of representatives also re-elected four other members to the board of directors: Torvild Aakvaag, Finn Jebsen, Erik Tonseth and Jan Wibe.

Mutual Risk Management buys Bermuda broker

Mutual Risk Management Ltd. is acquiring independent excess liability insurance broker and captive manager Park International in a deal valued at \$1.4 million. MRM Chairman Robert Mulderig says the acquisition marks MRM's entry into Bermuda's excess liability and directors and officers liability market dominated by A.C.E. Insurance Co. Ltd., X.L. Insurance Co. Ltd. and Corporate Officers & Directors Assurance Co. Under the terms of the deal, MRM will exchange about 45,000 shares of MRM stock for the brokerage. MRM stock last week was trading on the New York Stock Exchange for about \$30 per share. Park International President Paul Scope will continue to run the brokerage under a long-term contract. The broker's book of business includes more than 40 Bermuda excess liability and D&O accounts, as well as two captive management clients, including the new Energy Insurance (Bermuda) Ltd. (*BI*, June 22).

Hafnia to lay off one-fifth of work force

Denmark's Hafnia Holdings A/S plans to dismiss 535 employees, about 22% of its staff, by the end of the month. The restructuring is the latest of several efforts to raise the company's income after its acquisition of shares in Skandia Holding A.B. and Baltica Holding A/S. Last month, it raised about \$335 million in a stock offering (*BI*, Aug. 3; July 13). Hafnia says the dismissals will not include sales or customer service personnel. The insurer expects total savings of 300 million Danish krone (\$53.3 million) from the move. When its restructuring is concluded, "The costs of Hafnia group will be among the lowest in the market, rather than the highest," the company contends.

Sheldon Investments acquires CIIC of Guernsey

Sheldon Investments Ltd., a Bermuda-based holding company, has acquired Guernsey captive manager Channel Islands Insurance Consultants Ltd. Michael Savage, formerly the majority shareholder of CIIC, will retain an equity interest in the firm and continue to serve as managing director. Sheldon holds various interests in the insurance industry, including: ownership of Walton Insurance Ltd. of Bermuda and a majority stake in Insurance & Reinsurance Services Ltd. of Bermuda, which provides audits, risk management consulting and runoff services. Sheldon also has a cross-holding arrangement with Optimum Risk Research Group, which specializes in runoff services and offshore company management. In addition to Mr. Savage, CIIC management will be headed by Jean-Francois Gelot of Optimum, who will serve as joint managing director, and Timothy Spafford of Sheldon, who will relocate to Guernsey and serve as chairman of CIIC's board.

Bain Clarkson to acquire stake in French broker

Bain Clarkson Ltd. has bought a 25% stake in Paris-based broker Compagnie Europeenne de Courtage d'Assurances et de Reassurances for 15.2 million pounds (\$29.3 million). Under the terms of the deal, Bain Clarkson will be able to increase its stake to 34% by 1996. Bain Clarkson also is paying 1.3 million pounds (\$2.5 million) to buy the remaining shares it does not already hold in Rouge Clarkson S.A., a Paris-based broker. Bain Clarkson in June 1991 had increased its ownership of Rouge Clarkson to 80% from 46%. Bain then intends to sell Rouge Clarkson to CECAR, a retail and financial services broker with 1991 gross revenues of 370 million French francs (\$71.4 million at year-end 1991 exchange rates). CECAR has offices in Paris and Lyon and subsidiaries in Italy, Spain and Portugal. Its clients include major industrial companies like Societe Nationale Elf Aquitaine, Suez Group and Rhone Poulenc. In return for the sale of Rouge Clarkson, Bain Clarkson will receive convertible stock in CECAR. Bain Clarkson can convert its stock on Jan. 1, 1996, increasing its holding in the French broker to 34%.

AIG expands EIL underwriting in United Kingdom

AIG Europe (U.K.) Ltd. is boosting its efforts to market environmental impairment liability insurance products in the United Kingdom. The American International Group Inc. unit appointed Graeme Merry to head EIL staff in London, effective Aug. 1. Mr. Merry, who previously was with environmental consultant Aspinwall & Co. Ltd., will oversee underwriting, sales and marketing of EIL insurance. Another AIG unit, AIG Consultants in Liverpool, will provide the underwriting staff and offer environmental engineering services to clients. The EIL product AIG is marketing in the United Kingdom and Europe provides coverage for third-party losses resulting from pollution at an insured site, with aggregate limits of up to \$40 million available.

By Maria Kielmas, Gavin Souter and Paul Winston

Report finds huge loss for Feltrim syndicates

LONDON

LONDON—Estimated losses for Lloyd's of London syndicates formerly managed by Feltrim Underwriting Agencies Ltd. have shot up to nearly 700 million pounds (\$1.3 billion) now that new syndicate managers have plowed through poorly maintained and error-ridden syndicate files, a new report says.

Net losses for syndicates 540/542 and 847 for the still-open 1987 through 1990 years of accounts could reach 686.4 million pounds, according to a report by Tony Berry, underwriter for Additional Underwriting Agencies No. 7, which was appointed to take over the syndicates in December 1990.

Losses for the disaster-strewn 1989 year alone could total nearly 300 million (\$577.5 million at current exchange rates), the report said.

Earlier estimates by the Feltrim Names Assn. had put net

losses for all years at 450 million pounds (\$866.2 million).

The losses are mainly catastrophe claims on the syndicates' large London market excess-of-loss accounts triggered by the chain of disasters that hit the insurance market between 1987 and 1990, the report said.

The syndicates are currently the subject of a Lloyd's loss review headed by Sir Patrick Neill.

Frequent errors in the Feltrim files have made it difficult to assess the syndicates' losses, Mr. Berry said.

"The human error element is at an unacceptably high level. If management controls had existed, these errors could have been prevented. Or, at the very least, such controls would have shown the errors to be occurring

and would have enabled the necessary action to be taken," he said.

Records are often incomplete and computer and manual records of the same information sometimes disagree, Mr. Berry said.

Reinsurance records present particularly thorny problems.

"The same reinsured will appear in at least three or more guises, making aggregation very difficult," he said.

The syndicates own reinsurance programs are inadequate, Mr. Berry said.

"Aggregates should be controlled in such a way as to make the ultimate loss to the syndicate within the realms of financial prudence. In my view, certain of these losses have exceeded this point," he said.

And although the poor records of the syndicates will eventually

Continued on next page

EIL policy wording disputed

GLOBAL BRIEFS

COLOGNE, Germany—Sparks are flying between German insurers and reinsurers over the wording of a draft pollution insurance policy that reinsurers argue may prove too broad to underwrite.

The policy, which has not yet been formally adopted by the German market, was drafted in response to a sweeping environmental liability law that came into effect Jan. 1, 1991 (*BI*, Oct. 7, 1991; May 20, 1991; Nov. 19, 1990).

The law provides for civil damages for wrongful death, personal injury or property damage caused by air, soil or water pollution.

In addition, certain industrial companies are required by the law to purchase insurance or

provide financial guarantees that they can meet their new liabilities, although the government has not yet set minimum coverage levels.

Insurers howled in protest at insuring the wider pollution liabilities created by the law.

Although the law took effect more than a year ago, it was not until October that HUK-Verband, the national association of liability insurers, issued a draft wording of a new environmental impairment liability insurance policy (*BI*, Oct. 28, 1991).

The draft policy covers strict liability for pollution, as well as coverage for environmental dam-

age caused by "normal operations."

However, Juergen Zech, chairman of German reinsurer Cologne Reinsurance Co., said he is unhappy with the draft pollution coverage.

The policy effectively covers gradual pollution, he said. "We as reinsurers are not very happy with insuring or reinsuring gradual pollution because it's a long-tail-type risk."

He predicted that "reinsurance capacity will be hard to find in the quantity the insurers would like to have it."

And, Mr. Zech complained that reinsurers had been presented with the draft policy wording without having had a chance to comment during its develop-

Continued on next page

Storms hit wine country

PARIS—French farmers are expected to seek compensation from a state-run agricultural emergency fund for damage caused by severe storms earlier this month.

The storms that swept southern France Aug. 8-9 are believed to have done major damage to the vineyards of the Medoc region of Bordeaux—home to some of the most valuable vinestock in the world—just weeks before the harvest.

However, the extent of the damage and the farmers' eligibility for compensation will not be known for several weeks, according to Dominique Berry at the Caisse Centrale de Reassurance, the state-owned French reinsurance company that administers the agricultural calamities fund.

The fund, which is financed by a 13% tax on farmers' property insurance premiums, has incurred heavy losses from drought and storm damage to crops in recent years (*BI*, April 29, 1991).

In order to collect from the fund, a farmer must demonstrate that he lost 14% of his total crop by value and 27% of the value of each product he grows, according to Mr. Berry.

It may take months to evaluate compensation claims.

It is reported that some farmers in the Medoc region estimate they may lose up to 40% of their crop, which would result in claims on the fund.

Mr. Berry said he was unable to comment on these estimates. Nor could he confirm reports that Chateau Margaux, producer of some of the finest wines in the Medoc, had been spared.

—By William Pitt



GRAPHIC BY JOHN H.

LONDON

Continued from previous page
be sorted out, the huge losses will remain, Mr. Berry said.

"I can only hope that from this mess, greater care is taken in the future by those in a position of control, and that the insurance industry in its entirety will learn its lesson," he said.

For syndicate 540/542 the worst-case predicted losses are: 104.5 million for 1987 (\$201.2 million), 139.1 million for 1988 (\$267.8 million), 185.1 million (\$356.3 million) for 1989 and 56.2 million (\$108.2 million) for 1990.

For syndicate 847 the worst-case predicted losses are: 26.2 million for 1987 (\$50.4 million), break even for 1988, 110.3 million (\$212.3 million) for 1989 and 65.8 million (\$126.7 million) for 1990.

Cash calls totaling 225 million pounds (\$433.1 million) already have been made on members for both syndicates, and more calls are expected this fall, Mr. Berry said.

Sir Patrick's review into the syndicates' losses is expected to be sent to members' agents in September. The review was scheduled to be completed a year ago, but was postponed.

In a July letter, Sir Patrick told members' agents that the review committee had delayed reporting its findings to allow companies and people mentioned in the report to obtain legal advice over remarks in the report that concern them.

Members considering legal action to retrieve their losses are awaiting the publication of the loss review before they take any action.

—By Gavin Souter

Names lobby Parliament

Dissident members of Lloyd's of London have formed a committee to lobby for a new act of Parliament that would protect members' interests.

In addition, a new organization has been formed for names who do not feel adequately represented by

the Assn. of Lloyd's members.

Claud Gurney, head of the "EGM initiative"—which recently succeeded in forcing an extraordinary general meeting to consider a vote of no confidence in the Council of Lloyd's (*BI*, Aug. 3)—has formed the Committee for a New Lloyd's Act.

The committee's objective is to draft an amendment to the Lloyd's Act of 1982 to "ameliorate the consequences to names of bad regulation, conflicts of interest, non-disclosure and misrepresentation, breach of contract and breach of fiduciary duty at Lloyd's," Mr. Gurney said.

If needed, the group will call for a second extraordinary general meeting, he said.

Lloyd's also would like an act of Parliament to implement reform proposals suggested by a task force earlier this year (*BI*, Jan. 20).

No act could be introduced in Parliament until November 1993, a Lloyd's spokesman pointed out. And approval could take as long as the 18 months it took to approve the 1982 law, he added.

In the meantime, many dissatisfied members—reportedly 8,500 people—are disenfranchising themselves from the Assn. of Lloyd's Members to join the newly formed Society of Names, says the group's chairman, John Rew.

The ALM—whose chairman sits on the council of Lloyd's—speaks for members that want to continue writing in the market, and not for those who are in financial trouble and can't continue to underwrite, explained Mr. Rew. The Society of Names will speak for the names who need help, he said.

The Society of Names last week urged members to cast votes of no confidence in Lloyd's leadership in balloting now taking place. Results of the vote are expected to be announced Aug. 28.

The society also opposes the appointment of David Rowland as Lloyd's next chairman because he is an "insider" and was on the council in the mid-1980s.

Instead, the society wants a chairman from outside the mar-

ket. That, said Lloyd's, would also require a new act of Parliament.

Mr. Rew contends that by 1994 there will only be 6,000 members of Lloyd's left who are both solvent and have not resigned, leaving them to pick up the tab for any shortfalls that might exist.

Lloyd's disputes that projection. It says the record pace of resignation is slowing and predicts capacity will decline 10% to 9 billion pounds (\$17.32 billion at current exchange rates) in 1993, and the number of active members will fall only 9% to 20,000 from 22,000 this year.

So far there are 395 resignations for 1993, compared to 1,200 at this time last year, said a Lloyd's spokesman.

—By Stacy Shapiro

NRG sues advisers

The Netherlands Reinsurance Group has carried out its threat to serve writs alleging breach of contract and negligence against three companies that served as advisers in its purchase of troubled Victory Reinsurance Co. Ltd.

NRG claims that, at the time of the acquisition, the advisers did not properly assess Victory's marine and aviation account and warn NRG of the likely shortfall in the account.

Subsequent to buying Victory from Legal & General Group P.L.C. in October 1990 for 122 million pounds (\$235.5 million at year-end 1990 exchange rates), NRG had to boost the London reinsurer's capital by 500 million guilders (\$302.1 million at current exchange rates) due to marine and aviation LMX losses sustained by Victory (*BI* June 15).

The three advisers served with the writs are: Swiss Bank Corp., Ernst & Young, and Bacon & Woodrow, an actuarial firm.

The writs were issued in the English Commercial Court by Allison & Humphreys, the law firm representing NRG. The case is expected to be heard in two years, NRG said.

—By Gavin Souter

Lloyd's book of data

Lloyd's of London has for the first time published a bulky book of syndicate statistics that rivals anything put out by independent publishers.

The 592-page paperback, titled "Limelight," details the results of all syndicates at year-end 1991. The information includes their results for 1989, which closed at the end of 1991 under Lloyd's three-year accounting system, as well as data on 1987, 1988 and the still-open years of 1990 and 1991.

The book also provides information on 97 syndicates that have a total of 160 underwriting years still open and in runoff.

Syndicate information in "Limelight" also includes:

- The names of the underwriter, managing agent, principal investment manager and auditor as of year-end 1991, and the members' agent with the most capacity on the syndicate.

- The birth date of the underwriter, the date he or she was appointed and the year the syndicate began.

- The number of external and working members on each syndicate for the years 1987-1992.

- Exceptional reinsurance arrangements for 1987 to 1989.

- The gross premiums written in 1991 for 14 categories of business, including LMX, the source of much of Lloyd's 1989 losses.

Most of this information for years has been available from independent syndicate analysts Chatset Ltd. and the Assn. of Lloyd's Members, though neither has yet published a complete list of 1989 syndicate results.

Chatset first published its League Tables of Lloyd's Syndicates in 1981 to the disapproval of the Lloyd's market.

Nevertheless, Lloyd's says in a prologue: "In keeping with its express intention to have the highest possible disclosure standards and to build upon the excellence of the disclosures in syndicate annual reports, the Council of Lloyd's has decided to publish the results of all

syndicates, together with other key information which may be of interest."

"Limelight" is available for \$70 from Lloyd's of London Press Ltd., Sheepen Place, Colchester, Essex, England, CO3 3LP; fax:011-4420-677-2240.

—By Stacy Shapiro

U.K. theft claims up

Theft claims against British insurers soared more than 40% in the first quarter of 1992 compared with the year-earlier period, according to the Assn. of British Insurers.

That increase—to 300.7 million pounds (\$573.5 million at current exchange rates) from 208.6 million pounds a year ago (\$390.1 million at year-end rates)—is almost entirely due to the recession, said Mike Jones, the ABI's chief executive.

Domestic—or household—theft claims rose the most: 65.6% to 214.1 million pounds (\$408.4 million) from 129.3 million pounds (\$241.8 million at year-end exchange rates) in first-quarter 1991.

The rise in commercial theft claims was more subdued. Total claims for the first quarter rose 9.2% to 86.6 million pounds (\$165.2 million) from 79.3 million pounds (\$148.3 million) in 1991.

That discrepancy indicates that many domestic claims are fraudulent, contends Mr. Jones. "With commercial claims, a loss adjuster is almost always appointed, so it is easier to keep a check on fraudulent and inflated claims."

With domestic claims, insurers more often rely on information directly from policyholders. That, said Mr. Jones, makes it more difficult to spot fraud.

He attributes the increases to the recession. "Because more and more people are short of money or out of work, more and more of them turn to crime," he said.

Additionally, commercial thefts are rising as companies cut back on security measures to reduce overhead, Mr. Jones said.

—By Gavin Souter

GLOBAL BRIEFS

Continued from previous page
ment.

However, a spokeswoman for HUK-Verband denied that reinsurers had been shut out of consultations. "Reinsurers are integrated in our work," she insisted.

Other reinsurers have voiced the same concerns as Cologne Re, but less openly.

One reinsurance executive said he feared that retrocessional coverage for the EIL exposure might not be available outside Germany, and that this would constrain the capacity that German reinsurers could offer German cedants.

A spokesman for Munich Reinsurance Co., the world's largest reinsurer, said the draft policy had not been formally presented to the market so comment would be inappropriate. "Maybe in October or November," he suggested.

By then, the government should have issued its first draft of the regulation about how much pollution coverage German industrial companies will have to buy.

Until more specific guidelines are released, most large industrial firms are not buying EIL coverage, a spokesman for HUK Verband said.

There appears also to be some difference of opinion among insurance and reinsurance companies as

to whether a pooling arrangement will be needed to provide capacity for pollution risks in Germany.

Such a system already exists in France, where companies can buy EIL coverage from a Assurpol, a pool of 49 French insurers that provides capacity of 125 million francs (\$25 million).

Cologne Re's Mr. Zech said the possibility of an Assurpol-style pool for Germany was "in discussion." He stressed that this was "a very, very touchy issue—some people just don't like pools." But if capacity was not available by other means, a pool might be "the only solution."

However, the spokeswoman for HUK-Verband flatly contradicted Mr. Zech. "We are not discussing the establishment of an environmental (risks) pool," she said.

She pointed out that a pool would be of no use in offering forms of coverage that would not otherwise be available. All it would do is "enlarge capacity."

But capacity may be precisely the problem.

German reinsurers, hit hard by heavy losses on German industrial fire business last year, now may not be willing take on new and potentially heavy risks. Moreover, they are likely to have difficulty buying much retrocessional protection for such risks in the London market, where capacity for catastrophe reinsurance and

retrocession coverage has collapsed.

The environmental liability law makes no distinction between potential polluters in what used to be West Germany and East Germany. The eastern territories share horrendous pollution problems with other parts of eastern Europe.

But the new law will have no bearing on pollution occurring before Jan. 1, 1991, the spokesman for HUK Verband said.

Nevertheless, the cost of purchasing EIL insurance for antiquated eastern German factories is likely to be high.

Motorists in eastern Germany currently benefit from a government-enforced 20% premium discount compared with their countrymen in western Germany, the spokeswoman observed. But no such discount is likely to be available for commercial policyholders that must buy compulsory EIL coverage.

—By William Pitt

Deutsche bank deal

FRANKFURT, Germany—Deutsche Bank A.G. plans to acquire 30% of Germany's largest industrial insurer.

Under the agreement signed last month, Gerling-Konzern Versicherungs-Beteiligungs A.G. will gain access to the bank's neglected but profitable over-the-counter

personal lines business.

Neither side is saying much about the deal, but a Deutsche Bank spokesman claims the transaction will not affect the corporate structure of the only family-owned international insurer.

The Gerling Group is one of the world's leading insurance and reinsurance companies with business transacted in all major industrial countries.

For the fiscal year ending June 6, 1991, Gerling reported premium volume of nearly 11 billion deutsche marks (\$6.16 billion at appropriate exchange rates) and capital investments of 26 billion deutsche marks (\$14.56 billion).

Its major subsidiaries include Gerling-Konzern Allgemeine Versicherungs A.G., which principally writes motor, property and general liability coverage; Gerling-Konzern Lebensversicherungs A.G., which writes life, pension and disability insurance; and reinsurer Gerling-Konzern Globale Rückversicherungs A.G.

Last year, dramatic insurance losses combined with soft market rates to darken an already bleak Gerling picture. According to Gerling, a "catastrophic turn of events" in 1991 more than doubled underwriting losses to about 143 million deutsche marks (\$80.1 million) from 61 million deutsche marks in 1990 (\$35.4 million).

A company spokesman voiced

confidence that premium rates in key sectors—like industrial property insurance—would hit bottom this year and begin to increase.

Gerling plans to scale back expansion efforts both at home and abroad. GKA, the property/casualty unit, will push certain lines, including accident and liability insurance, and try to expand its personal lines business to 30% from 20% of its premium volume, said the spokesman.

"We're tightening our belts in any case," he said.

Deutsche Bank's buy-in had been expected for some time. Cooperation has existed between the bank and Gerling for a number of years.

Gerling provides reinsurance for Deutsche Bank's life insurance subsidiary, DB Lebensversicherungs A.G.

A Deutsche Bank spokesman defined the transactions as "strategic" and a "financial investment."

At the moment, at least, both appear little inclined to intensify their cooperation. A strong possibility exists, however, that Gerling-underwritten property insurance one day could be sold over the counter of the Deutsche Bank. Similar cooperation between banks and insurers in Germany has led to insurance being sold at banks and bank investment policies being sold by insurance agents.

—By Don Lewis Kirk

For the Record

Baker & McKenzie to appeal AIDS case

NEW YORK—International law firm Baker & McKenzie will appeal a New York administrative judge's order to pay more than \$1 million to the estate of a deceased former employee stricken with acquired immune deficiency syndrome.

Judge Amos H. Carnegie in the state's Division of Human Rights ordered the Chicago-based law firm to pay the estate of Geoffrey Bowers \$1 million for mental anguish and \$68,000 in back pay after finding that Mr. Bowers was wrongfully fired in 1986 because he suffered from AIDS. Mr. Bowers died in 1987.

Baker & McKenzie maintains Mr. Bowers was fired because his performance did not measure up to firm standards.

"The judge rejected the testimony of 50 witnesses who said they had no idea Mr. Bowers was ill," said the firm's attorney, Richard Schaeffer, a partner with Dornbush, Mensch, Mandelstam and Schaeffer in New York.

Under New York law, Judge Carnegie's ruling must be approved by the commissioner of the state Division of Human Rights.

Geoffrey Bowers, deceased, vs. Baker & McKenzie, New York State Division of Human Rights, 1B-E-D-86-115824.

American Home boosts capacity to \$50 million

NEW YORK—American Home Assurance Co., a unit of American International Group Inc., has doubled its umbrella and excess liability capacity to \$50 million from \$25 million.

AIG believes the new limits are the largest offered by any U.S. insurer.

"Part of the impulse that drove us to develop the product now was that we looked ahead and

saw a shortage of capacity among stable companies," explained Jeffrey W. Greenberg, executive vp-domestic brokerage group at AIG.

In addition, clients and brokers requested the increase in capacity, he said.

New York to appeal public retiree ruling

ALBANY, N.Y.—The state of New York will appeal a recent state court ruling that the Legislature illegally changed how contributions are made to a pension fund for public employees.

The Legislature began in 1990 to offset contributions made by public employers to the fund by the amount of the pension plan's surplus, estimated by the comptroller to be in excess of \$7 billion in 1990, according to the ruling by State Supreme Court Judge Harold Hughes.

Reducing contributions to the state's Common Retirement Fund would undermine the integrity of the system, claimed the plaintiffs, which included several state employee unions.

In addition, it is the responsibility of the comptroller, rather than the Legislature, to determine the appropriate method of funding, Judge Hughes ruled. Edward V. Regan, state comptroller, had opposed the change in funding.

The attorney general's office had no comment, but does plan to appeal the ruling, a spokeswoman said.

Equitable establishes \$400 million credit line

NEW YORK—The Equitable Life Assurance Society of the United States is in the process of establishing a \$400 million credit line that will function solely as a back-up credit facility.

Equitable said in a statement that the new credit line will replace a \$1.16 billion facility that was in place before its demutua-

lization and before Groupe AXA S.A. of France invested \$1 billion in Equitable.

Also bolstering the capital of the troubled insurer is \$450 million raised in a recent public stock offering.

"The proposed facility is only a back-up credit facility. Equitable has never drawn on its back-up credit facilities and has no immediate intention to borrow under the proposed facility," Equitable said.

AIG's New Hampshire realigns target risks

NEW YORK—As part of a previously announced change of focus to broker-driven business, New Hampshire Insurance Co. is not renewing business that had been produced by terminated agents unless risks meet certain standards.

The American International Group Inc. unit, which markets property/casualty insurance to mid-size businesses, recently terminated approximately 1,400 agents and is now focusing on business that is generated by brokers.

As part of its new focus, New Hampshire is only renewing business that generates at least \$75,000 in annual premiums. However, it is not considering any trucking and construction risks.

In addition, New Hampshire is aggressively pursuing business in the following industries, with no minimum premiums: financial institutions, public entities, schools, health care and marine risks.

"Generally, New Hampshire is not renewing smaller, less-profitable accounts. While New Hampshire isn't canceling any policies that are in term, it is not renewing business written through terminated agents," said an AIG spokesman.

Transamerica insures 1992 GOP convention

HOUSTON—Insurance for next week's Republican National Convention is being written by

Transamerica Insurance Co. through K&K Insurance Group Inc. of Fort Wayne, Ind.

K&K, Transamerica and Johnson & Higgins of Houston, the broker for the Houston Host Committee, all declined to provide details on limits or coverage.

Delinquent premiums prompt PBGC lawsuits

WASHINGTON—The Pension Benefit Guaranty Corp. says it is cracking down on employers who aren't paying federally required termination insurance premiums to the agency.

The PBGC has filed suits against 80 pension plan administrators across the country to collect about \$240,000 in delinquent premiums, penalties and interest for the 1986 plan year.

The agency, which says additional suits are likely to be filed in the next few months, also plans to compare its premium records with Form 5500, the annual pension financial report employers file with the Internal Revenue Service, to identify incorrect payments and plans that did not pay any premiums.

Employers with defined benefit plans pay an annual premium ranging from \$19 to \$72 per participant; the exact amount depends on the financial condition of the plan.

Homeowners lose suit for property depreciation

LANSING, Mich.—The Michigan Supreme Court has ruled that property owners who claim their property value has depreciated due to public concern about environmental contamination in the neighborhood are not entitled to monetary damages from a chemical company.

The homeowners claim that the Thomas Solvent Co. contaminated soil and groundwater near their homes through negligent or intentional discharge of toxic chemicals and industrial waste materials.

The plaintiffs concede that no contamination has been found on

their land, but they claim that the contamination of neighboring land has lowered the value of their homes.

The court held last month that "a claim for relief may not be maintained in nuisance for property depreciation caused by environmental contamination of groundwater where it is acknowledged that the property in question was not and never would be subject to groundwater contamination emanating from the defendants' property."

The court also observed that it ruled in favor of the property owners, a logical extension would be to allow claims based on any unfounded fears, "such as those regarding a person with AIDS moving into a neighborhood, or unrelated neighbors living together, merely because such fears would cause a decline in property value."

The court also recognized the danger of siphoning off needed funds that could be better applied to the cleanup of environmental contamination throughout the state.

Louisiana regulators seek two rehabilitations

BATON ROUGE, La.—State court hearings are under way to determine whether the Louisiana Department of Insurance may place two New Orleans-based insurers into rehabilitation.

Insurance Commissioner Jim Brown placed Pelican State Mutual Insurance Co. and its subsidiary, Magnolia Fire & Casualty Insurance Co., into conservation several weeks ago, and is awaiting a state judge's decision on rehabilitation.

Pelican State writes about \$14 million a year in liability premiums, including coverage for public entities and carnival parades during Mardi Gras.

A Louisiana department spokesman said the insurers have a good record of paying claims but do not have adequate surplus. By the end of the month, the insurer will have only \$80,000 in cash reserves, the spokesman said.

Mientus to direct human resources at HMO

Comings & Goings: Buyers

Robert J. Mientus, 41, has joined HealthAmerica in Pittsburgh as director of human resources. Mr. Mientus oversees human resources policies and programs, manages employee benefit plans and is responsible for employee relations functions for the health maintenance organization. Mr. Mientus reports to C. Michael Blackwood, president and chief executive officer. Prior to joining HealthAmerica, Mr. Mientus was manager of employee relations at Children's Hospital in Pittsburgh. Prior to that, he was assistant director of human resources for Duquesne University in Pittsburgh. Mr. Mientus is a member of the Pittsburgh Personnel Assn. and has served as a member of the Human Resources Committee of the Hospital Council of Western Pennsylvania. He also is a member of the Society for Human Resource Management. Mr. Mientus holds a bachelor's degree in business and administration and also a master's degree in administration. Both are from Duquesne.



Mr. Mientus

risk management department in Burbank, Calif.

Aileen McCullough, 32, has been promoted to manager of corporate risk management for the entertainment concern. Ms. McCullough oversees the administration of corporate property/casualty programs; handles placement and renewals of most domestic insurance, including cargo, workers compensation, directors and officers liability and fiduciary liability; and oversees the administration of the risk management department. She reports to Stephen Wilder, assistant treasurer-risk management. Ms. McCullough joined Disney in 1987 as an insurance analyst and was promoted to assistant risk manager two years later. She holds the Associate in Risk Management designation and is a deputy

member of the Risk & Insurance Management Society Inc. Before joining Disney, she was an insurance analyst with Whittaker Corp., a diversified manufacturing concern with headquarters in Los Angeles.

Ellen Cooper, 40, has joined Disney as a financial analyst. Ms. Cooper handles financial analysis activities for the risk management department, including the corporate insurance budget and allocation of incurred-but-not-reported claims. She also conducts special research projects on topics like workers compensation legislative reform. Ms. Cooper reports to Ms. McCullough. Before joining Disney, Ms. Cooper was acting risk manager for Columbia Savings & Loan Assn. in Irvine, Calif. She holds the Chartered Property & Casualty Underwriter designation and is a deputy member of the Risk & Insurance Management Society Inc. Ms. Cooper earned a bachelor's degree in art history from the University of California at Santa Cruz along with a master's degree in business administra-

tion from the University of California at Berkeley.

Tina Shierts, 25, has been promoted to senior insurance analyst. Ms. Shierts is responsible for analysis of all international insurance programs, and tracks the company's property and fine arts risks to ensure they are covered under property policies. She also oversees insurance coverage for vendor contracts. Ms. Shierts reports to Ms. McCullough.

Additionally, Marjorie Quick recently joined Disney Co. as production safety supervisor, and Amy Laskavy has been promoted to production insurance coordinator.

Walgreen Co., which is based in Deerfield, Ill., has announced two staff changes in its insurance department:

Haydee Garcia, 29, has joined the company as senior claims representative-workers compensation. In this newly created position, Ms. Garcia supervises all workers compensations claims for the drugstore chain. She reports to Robert Gas, casualty and property insurance manager. Before joining Walgreen Co., Ms. Garcia was a workers compensa-

tion supervisor for Travelers Insurance Co. at a regional casualty claims office in Naperville, Ill.

Stephen Brooks, 34, has been named senior claims representative-liability. In this new position, Mr. Brooks is responsible for supervision of all liability claims. He also reports to Mr. Gas. Before joining Walgreen Co. in 1989 as a casualty claims representative, Mr. Brooks worked for Zurich-American Insurance Group at a district claims office in Mount Prospect, Ill., handling automobile and general liability claims. Previously, he worked for Kemper National Insurance Cos. in Long Grove, Ill., as a claims representative. Mr. Brooks earned a bachelor's degree in communications from Western Illinois University in Macomb.

We'd like to report on staff changes in your company's risk management, safety and employee benefits departments. Just drop a note to Roseanne White, Copy Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, or call 312-649-7785. Please send a photograph, too.

The Walt Disney Co. has announced the following promotions and appointments in its

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AUG. 24-26. Environmental Regulation Course in Birmingham, Ala.; sponsored by Executive Enterprises Inc.; \$1,090. **Also Sept. 9-11** in Wash., Mich., San Diego, Chicago and Washington; **Sept. 14-16** in Fort Lauderdale, Fla.; Denver; Stamford, Conn.; Pittsburgh; **Sept. 21-23** in Virginia Beach, Va.; **Sept. 23-25** in Houston; **Oct. 14-16** in Scottsdale, Ariz.; Louisville, Ky. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

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AUG. 27-29. Northeast Regional Managed Health Care Congress in New York, sponsored by The National Managed Health Care Congress; \$895 on site, discounts are available for advanced registration. NMHCC, Registrations Department, 617-487-6700.

SEPTEMBER

SEPT. 1. The Americans With Disabilities Act workshop in Springfield, Ill., sponsored by the Illinois State Chamber of Commerce's Center for Business Management; \$135 for members; \$195 for non-members. **Also Sept. 3** in Chicago. ISCC Center for Business Management, 800-621-4220.

SEPT. 8-10. International Institute on Managed Health Care in Washington, co-sponsored by the Group Health Assn. of America Inc. and the Group Health Foundation; \$695. GHAA/GHF, International Institute on Managed Health Care, 1129-20th St. N.W., No. 600, Washington, D.C. 20036; 202-778-3211.

SEPT. 8-11. Reinsurance Contract Wording seminar in Ossining, N.Y., sponsored by Robert W. Strain Publishing & Seminars Inc.; \$1,845. Robert W. Strain, 903-677-5974.

SEPT. 9. The Claims Litigation Challenge symposium in St. Louis, sponsored by the Society of Chartered Property & Casualty Underwriters; \$75 for Society members; \$95 for non-members. Mari Stambaugh, Sections Coordinator, The Society of CPCU, 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355-0709; 215-251-2741.

SEPT. 9-12. The National Dialogue Conference on Mental Benefits and Practice in the Era of Managed Care in Chicago, sponsored by the Institute for Behavioral Healthcare; \$545; \$595 after Aug. 31. IBH, Box 7226, Stanford, Calif. 94309; 415-851-8411.

SEPT. 9-12. The Self-Insurance Institute of America Inc.'s Annual National Educational Conference and Expo in San Francisco, sponsored by the SIIA; \$625 for SIIA members; \$895 for non-members. Self-Insurance Institute of America, P.O. Box 15466, Santa Ana, Calif. 92705; 714-261-2553.

SEPT. 10. Chicago Board of Underwriters' Annual Meeting in Chicago; \$30 for CBU members; \$35 for non-members. Chicago Board of Underwriters, 222 S. Riverside Plaza, Chicago, Ill. 60606.

SEPT. 10-11. Commitment to Wellness conference in Canton, Ohio, sponsored by The Northeastern Ohio Wellness Committee; \$190; group discounts are available. Call 216-478-8277 for more information.

SEPT. 10-11. Managed Care Solutions conference in New York City, sponsored by The Institute for Employee Benefits Training; \$700. The Institute for Employee Benefits Training, Seminar Division, 1926 Arch St., Philadelphia, Pa. 19103; 215-567-4000.

SEPT. 10-11. Healthy People 2000 conference in Chicago, co-sponsored by the National Health Management Founda-

tion and Blue Cross & Blue Shield Assn.; \$495. NHMF, 415-445-5888.

SEPT. 10-11. Reinsurance Regulation Briefing in New York City, sponsored by Executive Enterprises Inc.; \$1,090. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

SEPT. 10-11. Insurance: An Overview for Managers New to the Industry seminar in Atlanta, sponsored by LOMA; \$500. Jean Moss, LOMA Meeting Department, 404-951-1770.

SEPT. 10-11. 1992 Group and Pension Marketing Conference in Boston, sponsored by the Life Insurance Marketing & Research Assn.; \$475 for LIMRA members; \$675 for non-members. Patricia A. Kavalski, meetings registration manager, LIMRA, 203-677-0033.

SEPT. 13-17. Independent Insurance Agents of America's 97th Annual Convention in New Orleans, sponsored by the IIAA; \$385 for member agents; \$240 for spouses and family members. Virginia Carter, IIAA Conventions Department, 127 S. Peyton St., Alexandria, Va. 22314; 800-221-7917.

SEPT. 14-15. Managing the Workers

Compensation Crisis: Effective Cost Reduction Strategies seminar in New York, sponsored by the American Management Assn.; \$1,200 for members; \$1,380 for non-members. **Also Sept. 21-22** in Los Angeles; **Oct. 29-30** in Chicago; **Nov. 16-17** in New York. AMA, P.O. Box 319, Saranac Lake, N.Y. 12983; 518-891-0065.

SEPT. 14-15. Capture, Navigate and Use Data to Build a Health Information Strategy seminar in Philadelphia, sponsored by the Institute for International Research-Insurance Division; \$1,095. Conference Administrator, IRI, 437 Madison Ave., 23rd Floor, New York, N.Y. 10022; 212-826-1260.

SEPT. 14-16. Fourth Annual Managed Care Law Conference in San Francisco, sponsored by the Group Health Assn. of America; \$680 for GHAA members; \$780 for non-members; less \$85 if registered prior to Aug. 21. GHAA, Conference Office, 1129-20th St. N.W., Suite 600, Washington, D.C. 20036; 202-778-3236.

SEPT. 14-16. Fundamentals of Insurance seminar in Chicago, sponsored by the Risk & Insurance Management Society Inc.; \$650 for RIMS members; \$750 for non-members; add \$50 less than six weeks prior to course. **Also**

Oct. 26-28 in Denver; **Dec. 7-9** in Charlotte, N.C. RIMS Education Department, 205 E. 42nd St., Suite 1504, New York, N.Y. 10017; 212-286-9292.

SEPT. 14-17. American Society for Industrial Security's 38th Annual Seminar and Exhibits in San Antonio; \$395 for ASIS members; \$495 for non-members; add \$50 after Sept. 2. ASIS, 1655 N. Fort Meyer Drive, Suite 1200, Arlington, Va. 22209; 703-522-5800.

SEPT. 15. Workers Compensation: Crisis or Opportunity? sales seminar in Detroit; sponsored by Commonwealth Risk Services Inc.; no charge. **Also Sept. 16** in Minneapolis; **Sept. 17** in Chicago; **Sept. 24** in Philadelphia; **Sept. 29** in New York; **Sept. 30** in Washington, D.C.; **Oct. 20** in Orange, Calif.; **Oct. 21** in Los Angeles; **Oct. 22** in San Francisco; **Oct. 27** in Atlanta; **Oct. 28** in Dallas; **Oct. 29** in Houston. Commonwealth Risk, 215-979-3300.

SEPT. 15-16. Legislation and Regulations Affecting Employee Benefits meeting in Washington, sponsored by the National Employee Benefits Institute; \$100 for NEBI members; \$250 for non-members. NEBI, 2445 M. St. N.W., Suite 400, Washington, D.C. 20037; 800-558-7258.

SEPT. 15-16. The Environmental TQM Conference in Washington, D.C., sponsored by Executive Enterprises Inc.; \$1,090. **Also Oct. 19-20** in Chicago. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

SEPT. 15-17. Fundamentals of Reinsurance Seminar in Irving, Texas, sponsored by University of Dallas Reinsurance Management Institute; \$555. Professor Bruce Evans, Reinsurance Management Institute, University of Dallas, Irving, Texas 75062-4799; 214-721-5360; 214-721-5299.

SEPT. 15-18. Human Resources in a Global Economy conference in New York City, sponsored by William M. Mercer Inc.; \$600. Mercer International Conference Center, 214-220-3540.

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VEBAs

Continued from page 2

erally could be offered only if trade group members were located in no more than three contiguous states.

The IRS defines three contiguous states as three states, each of which shares a land or river border with at least one of the others. Alaska and Hawaii would be considered contiguous with each other as well as with Washington, Oregon and California.

This geographic restriction would virtually rule out nationwide VEBAs sponsored by na-

tional trade groups.

"It basically nixes them," said Mark Arian, a consultant with Hewitt Associates in Bedminster, N.J.

The IRS rules, published in the Aug. 7 Federal Register, do permit the IRS commissioner—on a case-by-case basis—to permit trade groups to sponsor VEBAs with members in more than three states.

But few trade groups would be able to meet the standards for waiving the three-state limitation. The standards say the limitation would be waived only if the trade group could prove that

To pass muster with the IRS, most nationwide trade group VEBAs would have to be broken up.

This would swell trade associations' administrative costs and reduce their purchasing power, say benefit consultants and attorneys.

setting up multiple VEBAs would not be "economically feasible."

That could occur if one VEBA covered so few employees that it was "economically infeasible," the IRS says.

But the IRS rules make clear that the economies of scale—including lower administrative costs and increased buying power—that result from offering only one VEBA rather than many would not justify a waiver of the

three-state rule.

As a result, to pass muster with the IRS, most nationwide trade group VEBAs would have to be broken up. This would swell trade associations' administrative costs and reduce their purchasing power, benefit consultants and attorneys say.

While exact statistics are not available, several thousand VEBAs now are in operation, of which an estimated 100 to 300 are offered by national trade associations.

The new IRS rules are the latest salvo in an 11-year-long IRS effort to impose geographic restrictions on trade association VEBAs.

In 1981 rules, the IRS said a trade association could offer a VEBA only if members were located in the same geographic area, defined as a single city and its surrounding counties. Later, the government slightly modified its rules and said a trade association could offer a VEBA if members were located in one state.

But in 1986, the 7th U.S. Circuit Court of Appeals in Chicago ruled that the IRS lacked authority to set such geographic restrictions. Confining VEBAs to one area was an attempt to legislate rather than interpret the Tax Code, the court ruled.

The case involved Water Quality Employees Benefit Corp., which is sponsored by the Water Quality Assn., an Illinois-based trade group whose members are manufacturers, dealers and suppliers of water quality improvement devices (*BI*, July 21, 1986).

The IRS has never accepted the appellate court ruling, except in the 7th Circuit, which covers Illinois, Indiana and Wisconsin, attorneys say.

"The IRS still takes the position that the Water Quality case was incorrectly decided. They have yet to throw in the towel," said Peter Davis, a partner in the Chicago office of Keck, Mahin & Cate, which represented the Water Quality VEBA.

In its latest proposed rules, the IRS repeats its earlier position that sponsorship of VEBAs by national trade groups is an attempt to dodge taxes.

"To allow trade associations to provide insurance benefits through a trust exempt under Section 501(c)(9) would simply facilitate circumvention of the unrelated trade or business income tax otherwise applicable to such organizations," the IRS said.

The IRS did concede, though, that limiting a VEBA to members in a single state or geographic area might prove to be an "infeasible" way to provide benefits. Thus, it would allow trade association VEBAs to cover employers in up to three contiguous states.

These latest rules come at a time when many legislators want to encourage employers, especially smaller companies, to offer health care benefits to employees.

"The idea of a VEBA is to reduce overall insurance costs by pooling (the buying power and risks) of a number of smaller employers," said Mr. Davis, the Chicago attorney.

"Here is a lower-cost option to provide the coverage and the IRS wants to restrict it," he said.

"This seems rather counterproductive to getting small companies insurance at reasonable rates," said Linda M. Laarman, an attorney with William M. Mercer Inc. in Washington. ■

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Baby Bells

Continued from page 2
negotiated a new contract with a different labor union (see related story).

BellSouth

At Atlanta-based BellSouth, which self-insures its health care program, proposed changes in health benefits include expanded women's health coverage, higher costs for employees, and a new prescription drug plan.

The deadline for ratifying the contract, which covers 62,000 workers, is Sept. 21.

Under the BellSouth agreement, women's health care coverage would include: covering employees and spouses for the cost of birth control pills, increasing coverage for preventive mammograms, implementing coverage for amniocentesis for women age 35 and older, and providing an annual \$30 benefit for routine gynecological office visits.

Under the accord, working spouses can receive primary medical coverage from the BellSouth plan for a premium equal to 40% of plan costs; the coverage had been provided at no cost. A company spokesman said the move is designed to encourage working spouses to obtain coverage from their own employer's plan.

Individual deductibles for covered services provided through the BellSouth preferred hospital network increased to \$185 from \$165, after which there is full coverage. Family deductibles remain unchanged at \$150 per family member, with a per-family maximum of \$450.

Deductibles for care outside the network are the same.

Once the deductible is reached, BellSouth pays 90% of charges from PPO providers and 80% of charges from non-network providers.

Caps on annual out-of-pocket medical costs for retirees will be increased by 11.4% and will be subject to bargaining in 1995 for those who retired on or after Jan. 1, 1992.

Also under this settlement, retirees will pay no premiums before Jan. 1, 1996.

A new prescription-drug card program with local pharmacies would replace the company's mail-order prescription drug plan.

In addition, under the proposed agreement, employees could take up to 12 months of unpaid leave for the care of newborn children and other dependents, with guaranteed employment at the end of the leave. Employees on leave would receive full benefits for up to six months.

Another change from the pre-

vious contract is that pension benefits will increase 11.5% for workers retiring at age 55, and an additional 0.5% for each year from age 56 to 62. Current retirees will get a 5% increase.

A BellSouth spokesman said this contract "just did some tinkering" to the major 1989 contract, which implemented a physician PPO and shifted some health care costs.

Southwestern Bell

A tentative agreement between the CWA and St. Louis-based Southwestern Bell, which also self-insures its health care plan, includes extensive changes.

New programs include a bonus plan, introducing contributions from working spouses for coverage and a new prescription-drug program. The settlement covers 38,500 workers.

One change in health care benefits would require working spouses not covered by another health plan to contribute to the cost of their coverage for the first time. Contributions would equal 25% of the difference between Southwestern's premiums for individual and two-person coverage, which currently would come to \$38.25 a year.

"The company has been hinting for a long time that they were going to do this," said Jennings Woodrider, who is the northern area director for CWA district 6 in St. Louis.

That charge is fair, he said, because all employees are paying for the plan that covers workers' spouses.

The proposal also establishes a managed mental health and chemical dependency program, which will cover 100% of the cost of inpatient mental health care, outpatient mental health care delivered by a psychiatrist, and inpatient and outpatient chemical-dependency care.

A \$30 copayment on inpatient mental health care admissions would be adopted, up from \$10. Eighty percent of charges for mental health-related office visits other than to a psychiatrist will be covered up to a cap of \$60 per visit and \$1,250 annually. In addition, a limit of 30 office visits per year was removed.

Like BellSouth, Southwestern Bell intends to arrange a prescription drug card system with local pharmacies starting in January 1994. The copayment will be \$5 for generic drugs and \$12 for non-generic drugs, the same rates as in the current mail-order program. Prescription drugs bought outside the network will be subject to a \$50 deductible.

As of Jan. 1, 1994, deductibles and copayments in the company's CustomCare Network will be ad-

SNETC contract offers enhanced benefits

NEW HAVEN, Conn.—Southern New England Telecommunications Corp. has negotiated a new three-year contract with the Connecticut Union of Telephone Workers that offers enhanced pension and health care benefits.

SNETC extended health care coverage for employees on family leave, introduced a "living benefit" option in its group life insurance coverage and will match some of employees' pretax deferrals to family care accounts.

In addition, the New Haven, Conn.-based telecommunications company introduced a "cash balance account" to its defined benefit pension plan to give vested workers a bonus at retirement.

Though SNETC has offered workers up to 12 months of unpaid family leave for several years, the company now will extend health care coverage for the full 12 months, up from six months.

It also will now match up to \$50 a year employees' pretax contributions to a family care spending account, which employees use to offset the cost of dependent care and "to encourage people to use the program," according to a spokesperson. SNETC previously offered no match.

A new "living benefit option" in group life insurance policies written by Travelers Insurance Co. allows an employee diagnosed with a fatal illness and expected to die within a year to collect a portion of life insurance benefits while he or she is still alive.

Under the company's self-insured medical indemnity plan, employees now will have no co-

payments for generic drugs, while the copayment for non-generic drugs will increase to \$5. Previously, there was a \$2 copayment for all prescription drugs.

Other out-of-pocket expenses under the company's health care plan were unchanged. The individual deductible is 0.5% of annual pay up to \$150, while the deductible for family coverage is 1% of annual pay up to \$300. The plan then covers 80% of medical costs. Fifty percent of psychiatric costs are covered up to a \$1,000 cap. Employees who use a preferred provider network still pay only \$5 for office visits.

Also under the new agreement, the SNETC introduced a new "cash balance account" for union employees. Under the addition to its existing defined benefit pension plan, the company will use a specific formula to make a one-time contribution to pension accounts, which will earn interest until retirement.

A percentage of an employee's salary, equal to his or her years of service plus five, is deposited into the account. When a vested employee retires, he or she can take that amount in one lump sum or use it to purchase an annuity.

For example, if a person earning \$20,000 has served with the company for five years, 10% of his or her salary, or \$2,000, would be deposited in the account and earn interest until retirement. Interest will begin at 7% and in subsequent years will be tied to the rate on three-year Treasury bills.

—By Eileen P. Gunn

justed for inflation. In the meantime, employee copayments increase to \$15 from \$10 for physician office visits.

For employees using doctors outside the network, individual deductibles rose by \$5 to \$170 for those who do not have access to network doctors. Deductibles increased by \$25 to \$375 for those who do have access to the PPO.

The proposal establishes a hospital admission copayment of \$30 and increases emergency room copayments by \$5 to \$25.

Southwestern Bell also will extend medical, dental and vision coverage to 12 months from six for employees who are on unpaid leave to care for newborn or adopted children. The company would pay for the first six months of coverage, the employee for the second.

In addition, employees who have worked full-time for at least six months would be reimbursed up to \$2,000 for the costs of adopting a child.

Pension benefits will increase 16.5% for employees 60 and older, 13.5% for those 55 to 59, and 7.5% for those under 55.

The proposal's "Success Sharing Plan" provides for non-management employees to receive bonuses linked to annual increases in the company's stock price. The increases, which the employee may convert into stock shares, will av-

erage out to \$200 to \$300 per year per employee. The payments are designed to give employees a stronger sense of ownership in the company.

The proposal would have to be ratified by CWA chapters in Missouri, Kansas, Oklahoma, Arkansas and Texas by Sept. 14.

Ameritech

Ameritech subsidiaries Illinois Bell, Indiana Bell, Wisconsin Bell, Ohio Bell, Michigan Bell and Ameritech Services have reached separate tentative agreements with CWA and the International Brotherhood of Electrical Workers.

All the subsidiaries of Chicago-based Ameritech self-insure their health care benefits. They came to separate agreements over wage and job-security issues, but health and pension conditions were the same across the board, said Russ Hollingsworth, general manager for human resources at Illinois Bell.

The settlements, which cover 1,800 workers, would make two major changes in Ameritech's benefits.

Pension benefits would be raised, with increases ranging from 10% for those aged 55 to 17% for those aged 62 and older.

In addition, the contract proposal would establish a network for primary, pediatric and obstetrics/gynecology care, in addition to a PPO Ameritech already offers.

Those using the new network will be charged a \$10 fee for doctor visits and a \$60 fee for hospital visits, no matter what the total cost of treatment. For those who use doctors outside the network, expenses will be covered at only 75%.

Deductibles for care outside the network will vary from \$300 to \$500 for individuals and from \$600 to \$1,000 for families, based on pay levels.

Out-of-pocket caps will range from \$1,100 to \$1,700 for individuals and from \$2,200 to \$3,400 for families.

The contract proposal would increase maximum lifetime coverage for PPO and non-PPO services by 40% to \$700,000.

In addition, the Ameritech companies will also initiate their own "Success Sharing" plan, which will provide employees with bon-

uses that equal up to 10 days' pay if a unit exceeds its financial goals.

Employee costs for group life insurance will be reduced by an average of 20%, and more options will be offered for spouses and families.

Ratification deadlines for the contracts are Sept. 15.

PacTel

Pacific Telesis Group said the agreement that subsidiaries Pacific Bell and Nevada Bell reached last week with the CWA made only minor benefit changes.

Few details were released last week as the 38,500 workers covered by the proposed settlement had not yet seen the terms.

The accord would offer new pension options, improved "Family Life" programs and enhanced medical benefits.

The agreement budgets \$2 million for the companies to spend helping employees with child care, elder care, adoption and education for school-age children. Part of that money will be used to establish a toll-free telephone referral service that will help employees locate the services they need.

The accord also will give terminally ill employees early access to life insurance funds normally paid to their estate or beneficiaries after death.

Health insurance improvements include increased coverage for some prescription drugs, including pharmaceuticals for mental health treatment; modification of a mail-order drug program; and increased coverage for diagnostic and laboratory services.

"We made major changes last time. This time we really just made improvements," said a spokesman for PacTel in San Francisco.

Like several other of the regional telephone companies, PacTel in 1989 established a preferred provider network with a \$10 copayment for physician office visits and established new out-of-pocket limits.

Both the CWA and the IBEW had strongly opposed shifting any health care costs to workers, saying they traditionally sacrificed wages for more thorough company-paid benefits.

The deadline for approving the pact is Sept. 15.

Asbestos defendants to appeal

BALTIMORE—Three manufacturers and an installer of asbestos products will appeal an Aug. 10 jury ruling awarding punitive damages in the nation's largest consolidated asbestos personal injury case.

The defendants say they were deprived of their constitutional right to a fair trial because of the case's large scale.

The exact amount of punitive damages each defendant will pay is unknown.

However, GAF Corp. was ordered to pay punitive damages equal to 2½ times its share of compensatory damages assessed. Two other manufacturers—Keene Corp. and Pittsburgh Corning Corp.—were each ordered to pay 1½ times

their share of compensatory damages.

Porter-Hayden Co., an installer and distributor of asbestos products, was assessed punitive damages equal to 35% of its share of compensatory damages, after the Baltimore Circuit Court judge rejected the jury's deadlock.

No punitive damages were assessed against two other defendants: AC&S Inc. and MCIC Inc.

The awards stem from a jury ruling in favor of three of six sample plaintiffs in the consolidated case (BI, July 20). The three plaintiffs were awarded a total of \$11.2 million in compensatory damages (BI, July 27).

The punitive damage verdict reached last week will become part

of a formula for determining awards to 8,549 remaining plaintiffs, which will be set in mini-trials of 10 to 20 cases at a time.

Also unclear is whether the defendants will be able to tap their insurance for the punitive awards, because many states prohibit insurance for punitive damages as a matter of public policy.

Only Baltimore-based Porter-Hayden is certain that the damages would be covered, because Maryland law states punitive damages are covered unless they are specifically excluded by the insurer.

The defendants could not appeal until all phases of the consolidated asbestos case were concluded.

—By Eileen P. Gunn

State reforms

Continued from page 2

That bill, though, could give states the green light to try to tax self-funded health care plans—which is now barred by ERISA—caution employee benefit lobbyists.

Members of the Washington state Health Care Commission are finalizing draft recommendations for a universal health program, which they expect to issue in two to three weeks, according to Randy Revell, its executive director.

Set up by the state Legislature in 1990, the 17-member panel is made up of legislators and representatives of providers, insurers and community groups.

Following a public comment period, the commission plans to issue final recommendations to Gov. Booth Gardner in November, Mr. Revell said. Its final plan is then expected to be crafted into legislation.

At a two-day workshop earlier this month, the commission reviewed seven months of committee work based on responses to its 1991 interim report to the Legislature.

At the workshop, "people were mildly surprised" at the denial of Oregon's Medicaid waiver, he said. "But the reaction was that it didn't in any way significantly impact (the Washington program).

"This issue is so volatile... the feeling is let's design the best system we can. While we recognize there's no guarantee, we're proceeding on the assumption there will be waivers," Mr. Revell said.

"Basically our principal recommendation (will be) a system that provides a reasonable control on cost and guarantees universal access—in parallel," he said.

Other states have tried to expand access to care before attempting to control medical costs, Mr. Revell pointed out. "Our commission is trying to deal with them both at the same time."

The Washington recommendations will call for:

- Access to a uniform set of health care services for every resident.

This would eventually entail "reform of public health," including Medicare, but not for the first five years of the program, Mr. Revell said.

- Services that are "comprehensive and affordable."

But the commission is "still grappling with what should be in the package" of uniform services, he said.

- Establishment of one "central authority" to decide what services would be covered and details like where premiums should be capped to control costs.

The central authority would be "a public independent commission not tied to any existing state agency," said Mr. Revell. Members would be appointed by the governor and confirmed by the state Senate.

The central authority also would certify "multiple competing health plans" to deliver benefits to residents. "We would envision there would be fewer insurance plans" and that they would be "heavily dependent on managed care, which would eventually lead to a substantial reduction if not elimination of fee-for-service plans," Mr. Revell explained.

- Medical malpractice reform,

consisting of "a package of strategies for reducing negligence and improving the system by which malpractice issues are resolved and individuals are compensated," Mr. Revell said.

"A major unresolved issue" for the commission is whether it will recommend a "play-or-pay" system, in which employers must either offer a health plan for workers or pay a tax, or a universal health care program funded partially through taxes on employers.

Meanwhile, Dr. John Lewin, Hawaii's director of health, is advocating a national program based on Hawaii's universal

(BI, May 6, 1991).

As the country gropes for a solution to the health care crisis, Hawaii's system has received increasing attention.

Hillary Clinton, wife of Democratic presidential candidate Gov. Bill Clinton, stated during a visit to Hawaii last week that the state's system could serve as a model for national health care reform.

Hawaii's Prepaid Health Care Act of 1974 requires employers to provide a generous package of health care benefits to employees working 20 hours a week or more, though employers are not required to offer dependent cov-

'This issue is so volatile... the feeling is let's design the best system we can. While we recognize there's no guarantee, we're proceeding on the assumption there will be waivers,' says Mr. Revell of the Washington Health Care Commission.

health care system.

Hawaii is the only state to have received a limited ERISA waiver. The waiver, approved by Congress in the early 1980s, allows the state to require employers to offer health insurance, but allows no substantive changes to be made in the state's system, which was implemented in 1974

President gets plea for waiver

SALEM, Ore.—Less than a week after a ruling from the secretary of health and human services stalled her state's health care rationing plan, Oregon Gov. Barbara Roberts took her appeal directly to President Bush.

In an Aug. 7 letter, she asked the president to overturn Dr. Louis W. Sullivan's decision not to grant Oregon a waiver from Medicaid laws. Dr. Sullivan said he denied the request because the state plan would discriminate against people with disabilities (BI, Aug. 10).

Both lawyers for the state and advocates for the poor and disabled disagree with that decision, Ms. Roberts wrote.

"Mr. President, my husband uses a motorized cart and one of my sons is autistic. As a parent and spouse of persons with disabilities, I have spent my life advocating personally, publicly and politically, on their behalf. As Governor, I would not support this plan if I believed it compromised the rightful entitlements and needs of persons with disabilities," Gov. Roberts said.

Calling criticism of the Oregon plan too vague, she faulted the government's response as "discouraging and wasteful." She asked the president to request "a clear, detailed, all-inclusive analysis of any and all legitimate conflicts" with the Americans with Disabilities Act.

—By Louise Kertesz

erage.

Employers are required to pay at least 50% of employee premiums, while employees cannot be required to contribute more than 1.5% of wages toward the cost of health care.

The Legislature in 1989 created the State Health Insurance Program to provide basic services to those individuals who are not assured access to health care under the 1974 law.

Dr. Lewin says the state now needs "the flexibility to determine the cost split between employee and employers," rather than using the formula in the 1974 law. The cost split established in 1974 "is no longer fair to the employer—especially to the small employer."

Allowing that flexibility would "definitely provide relief for some employers," said Russ Robertson, vp at The Alexander Consulting Group in Honolulu, a unit of Alexander & Alexander Services Inc.

Dr. Lewin also proposes a uniform national benefit package based on the Hawaii law, but covering additional services. In addition, he favors requiring employers to offer dependent coverage.

Under his proposal, all citizens—even those covered by federal health care programs like Medicare—would receive the same benefits.

Employees changing jobs would be assured that their current health care benefits are "guaranteed and comparable anywhere in America," Dr. Lewin said.

Dr. Lewin also proposes that Congress approve health insurance reform, including forcing insurers to use community rating rather than experience rating.

"We could do this in Hawaii without a federal law, but we would rather it be a federal law," he said.

But requiring community rating would hurt large employers, said Mr. Robertson.

Dr. Lewin also proposes that Congress cap the amount of health plan costs that employers or employees could deduct from their federal taxes. This would encourage employers and individuals to shop for cost-efficient coverage, he argues.

But it would also put the "onus of cost containment" on the employer, not the provider, observed Malcolm Tajiri, an Alexander Consulting Group consultant in Honolulu.

Update

Court supports vacated rulings

Continued from page 2

The ruling reverses an appeals court decision letting stand a \$7 million libel award against the University of California, even though the plaintiff had agreed to accept a \$3 million settlement after trial (BI, June 15).

Justice Joyce Kennard dissented vigorously with the Supreme Court's ruling, arguing that it gives losing parties the chance to buy their way out of adverse judgments. "This court's adoption of a rule establishing a 'strong presumption' in favor of a stipulated reversal will reinforce an already too common perception that the quality of justice a litigant can expect is proportional to the financial means at the litigant's disposal," she wrote.

Two Blues plans to merge

INDIANAPOLIS—Two mutual insurers licensed to provide health insurance and other products under the Blue Cross & Blue Shield trademark say they plan to merge by year end.

Last week's announcement by the Associated Group of Indianapolis and Southeastern Mutual Insurance Co. of Louisville, Ky., comes on the heels of federal investigations into the solvency of BC/BS plans nationwide (see story, page 1).

Both insurers are financially healthy, said Mark Lubbers, Associated Group senior vp. Associated Group had policyholder surplus of \$536 million at year-end 1991 while Southeastern reported \$201 million in surplus. Combined, their revenues were \$2.8 billion.

Merging will let both expand their managed care provider and customer bases, Mr. Lubbers said. And, it is consistent with Associated Group's desire to expand geographically.

Associated Group also owns Acordia Inc., the world's 14th-largest insurance broker (BI, June 29). Associated currently is offering up to 5.5 million shares of Acordia stock to the public.

Cause of Hancock fire unknown

BOSTON—The cause of an Aug. 11 fire at the John Hancock Building in Boston, which sent more than 70 people to the hospital for treatment of smoke inhalation, is still under investigation.

The fire cut power above the seventh floor of the 62-story, 790-foot tall building, the tallest in New England, said a Boston Fire Department spokesman. Because of the power loss, neither fans designed to contain smoke nor elevators worked. And, firefighters were hampered because the building's public address system failed.

About 3,000 people were evacuated from the building and about 75 were treated for smoke inhalation, the fire department spokesman said. Damage was estimated at \$750,000, he said.

No suits have been filed in connection with the fire, said a spokesman for building owner John Hancock Mutual Life Insurance Co. "The problem was contained very quickly," he said.

The building is insured by Protection Mutual Insurance Co.; Hancock's liability coverage is written by Insurance Co. of North America, a CIGNA Corp. unit, a Hancock spokesman said.

Briefly noted

H.S. Weavers (Underwriting) Agencies Ltd. was placed in voluntary liquidation two weeks after an attempt to bail out its principal creditor, affiliate Walbrook Insurance Co., failed (BI, Aug. 10). Walbrook was the lead insurer on the U.S. casualty line slip underwritten by Weavers until 1990. . . . A California appeals court requested information on how all other states regulate annuities before it will consider an Insurance Department appeal of a lower court ruling that holders of **Executive Life Insurance Co. muni-GICs** are policyholders (BI, Nov. 25, 1991). . . . Florida, which is developing permanent **bungee jumping regulations**, has lifted its ban on jumping (BI, July 27) for operations meeting temporary standards that set a maximum height of 100 feet, require explicit warning signs and require the use of body harnesses instead of ankle wraps. . . . Wind, hail, tornadoes and flooding caused an estimated **\$20 million in insured property damage** to portions of New Jersey, Ohio and Virginia July 30-Aug. 1. The severe weather was assigned Catastrophe No. 26. . . . Rep. J.J. Pickle, D-Texas, has introduced H.R. 5800, which would require employers with **underfunded pension plans** to fund or collateralize the plans at 90% of current benefit obligations before benefits could be increased. The bill also would require that contributions to an underfunded plan equal annual benefit payouts. . . . A bill, H.R. 5745, introduced by Rep. Jan. Meyers, R-Kan., would repeal a **20% withholding tax**—scheduled to go into effect next year—on lump-sum pension distributions not directly transferred to an individual retirement account or another defined contribution plan (BI, July 13). . . . A judge has approved the California Insurance Department's **seizure of Western International Insurance Co.** of Huntington Beach, pending a department decision on whether the insurer should be liquidated (BI, July 27). . . . Standard & Poor's Corp. downgraded **Progressive Corp.**'s senior debt rating to BBB+ from A+, its subordinated debt rating to BBB from A and its preferred stock rating to BBB— from A—, citing the company's increasing use of its insurance profits to buy back stock. . . . The Senate last week approved an amendment to a pending tax bill, H.R. 11, that would raise the maximum income an employee covered under a pension plan could earn and still make a tax-deductible contribution to an **individual retirement account**. The caps would be \$80,000 for those filing individual tax returns and \$120,000 for joint filers. The current caps are \$25,000 and \$40,000. . . . The California Senate Rules Committee last week refused to confirm **Office of Administrative Law Director Marz Garcia**, who has blocked Insurance Commissioner John Garamendi's proposed regulations governing Proposition 103 and the placement of surplus lines insurance (BI, Aug. 3; Nov. 11, 1991).

S&L litigation costs

Continued from page 2
the impact as well.

"We've been very concerned at ATRA about what you could call the unintended consequences of these (S&L-related) lawsuits against accountants," said Martin F. Connor, president of the Washington lobbying group.

S&L depositors should be able to recover their money, Mr. Connor said, but insufficient attention has been paid to the impact of the suits on the accounting profession. Accountants must pay damages for losses for which they're only marginally responsible, he said.

Instead, states should apply a rule of proportional liability to damages against outside professionals in S&L suits, Mr. Connor said.

Right now lawyers, accountants and other S&L defendants are subject to joint and several liability. This means that all defendants found to be liable may have to pay for the full amount of damages, no matter what portion of the harm their misconduct actually caused.

Consumer advocates dispute Mr. Connor's analysis.

"My own response is, 'Boy, are they looking at the wrong problem,'" said Pamela Gilbert, acting director of Public Citizen's Congress Watch in Washington, an organization affiliated with Ralph Nader.

"Our economy is being beaten down by rampant criminal fraud in the financial industry," she said.

"I'm impressed by their creativity. To connect jobs to accountants who are engaging in

fraud is absurd," said Ms. Gilbert, adding that joint and several liability deters misconduct.

The suits, brought by the Resolution Trust Corp. and other regulators, are called "scapegoat litigation" because the principal defendants in many financial fraud suits lack the assets to compensate victims, so victims seek compensation from auditors, lawyers and others whose alleged misconduct may have been only a small part of the harm.

AUS Consultants, a West Conshohocken, Pa.-based consulting firm, prepared the study for ATRA.

The study says scapegoat litigation will cause:

- An increase in the cost of raising equity capital by as much as 1.3% over the next five years due to increased cost of legal, audit and investment banking services.

- An increase in the cost of capital varying considerably according to the amount raised. The study projected that the cost of raising less than \$5 million in capital will increase as much as 2.4% while that of raising \$500 million will go up by only 0.9%.

- An average annual decline of \$6 billion in business' fixed investment—machinery, equipment and non-residential structures—during the five-year period.

- A concurrent decline in labor productivity.

- Increased inflation due to the drop in investment and productivity.

- A drop in the gross national product of an average of \$17.8 billion in 1991 dollars per year during the five-year period.

- A loss of as many as 224,000 jobs over the period.

A computer model called the Long-Term Interindustry Forecasting Tool calculated the impact of the so-called "scapegoat litigation" on the economy, said John Urbanchuk, the AUS vp who prepared the study. LIFT is maintained by the University of Maryland.

Three major components of LIFT provide details for 78 sectors of the U.S. economy. The first, or "real," component estimates output, demand and labor requirements by industry. The second, or "price," component estimates value added by industry and unit prices by product. The third, also known as the "accounting," component calculates income.

Mr. Urbanchuk said AUS drew its cost assumptions from telephone interviews with accounting firms, securities underwriters and other professionals. They were asked how they would change their procedures to protect themselves from these lawsuits, he said.

"We tried to get an idea of how much additional effort was likely to be placed on things like performing audits," said Mr. Urbanchuk. Many of the interviewees "really did not have a good handle on how their costs broke out," so AUS made very conservative assumptions, he said.

The consulting firm also reviewed literature on the level of effort needed to carry out audits, legal services and other professional services associated with raising capital, he said. A suspicious audit has to be more thorough, thus taking more time and costing more money.

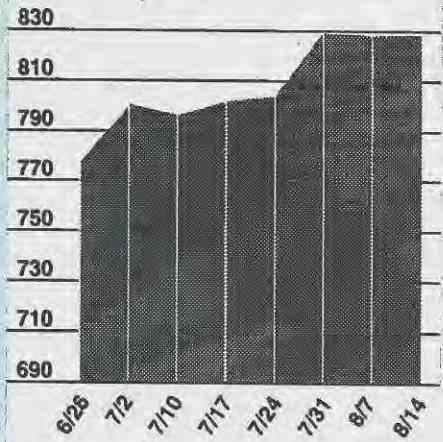
The costs associated with a high level of effort in auditing would increase by 50% by the end of three years, while the costs of legal and securities underwriting services would jump by 15%, AUS concluded.

Mr. Urbanchuk said he wasn't surprised at the results. He noted, for example, that forensic audits, carried out because of suspicion of wrongdoing, cost two to four times as much to perform as standard audits.

"While I don't think anybody expects that forensic audits will become the standard, that gives us a benchmark" to measure against in determining the cost of audits that are more comprehensive than the standard, said Mr. Urbanchuk.

Single copies of "The Economic Effects of Scapegoat Litigation" are available free from the American Tort Reform Assn., 1212 New York Ave. N.W., Suite 515, Washington, D.C. 20005; 202-682-1163.

BI Insurance Index



Base = 100 on Dec. 29, 1978
Source: Nordby International Inc.

Insurance industry stocks remained in the doldrums last week, as the *Business Insurance Index* held at 828.4 on Aug. 14 from the same level on Aug. 7. Advancing issues for the week were led by Safeguard Health Enterprise, up 6.5%; USF&G Corp., up 6.0%; and United Fire & Casualty, up 5.7%. Declining issues for the week followed Frank B. Hall, down 8.3%; Poe & Associates, down 7.1%; and Selective Insurance Group, down 5.7%. The most active issue was Sears, Roebuck (Allstate), with 3.8 million shares traded. The *BI Index* was down 0.5%; the Dow Jones 30 Industrials fell 0.1%; the Standard & Poor's 500 was up 0.3%; and the NYSE Composite was up 0.1%.

British Issues

Aug. 13 Companies	Price pence	P/E	Div. %	Yield %	1 Week	
					High	Low
Comml Union	458	N/M	31.5	6.9	458	435
Genl Accident	418	N/M	35.7	8.5	418	390
Gdn Royal Exch	129	N/M	10.0	7.8	129	114
Royal	165	N/M	7.0	4.2	165	164
Sun Alliance	247	N/M	19.0	7.7	252	247
Brokers						
Bradstock	107	12.0	6.3	5.9	115	107
CE Health	301	17.4	34.5	11.5	307	301
Hogg Group	129	7.8	10.7	8.4	131	129
JIB Group	119	8.8	10.0	8.4	119	118
Lloyd Thompson	185	18.5	6.0	3.2	185	185
Lowndes Lmbrt	251	9.8	16.8	6.7	253	251
PWS Holdings	31	6.8	5.3	17.1	31	31
Sedgwick Grp	141	11.0	16.0	11.3	161	141
Steel Brt Jones	198	9.8	17.7	8.9	200	198
Willis Corron	179	11.3	17.6	9.8	195	179

Source: Philip Olsen, London

* Estimated.

Action on defense contractor pension bill delayed

WASHINGTON—The Senate has postponed until fall a decision on whether it will join the House in voting to require major defense contractors to improve pension benefits for older workers who are laid off because of cutbacks in defense spending.

Under an amendment to a House-passed defense spending bill, H.R. 5006, companies that had an average of more than \$100 million in defense contracts between 1989 and 1991 would have to give two new special early retirement benefits to laid-off workers age 55 and older with 10 years of service.

Those benefits—a full pension benefit without any actuarial reduction for early retirement and a \$500 monthly supplement until the laid-off worker reached age

62—could total hundreds of millions of dollars (*BI*, July 20).

The Senate Armed Services Committee did not include the pension measure when it passed its version, S. 3114, of the defense spending bill.

A draft amendment prepared by Sen. Edward M. Kennedy, D-Mass., would—like the House bill—bar defense firms from reducing pension benefits to laid-off workers based on age. But the amendment would not require the \$500 supplemental benefit.

The full Senate, though, has temporarily shelved the defense spending bill amid controversy over other provisions it contains. It will not be taken up again until September.

—By Jerry Geisel

BI Industry Stock Report

AUGUST 10, 1992 THROUGH AUGUST 14, 1992

	Price	Weekly % change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	
				High	Low							
BROKERS												
Alexander & Alexander	NYS	24.13	-1.03	17.68	25.25	18.00	283	1.00	4.15	101	13.10	1.84
Gallagher Arthur J. & Co.	NYS	24.00	-3.03	7.26	25.50	19.00	237	0.64	2.67	18	5.88	4.08
Frank B. Hall	NYS	2.75	-8.33	-35.29	5.50	2.63	135	0.00	0.00	-2	1.95	1.41
Hibb, Rogal & Hamilton	NYS	13.75	-0.90	3.77	15.50	11.00	87	0.40	2.91	21	3.56	3.86
Marsh & McLennan	NYS	78.25	0.48	-3.84	83.75	70.00	259	2.68	3.42	18	28.00	2.79
Poe & Associates	OTC	12.50	-7.41	4.17	16.00	11.00	1	0.40	3.20	16	2.82	4.43
BROKERS AVERAGE												
AVERAGE												
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	35.50	1.43	16.39	36.25	23.50	13	0.36	1.01	12	36.95	0.96
Berkshire Hathaway Inc.	NYS	9500.00	-3.55	4.97	9500.00	254.69	0	0.00	0.00	30	7270.00	1.31
ITT (Hartford Group)	NYS	66.75	-1.48	15.58	70.63	50.00	1092	1.84	2.76	13	112.05	0.60
Sears (Allstate)	NYS	41.63	3.42	9.90	48.00	32.50	3760	2.00	4.80	11	34.50	1.21
CONGLOMERATES AVERAGE												
AVERAGE												
INSURERS/REINSURERS												
AEGON N.V.	NYS	37.13	0.34	6.07	37.75	27.38	32	1.14	3.07	7	N/A	N/A
Aetna Life & Casualty	NYS	42.63	-0.29	-3.13	47.00	31.88	744	2.76	6.48	13	87.60	0.49
Allied Group Inc.	OTC	26.25	2.44	54.41	26.25	16.25	112	0.64	2.44	8	19.85	1.32
American General	NYS	49.88	1.01	12.08	50.38	38.13	322	2.08	4.17	11	60.00	0.83
American Heritage Life Ins.	NYS	30.75	-0.40	0.41	32.25	20.81	2	0.84	2.73	15	N/A	N/A
American Indemnity/Fin'l	OTC	6.00	4.35	26.32	9.25	4.50	1	0.08	1.33	9	12.93	0.46
American International	NYS	97.50	1.96	-0.89	99.38	78.63	1328	0.56	-0.57	13	99.30	0.98
Aon Corp.	NYS	45.75	0.55	15.46	49.75	34.75	540	1.68	3.67	12	39.70	1.15
Argonaut Group	OTC	29.00	-2.52	22.11	30.25	21.75	29	0.84	2.90	8	20.96	1.38
AVEMCO Corp.	NYS	24.75	-1.49	-1.00	28.00	21.25	7	0.40	1.62	24	9.55	2.59
Baldwin & Lyons Inc.	OTC	31.50	0.00	22.33	32.00	22.75	0	0.48	1.52	8	24.29	1.30
Chandler Insurance	OTC	4.50	-5.26	28.46	7.63	2.13	29	0.00	0.00	41	5.95	0.76
Chubb Corp.	NYS	77.00	-1.12	0.00	78.63	60.75	904	1.60	2.08	12	72.95	1.06
CIGNA Corp.	NYS	54.50	0.00	-10.84	61.75	41.25	385	3.04	5.58	11	117.15	0.47
CNA Financial Corp.	NYS	93.25	0.95	-4.85	104.50	76.25	57	0.00	0.00	10	70.23	1.33
Continental Corp.	NYS	34.50	1.10	24.89	34.50	23.25	567	2.60	7.54	24	40.00	0.86
EXEL Ltd.	NYS	35.38	0.35	-5.67	40.25	27.38	248	0.92	2.60	8	N/A	N/A
Fund American Corp.	NYS	68.50	0.00	-1.97	70.50	62.50	21	0.68	0.99	18	36.11	1.90
Fremont General Corp.	OTC	23.50	-1.05	-3.59	26.00	17.00	49	1.00	4.26	6	45.55	0.52
Frontier Insurance Group	NYS	38.75	-2.52	43.52	40.50	19.91	34	0.56	1.45	14	26.65	1.45
Gainsco Inc.	ASE	19.63	-2.48	40.18	20.63	10.25	74	0.04	0.20	20	3.37	5.82
General RE Corp.	NYS	89.13	-1.66	-12.52	104.75	77.50	511	1.80	2.02	12	78.65	1.13
Guaranty National Corp.	NYS	17.75	0.00	22.41	18.25	12.63	20	0.48	2.70	12	N/A	N/A
Hanover Insurance Co.	OTC	39.50	0.64	10.49	42.75	27.75	284	0.44	1.11	9	37.44	1.06
Hartleysville Group	OTC	23.50	3.30	10.59	23.50	16.75	132	0.64	2.72	9	22.99	1.02
Hartford Steam Boiler	NYS	56.88	-0.87	-1.09	58.75	45.13	47	2.00	3.52	17	35.50	1.60
Kemper Corp.	NYS	25.50	-1.45	-33.11	46.13	23.25	674	0.92	3.61	8	50.00	0.51
Lawrence Insurance Group	ASE	10.00	0.00	-10.11	11.13	7.00	4	0.48	4.80	23	4.71	2.12
Liberty Corp.	NYS	30.63	-2.00	38.42	32.88	19.88	79	0.48	1.57	13	29.35	1.04
Lincoln National	NYS	63.13	0.00	15.30	66.00	46.00	193	2.92	4.63	11	81.00	0.78
MARKET CORP.												
Market Corp.	OTC	26.25	-0.94	19.32	28.25	17.50	117	0.00	0.00	7	15.59	1.68
Mutual Risk Mgmt. Ltd.	NYS	30.88	2.49	-12.10	37.75	21.13	13	0.24	0.78	19	-	-
NAC RE Corp.	OTC	29.00	0.43	-7.94	33.00	21.75	109	0.16	0.55	13	18.90	1.53
National RE Corp.	NYS	20.38	-2.40	N/A	23.63	17.00	36	0.12	0.59	11	N/A	N/A
Navigator Group	OTC	33.50	0.00	-18.29	48.25	30.50	78	0.00	0.00	19	13.52	2.48
Nobel Insurance LTD.	OTC	4.75	-5.00	18.75	6.00	3.50	40	0.00	0.00	3	7.76	0.61
OHNL Companies	NYS	40.38	-4.15	29.72	43.75	21.75	122	1.48	3.67	12	62.65	0.64
Ohio Casualty Corp.	OTC	61.75	1.23	24.75	62.00	43.50	97	2.68	4.34	10	18.00	3.43
Old Republic Int'l	NYS	21.25	0.00	19.72	22.50	15.00	219	0.40	1.88	8	33.09	0.64
Oriental Capital Corp.	NYS	39.25	3.63	24.11	39.25	27.25	138	0.92	2.34	7	43.50	0.90
Phoenix RE Corp.	OTC	11.25	-5.26	7.14	12.25	8.50	16	0.20	1.78	23	13.30	0.85
Provident Life	OTC	27.00	-1.82	16.13	28.00	18.00	178	1.00	3.70	12	39.50	0.68
Re Capital Corp.	ASE	13.13	1.94	-8.70	17.50	12.50	6	0.24	1.83	16	16.07	0.82
Reliance Group Holdings	NYS	4.50	-5.26	9.09	5.88	3.50	266	0.32	7.11	3	6.40	0.70
RLI Insurance Corp.	NYS	21.13	1.81	28.03	21.25	14.00	12	0.48	2.27	9	14.41	1.47
St. Paul Companies	NYS	75.50	1.17	3.60	80.75	57.13	215	2.72	3.60	7	86.60	0.87
SAFECO Corp.	OTC	51.63	-0.96	5.90	53.38	35.50	854	1.64	3.18	13	51.65	1.00
SCOR U.S. Corp.	NYS	16.00	-3.03	4.07	18.88	13.13	14	0.28	1.75	9	11.19	1.43
Sobels Bruce Group	OTC	6.00	0.00	9.09	8.75	4.00	72	0.36	6.00	-3	10.60	0.57
Selective Ins. Group	OTC	20.75	-5.68	23.88	23.							



Prehistory is full of species that were unable to adapt to changes in the world around them. While hundreds of thousands of these animals may have once roamed the land, they now leave nothing more than a fossil record.

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