

AUGUST 22, 1983

update

business insurance

California doctors' reciprocal placed into conservatorship

LOS ANGELES—The California Insurance Department has placed the state's third-largest doctor-owned medical malpractice insurance company and its Pasadena, Calif., management company into conservatorship because of a management dispute between the two entities.

Physicians & Surgeons Insurance Exchange of California, a doctor-owned reciprocal, and Physicians & *Continued on next page*

Reporting weekly for corporate risk, employee benefit and financial executives/\$1.25 a copy; \$45 a year

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Photo: Wide World
Consolidated Edison crews attempt to repair the underground damage that caused the chaos.

Restored power sheds little light on N.Y. blackout losses, liability

NEW YORK—The lights are back on in New York's Garment District, but manufacturers and retailers affected by the blackout earlier this month are still in the dark about the extent of their business interruption losses.

Equally shrouded is the question of who will be liable for the potential losses.

The garment industry says its too early to tell if manufacturers will be able to make up the momentum lost when an underground fire caused a three-day power outage that brought selling to a halt during a peak market week.

But, late last week most were swamped, catering to buyers that had returned to the district to resume placing orders for spring clothing.

Less likely to make up their business interruption losses are Macy's and Gimbels, the two giant department stores affected by the blackout, and the Penta Hotel, the former New York Statler. It could be months before their losses are totaled, they say.

Meanwhile, both the city of New York and Consolidated Edison Co. say they do not believe they are

liable for any of the losses resulting from the Aug. 10-13 blackout in the 12-block area of Midtown between 30th and 42nd streets. The blackout was caused by the flooding of an underground transformer compartment, which Con Ed leased in the sub-basement of an office building.

The flooding was triggered by the rupture of an aging, 12-inch city water main. The water short-circuited the electrical equipment causing a fire.

"I don't think the city even will be sued," said Frederick A.O. Schwarz Jr., the city's corporation counsel, who researched case law on similar situations. "As I read the cases, the doctrine is that you don't have to anticipate things like a pipe bursting."

Mr. Schwarz discounted earlier statements by a deputy in his department, who said the city might be hit with million of dollars in claims. He said the deputy might not have been familiar with case law.

"With pending investigations and possible litigation, we're not commenting on much of anything," said a Con Ed spokesman. "We feel we are not liable. Our actions did not precipitate the blackout. Even if there were judgments against us, we believe we are adequately insured." Con Ed, however, would not comment on its liability insurance.

The utility formerly had liability coverage through Associated Electric Gas Insurance Services Ltd., an industry-owned captive in Bermuda, but *Continued on page 76*

This story was reported in New York by Bureau Chief Bill Densmore and Donna Gordon and in Chicago by Associate Editor Carol Cain.

Kennedy wants employers to offer quicker vesting

By JERRY GEISEL

WASHINGTON—Employers with pension plans would have to offer dramatically faster vesting schedules under legislation to be introduced in Congress next month.

Under the new bill sponsored by Sen. Edward Kennedy, D-Mass., employees would have to vest in a pension plan after only five years of service.

That would slice in half the time most employees have to stay on the job to be entitled to a pension. Currently, most employer-provided pension plans require 10 years of service before an employee can vest.

In addition, the legislation would permit employees who leave their jobs to roll over their vested benefits into an Individual Retirement Account.

Furthermore, the bill would force pension plans to provide a minimum benefit that could not be integrated or reduced by the Social Security benefit that an employee is entitled to, though final details of that provision have not yet been ironed out.

Members of Sen. Kennedy's staff say faster vesting is needed because the standard 10-year vesting schedule offered by most employers no longer meets the needs of a mobile workforce.

"The workforce has changed, but pensions haven't kept up," says Ranny Cooper, an aide to Sen. Kennedy.

"It wasn't uncommon once for people to work 20 or 30 years on the same job. Today, there is much

more job mobility with employees often changing jobs every few years," Ms. Cooper says.

Without more rapid vesting schedules, those that change jobs frequently will never vest. "This bill takes into account changing work habits," Ms. Cooper adds.

'Some firms' administrative expenses would double because of the need to maintain records for people with negligible benefits,' says Kwasha Lipton's Len Mactas.

Although the bill won't be introduced until September, it already is controversial. Critics say faster vesting would cause enormous administrative problems for employers without significantly increasing benefits for employees.

Virtually every one of the nation's 600,000 pension plans would have to be overhauled to incorporate the

faster vesting schedule.

In addition, employers would have to keep track of workers who left the firm after accruing a small benefit or "cash out" the benefit, a task that consultants say is a nuisance. Under law, employers can give vested employees a lump sum if the cash value of the benefit is less than \$1,750.

"Some firms' administrative expenses would double because of the need to maintain records for people with negligible benefits," said Len Mactas, a partner with Kwasha Lipton, a benefit consulting firm in Fort Lee, N.J.

And critics say the small amount of benefits that an employee would earn after five years doesn't justify those administrative expenses.

Some employers say that the cash value of the vested benefit earned by young, low-paid employees would be less than \$300.

"It wouldn't be a meaningful benefit," said Fred Hamacher, *Continued on page 77*

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Firestone, Budd will appeal \$4.29 million tire rim award Page 2

update

Doctors' reciprocal dispute

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Surgeons Underwriters Corp., its attorney-in-fact that acts as administrator for the insurer, were ordered into conservatorship on Aug. 10 by a Los Angeles County Superior Court.

Insurance Department officials stressed that its action was not prompted by concern for the insurer's solvency, but rather to protect policyholders' interests and to assure continued operation of the exchange pending resolution of the management dispute.

New applications are being submitted to the same peer review committee and claims are being adjusted and paid by management company employees under the Insurance Department's supervision.

The department acted after it learned that the exchange had terminated its management agreement with its attorney-in-fact, leaving the company without a manager. It was also left without a certificate of authority, which is issued to the attorney-in-fact.

The Insurance Department expects its conservatorship to be temporary until a viable attorney-in-fact is once again functioning. However, that process could be delayed by litigation involving the exchange and the management company.

Fremont General Corp., an insurance holding company, is the majority shareholder in Physicians & Surgeons Underwriters Corp. Physicians & Surgeons Insurance Exchange of California, founded in 1976, wrote nearly \$23 million in medical malpractice coverage in 1982 in California only.

Triple-trigger theory applied

PHILADELPHIA—All of Crown Cork & Seal Co. Inc.'s liability insurers are liable for defense and payment of claims by victims of asbestos-related diseases, a state court judge has ruled.

Philadelphia Court of Common Pleas Judge Lawrence Prattis ruled in favor of the triple-trigger theory, which says all Crown insurers from the time of a victim's exposure to asbestos through manifestation of an asbestos-related disease are liable.

Crown filed suit against its insurers in 1978 to determine which must defend and indemnify the company. Defendants include Aetna Casualty & Surety Co., Insurance Co. of North America, Employers Mutual Liability Insurance Co. of Wisconsin, Continental Insurance Co. and Lumbermens Mutual Casualty Co.

Crown, a defendant in thousands of asbestos cases, reportedly purchased at least \$89 million in liability coverage since 1960. Several defendants have filed motions for reconsideration.

Pension chief to resign

WASHINGTON—The government's top pension regulator is leaving the Labor Department to join a Salt Lake City law firm.

Jeffrey Clayton, who has been the administrator of the Office of Pension and Welfare Benefit Programs for two years, will resign Sept. 14 to become a partner at Greene, Callister & Nebeker.

Unit Handling Systems to appeal

DETROIT—The manufacturer of an automatic storage and retrieval system will appeal a \$10 million judgment to the family of a Ford Motor Co. worker who died after being struck by a moving part (BI, Aug. 15).

"The verdict was excessive. . . We'll appeal. When I file a motion for a new trial, we'll ask for a reduction of the \$10 million," said Richard Tonkin, an attorney for Unit Handling Systems of Florence, Ky., a unit of Litton Industries Inc. Mr. Tonkin is with the Detroit law firm of Vandewater, Garzia, Tonkin, Kerr & Heaphy.

A subsequent lawsuit filed against Ford by UHS is still pending. Ford officials could not be reached for comment.

Though the lawsuit against Unit Handling referred to the automatic system as a robot, leading U.S. robotic manufacturers and the Robot Institute of America say this particular system doesn't meet the definition of a robot.

So far, there's been only one employee death—in Japan—that has been recorded as the result of an accident involving an industrial robot (BI, March 28).

Experts differ on jet fire's cause

FORT MITCHELL, Ky.—Outside experts hired by McDonnell-Douglas Corp. and Air Canada gave conflicting testimony last week about the origin of a fire aboard an airliner that killed 23 people.

The Air Canada DC-9, manufactured by McDonnell-Douglas, made an emergency landing June 2 at the Greater Cincinnati Airport when acrid smoke filled the cabin (BI, June 13).

Serge Clayton, a retired McDonnell-Douglas official and now a consultant, said a lavatory pump motor had been X-rayed following the crash and showed no evidence of any electrical malfunction.

Testifying for Air Canada, Canadian electrical-mechanical expert Max Vermij said his analysis showed the fire originated with the motor for the lavatory.

Six suits have been filed in U.S. District Court in Dallas against the two firms by survivors and families of victims.

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Michigan service stations may need pollution cover

By DONNA GORDON

LANSING, Mich.—Service stations in Michigan would have to buy pollution liability insurance if the state Legislature enacts a draft bill now being reviewed by a special House committee.

If the proposal becomes law, Michigan would become the first state to mandate that service stations with underground gasoline storage tanks purchase pollution coverage, according to state Rep. John Cherry, D-Mount Morris.

Other states require service stations to buy permits for such tanks, but none requires that a station purchase insurance before being granted a permit, says Rep. Cherry, chairman of the House Ad Hoc Committee on Environmental Impairment Liability Insurance and one of the authors of the bill.

The bill also would mandate higher coverage requirements for landfills and treatment, storage and disposal facilities (TSDFs) than currently required by federal laws.

Federal laws do not require gasoline stations to purchase environmental impairment liability coverage.

Representatives of gasoline wholesalers and retailers have not yet taken a position on the bill, though some point out that they do not think an insurance mandate is needed and others say high premium costs could cause some service stations to go out of business.

But Rep. Cherry says he's introducing the legislation to make sure that service stations have enough insurance to stay in business should their tanks leak.

The bill's supporters also say the bill will guarantee that parties responsible for pollution accidents will have the ability to pay.

"As the (state) Department of Natural Resources has identified contamination sites throughout the state, it has become apparent that many contaminations have resulted from the operations of businesses whose assets are insufficient to cover the cost of cleanup," says a preliminary report on the proposal by the ad hoc committee.

Ron Wilson, a ground water quality official with the Michigan Department of Natural Resources, says that hazardous wastes are seeping at about 450 underground sites in the state, according to a 1982 study. About 40% of these cases involve underground petroleum tanks, "by far the lead category," Mr. Wilson said.

The proposed requirements would go into effect no later than Jan. 1, 1985, for landfills and TSDFs, and Jan. 1, 1986, for all other businesses that store petroleum products in underground tanks, including service stations.

To obtain a state permit for underground petroleum storage tanks, service stations and other parties would have to purchase environmental impairment liability

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EEOC suit sparks debate over coverage

By JIM DAVIS

ANNAPOLIS, Md.—The Maryland State Insurance Division will hear arguments Aug. 29 on its preliminary finding that Continental Casualty Co. improperly denied coverage to a state college facing a sex discrimination suit.

The dispute was triggered by a lawsuit filed with the federal Equal Employment Opportunity Commission against Anne Arundel Community College of Arnold, Md., in 1977 by a former female professor.

Although the suit has not been settled, the college notified Continental Casualty, a subsidiary of CNA Financial Corp. of Chicago, about the potential loss.

The suit, which charges that AACC discriminated against women in pay and other benefits, gained class-action status last October. Sixty-two current and former AACC female faculty members are represented.

The suit seeks \$500,000 in back pay the women claim they should have received from 1975 to the present, according to Thomas J. Wohlgenuth, an attorney with the Annapolis, Md., firm of Smith & Wohlgenuth P.A. that is representing the college.

A hearing date has not been set on the discrimination suit filed in the U.S. District Court of Maryland.

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Insurer took the nibble and will pay the price

By STEVE TARAVELLA

SEATTLE—A manuscript sporting events policy saved the organizers of a fishing contest here from losing a cool \$1 million—hook, line and sinker.

Schuck's Auto Supply promised to divide \$1 million equally among the fishermen who could catch any of the five tagged salmon set free in its third annual fishing derby.

Only a few days before the Aug. 15 competition, the auto supplier purchased a policy from Guaranty National Insurance Co. in Denver to insure against anyone catching one of the tagged fish let loose in Puget Sound.

Two retirees walked away from the event \$500,000 richer because they each snagged one of the tagged fish in the 700-square-mile contest area.

The policy, placed through wholesale broker Cochrane, Griffin and Co. Inc. in Bellevue, Wash., cost the auto supply dealer about \$50,000, confirms L.D. Wertz, Cochrane vp and office manager.

"We really didn't think that they'd catch it," Mr. Wertz explains. "The area was quite large and when you look at those little fish, you'd think nobody's going to catch them."

"The first fish (caught) was a shock—the second one just about took our breath away," he says.

Last year, the contest sponsors only put one tagged fish in the water. Mr. Wertz says the insurers realized that five marked fish "increase the odds substantially of one getting caught, but it's all chance."

A spokeswoman for Guaranty National says the insurer was "very surprised" that any of the fish had been hooked. It believed chances of that happening "were very slim."

Mr. Wertz says the competition's outcome will not chase Guaranty National away from the coverage in the future. The insurer has underwritten similar policies for about three years, but had not previously insured this contest.

But, he adds, next year the premium on the policy probably will be higher.

It appears to be a good year for catching tagged fish. This summer

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Graphic: Jim Bakasetas

Firms to appeal tire rim award

By JERRY GEISEL

KANSAS CITY, Mo.—Firestone Tire & Rubber Co. and Budd Co. will appeal a \$4.29 million award to the owner of a small trucking company who was injured by an exploding multipiece truck tire rim.

The Aug. 5 award by a federal jury in Kansas City is believed to be the largest ever awarded among the dozens of suits filed against Firestone and other truck tire rim manufacturers.

The previous record judgment in a tire rim case was the \$1.8 million awarded last year by a Montana court to a man injured when he attempted to put a tire mounted on a Goodyear Tire & Rubber Co. rim on a truck (BI, Feb. 22, 1982). That case is now before the Montana Supreme Court.

In the Kansas City case, the jury awarded a total of \$3.9 million in punitive damages. Firestone was slapped

with 80%, or \$3.12 million, of the punitive award, while Budd, which made a disk that connected the rim to the wheel hub, was told to pay \$780,000, or 20%.

Firestone and Budd also must pay \$198,000 in compensatory damages to Missouri trucker Larry Hale, who suffered severe facial injuries in the 1977 accident.

Both Firestone and Budd are appealing the award.

Firestone, based in Akron, Ohio, says the jury verdict is not justified by the facts. Budd, a Troy, Mich.,-based subsidiary of Thyssen A.G., a West German corporation, says the disk it manufactured is not defective and that it never was proved that the rim entered as evidence at the trial was the rim involved in Mr. Hale's accident.

"We certainly should win on appeal," said Frank Perkin, assistant general counsel for Budd.

The two companies, though, declined to identify their product liability insurers. However, Firestone and

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Requiem for surplus lines insurance

By LEN STRAZEWSKI

Funeral bells toll for the surplus lines insurance business, say some of the nation's largest surplus lines brokers and non-admitted insurers.

But the capacity and creativity of the specialty market lives on in new insurance products offered by admitted insurers.

And someday, when mainstream licensed insurers are no longer hungry for the premium dollars generated by risky coverages traditionally written in the non-admitted market, the surplus lines business will awake to regather its forces and rise again to leadership.

But for now, when admitted insurers provide an abundance of capacity at rock-bottom rates for virtually any risk, there's simply little need for the surplus market's heroics, wholesale brokers and surplus lines underwriters say.

To survive, these marketers are turning away from high-premium coverages like umbrella liability insurance and instead specializing in smaller-premium products and often placing them in the admitted market.

Among the Top 10 wholesale brokers, underwriting managers and managing general agencies ranked by *Business Insurance*, four firms reported drops in gross premium volume ranging from about 3% to 12.5%, an indicator that premiums on individual policies are continuing to shrink.

Five of the wholesalers also reported drops in their gross

revenues ranging from about 1% to more than 11%.

Only underwriting manager Baccala & Shoop Insurance Services, a Corroon & Black Corp. subsidiary, reported double-digit gains in both areas.

Baccala & Shoop's premium volume grew 23.7% to \$121.9 million in 1982 from about \$98.5 million in 1981. Gross revenues increased 28.7% to about \$13.6 million from about \$10.5 million.

Baccala & Shoop's explanation for its success is simple. The underwriting manager took its premium and revenue losses in 1981 when it lost one of its major markets for part of the year and was forced to rebuild its volume from the ground up.

It's succeeding, but not within the surplus lines market. More than half of Baccala & Shoop's business is placed with admitted insurers. A similar trend is found at the other surplus lines marketers that posted small volume increases: Shand, Morahan & Co. Inc.; E.H. Crump Cos. Inc.; Victor O. Schinnerer & Co. Inc.; Swett & Crawford; and Montgomery & Collins Inc.

With more business moving to admitted insurers, traditional surplus lines insurers are also feeling the pinch. Many of them are abandoning the competitive race for such high-premium items as umbrella liability coverage and beginning to emphasize smaller-premium speciality products and excess property insurance, which they believe can be underwritten

to a profit.

Other insurers are investing in state licenses and becoming part of the admitted market.

Two of the top five surplus lines insurers ranked by *Business Insurance* reported drops in gross premium volume in 1982.

California Union Insurance Co., a division of CIGNA Corp., watched its premium volume drop 10.9% to \$74.4 million in 1982 as the Los Angeles-based insurer worked to reduce its combined ratio to a profitable 97.4% from a bit less profitable 100.2% in 1981.

Selective underwriting was the goal, says California Union, which was ranked fifth among surplus lines insurers. For some big-premium, high-risk coverages, the insurer now quotes on only about one of every four submissions.

However, the insurer continues to emphasize its specialties—professional liability coverages from which it generally turns an underwriting profit.

Northbrook Excess & Surplus Insurance Co., which is the third-largest surplus lines insurer, reported an even more serious drop in income as gross premium volume fell 33.9% to \$104.4 million from \$157.9 million in 1981.

NESCO, which is part of the Allstate Insurance Group, also reported the highest combined ratio among the top five insurers—157.5%, up dramatically from 118.5% in 1981.

Continued on next page

Ten leading underwriting managers & wholesalers

MGAs/Underwriting Managers (Parent company)	Premium volume (000)			Gross revenues (000)			Percent surplus lines ²	
	1982	1981	% change	1982	1981	% change	1982	1981
Sayre & Toso Inc. (Mission Insurance Group)	\$245,357	\$280,421	-12.5%	\$36,592	\$41,296	-11.4%	17.5%	15.0%
Shand, Morahan & Co. Inc. (Alexander & Alexander Services Inc.)	220,000	210,000	4.8	28,600 ^E	27,300 ^E	4.8	40.0	60.0
L.W. Biegler Profit Center (Crum & Forster/Xerox)	207,123	213,700	-3.1	26,910 ^E	27,781 ^E	-3.1	37.0	35.0
E.H. Crump Cos. Inc. (E/S offices only)	151,000	138,000	9.4	14,325	13,200	8.5	20.0	20.0
Cravens, Dargan & Co., Pacific Coast (CIGNA Corp.)	140,100	154,900	-9.6	39,320	39,688	-0.9	10.0	10.0
Baccala & Shoop Insurance Services (Corroon & Black Corp.)	121,869	98,501	23.7	13,567	10,545	28.7	15.0	22.0
Victor O. Schinnerer & Co. Inc. (Marsh & McLennan Cos.)	115,000	114,000	0.9	14,950 ^E	14,820 ^E	14.3	10.0	10.0
Brokers (Parent company)								
Stewart Smith Holdings Inc. (Stewart Wrightson Group P.L.C.)	210,000 ^E	217,000 ^E	-3.2	28,000 ^E	24,500 ^E	-1.1	NA	NA
Swett & Crawford (Foremark Continental Corp.)	165,022	164,591	0.3	14,400	14,558	-1.1	30.0	30.0
Montgomery & Collins Inc. (CIGNA Corp.)	105,700	94,100 ¹	12.3	10,400	9,700 ¹	7.2	25.0	30.0

Five leading surplus lines insurers

Insurer (Parent company)	Gross premium volume (000)			Net written premiums (000)			Combined ratio	
	1982	1981	% change	1982	1981	% change	1982	1981
Lexington Insurance Co. (American International Group)	\$279,998	\$268,824	4.2%	\$10,026	\$10,804	7.2%	-33.2%	-38.2%
First State Insurance Co.³ (Hartford Insurance Group/ITT)	209,898	207,968	0.9	22,573	23,973	-5.8	100.3	98.7
Northbrook Excess & Surplus Insurance Co. (Allstate Insurance/Sears)	104,434	157,911	-33.9	14,840	20,197	-26.5	157.5	118.5
Guaranty National Insurance Co. (Guaranty National Insurance Corp.)	85,876	78,654	9.2	62,179	58,680	6.0	136.9	96.1
California Union Insurance Co. (CIGNA Corp.)	74,364	83,495	-10.9	12,679	17,419	-27.2	97.4	100.2

¹ Estimate based on 13% of premium volume for MGA/underwriting manager; 11.4% for Stewart Smith.

² Restated.

³ Percent placed with non-admitted markets.

⁴ Managed by Cameron & Colby. See directory.
Source: BI Survey

Surplus insurers concentrate on specialties

Continued from previous page

Known as an aggressive surplus lines insurer specializing in umbrella liability insurance, Northbrook is changing fast.

NESCO will be a specialty coverage insurer from now on, says President Robert Agnew, and some specialty products will now be underwritten by an Allstate admitted insurer, Northbrook Indemnity Co., which has been relatively unused for the past three years.

Other insurers are looking outside the surplus lines market, too.

Guaranty National Insurance Co., another rapid mover in recent years, ranked fourth among surplus lines insurers and continued to gain volume. It reported gross premiums up 9.2%, the best gain among the top five insurers. How-

ever, its combined ratio skyrocketed to 136.9% in 1982 from 96.1% in 1981.

Guaranty National Corp., the insurer's holding company, which also operates Landmark Insurance Co., had an even worse year overall, posting a combined ratio of more than 140% and reporting a net loss for the last four quarters.

But shortly after its president resigned earlier this month, the holding company announced that its insurers would be withdrawing from surplus lines competition and will now be emphasizing non-standard private passenger automobile insurance in the admitted market—at least until commercial casualty insurance rates increase.

"I don't think there is a surplus lines business anymore," explains

John N. Molbeck Jr., president of J.H. Blades & Co. Inc. of Houston. "We don't consider ourselves a surplus lines broker. We are an energy insurance specialist and place a good portion of our business with admitted insurers elsewhere."

Blades, a Crum & Forster subsidiary, was one of the great white knights of the insurance capacity crunch of the mid-1970s, developing an international reputation for finding and uniting worldwide capacity for such high-limit needs as oil and gas drilling risks and major corporate umbrella liability programs.

Now, amassing capacity is not much of a problem.

"I can place a \$500 million risk in a week without a problem," Mr. Molbeck says. "I just placed a \$500

million umbrella policy for a major corporation in 48 hours. \$200 million domestically and \$300 million in London.

"Everybody is getting into the act. If you lose Allianz or Northbrook this week, someone will fill in the vacuum next week."

Blades reported premium volume up 3.6% to \$101.3 million in 1982 and gross revenues up 7.7% to about \$6.9 million in 1982.

Mr. Molbeck doesn't promise as strong a return in 1983. "We are not expecting the energy business to rebound much until 1985 and our future is now linked to the energy industry's future."

Blades slipped from the Top 10 wholesalers list this year as *Business Insurance* ranked Stewart Smith Holdings Inc. and Cravers

Dargan & Co., Pacific Coast for the first time.

"We are all becoming specialists these days," says Tony Markel, Executive vp of Markel Services Inc. of Richmond, Va., and the current president of the National Assn. of Surplus Lines Offices.

"We're turning more and more to specialty products. I hear it at NAPSLO meetings and I hear it on the street. To make money, you have got to get the pen for five or six insurers who are willing to take on the coverage that you know best. Then you have to get from them a bigger piece of the income pie."

Markel Services is nationally known as a trucking and transportation specialist. Its premium volume shrank a bit in 1982, but revenues were up almost 7% to \$6.2 million in 1982 only because it was able to improve efficiency and compensation by offering more underwriting services to insurers.

Markel has practically abandoned brokering umbrella liability for big risks and now limits its non-trucking interests to surcharged liability and property insurance.

Oklahoma General Agency of Oklahoma City, which also handled big-premium items in the past as a managing general agency, is also changing its focus, according to President Marie Welch.

Ms. Welch, president of the American Assn. of Managing General Agents, says her company is doing fine because it is selling small-package property/liability coverages for high-risk businesses and miscellaneous medical malpractice coverages under an exclusive territorial agreement with several insurers, most of which are admitted.

Because of the exclusive arrangements, Oklahoma General draws much of its business from big brokers like Marsh & McLennan Inc. and Alexander & Alexander Inc., but Ms. Welch says this is the exception rather than the rule.

The large brokers now handle much of their specialty coverages with their in-house excess/surplus brokerages, which frequently hold their own managing general agency agreements with insurers.

"I think our firm is doing better than the pack. I know many AAMGA members who just can't keep up," she says.

Some wholesalers are adding to already abundant underwriting capacity by taking some of the risk themselves.

Parkington Associates Ltd., a New York-based surplus brokerage, has formed its own captive reinsurer, Parkington Insurance Co., to get a bigger income from the risks it knows—miscellaneous medical malpractice, including coverage for podiatrists, physical therapists, radiologists and others in related medical professions.

Once viewed as small, unimportant coverages, these products are keeping Parkington profitable, says President Gerard Nolan, but much of the business is now underwritten by admitted insurers, both at the request of buyers and because of New York's infamous Regulation 41 that requires what many brokers feel is burdensome paperwork (see story, page 12).

Capacity, of course, continues to grow and new insurers enter the market every day from within and without the United States, all looking for some market niche. Most recently, Insurance Corp. of Ireland opened its first U.S. office in Chicago, underwriting primarily public entity liability risks and generating \$2 million in premium volume in its first six months of operation.

THIS IS THE WRONG TIME TO FIND OUT YOU DON'T HAVE THE RIGHT INSURANCE.

It's too late after one of your trucks or part of your motor fleet has been involved in an accident.

That's why it's a good idea to consult an Independent Insurance Agent before you buy your business policy. An Independent Agent represents several companies—not just one. So you get expert, professional advice on how to select the best business insurance coverage at the best price.



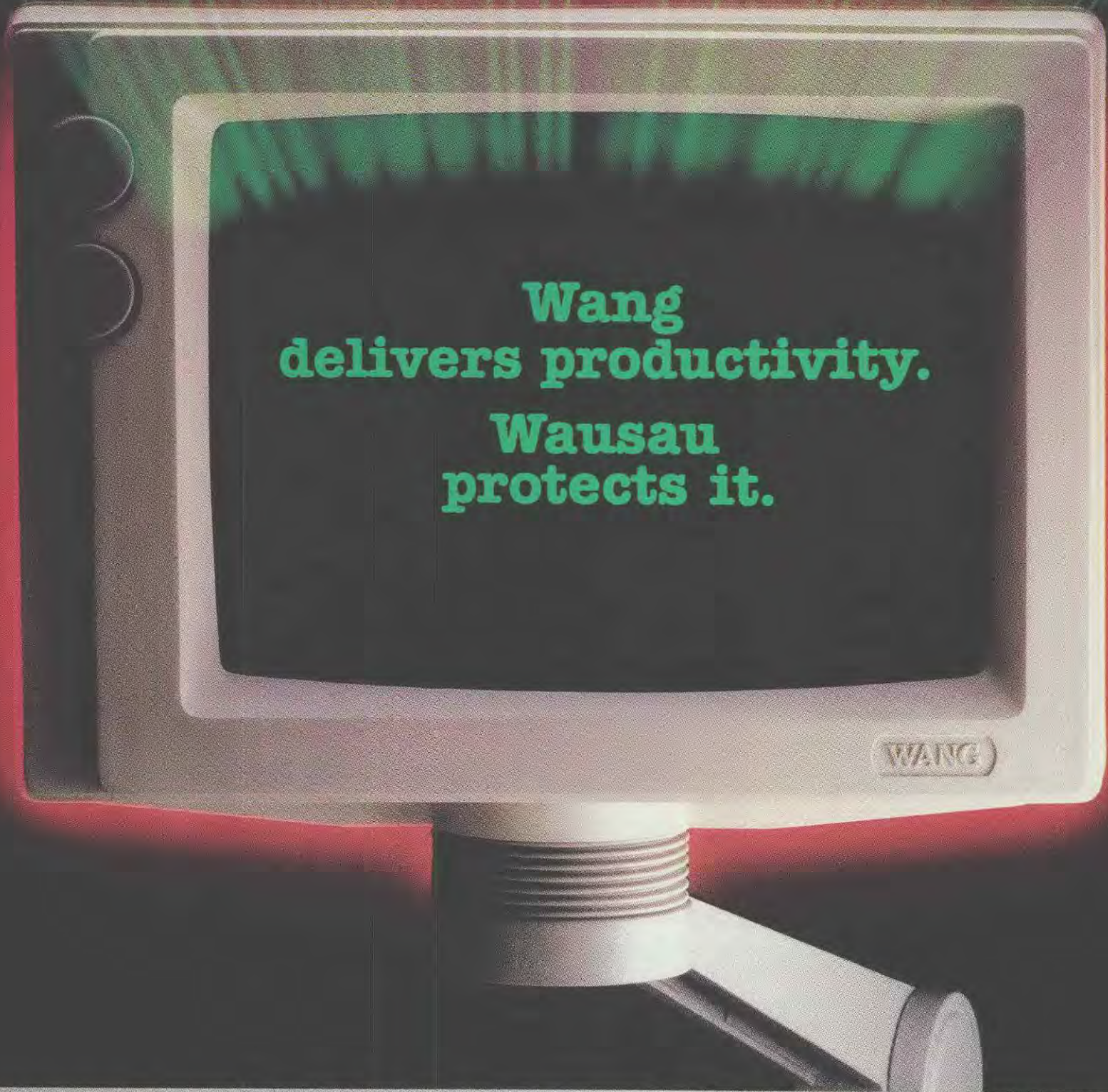
And right now your Independent Agent is offering an informative free booklet that can help make choosing the right business insurance a little easier. Get it. Before you need it.

You'll find the Independent Insurance Agent nearest you listed in the Yellow Pages under the Big "I" symbol.



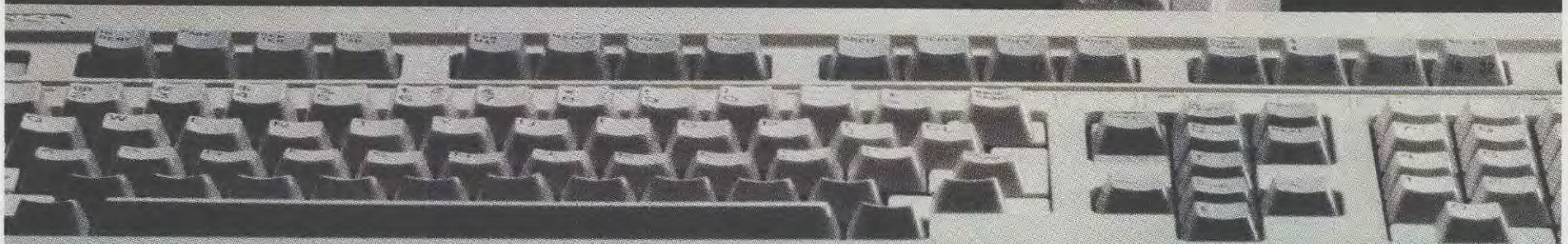
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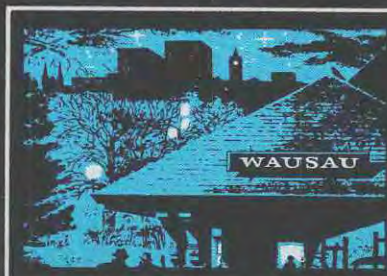
Helping businesses become more productive through office automation is the mission of Wang Laboratories. Wausau protects Wang with three lines of business insurance, including workers compensation for 17,000 employees.

When Wausau and Wang got together, we set a premium that reflected their past loss experience *and* a mutual confidence in their ability to control future losses. Our plan provided for important

cash-flow benefits to Wang.

Martin A. Miller, Wang's Assistant Treasurer, says: "Wausau responds — and they respond quickly — to handling claims and any other problems that develop." On our fleet auto coverage for Wang, Mr. Miller states, "This is the second year in a row that our insurance costs have gone down."

Wang and Wausau. It's been a productive and protective partnership.



**WAUSAU
INSURANCE
COMPANIES**

Wausau, Wisconsin 54401

Exchanges writing few surplus lines risks

Continued from page 4

The three U.S. insurance exchanges, which were supposed to be the surplus lines underwriting vehicles of the 1980s, appear only infrequently in the fading surplus lines market.

Although all three exchanges survived gestation and appear healthy, their sustenance has not been big-ticket, unusual surplus lines risks but reinsurance and occasional special products like satellite insurance.

The New York Insurance Exchange, oldest of the three, is solidly in business, reporting gross written premiums of \$156.4 million in 1982, up 11% from a year earlier. For the six months of 1983, gross written premiums were up 90% to \$120.1 million.

As of mid-August, the exchange tallied 40 underwriting syndicates, 62 broker members and 29 associate brokers. The number of individual investors now exceeds 130 organizations in 26 countries. The NYIE Security Fund Inc. totals more than \$20 million.

However, more than 99% of the New York Insur-

ance Exchange's business is reinsurance, and less than 1% is direct excess/surplus lines coverage.

The Illinois Insurance Exchange in Chicago, which wrote its first risk in late 1981, now has 49 broker members and seven operating syndicates. One other syndicate is capitalized but not yet writing business, according to Executive Director James M. Skelton.

Gross written premium figures for 1982 show the Illinois exchange's business was about one-third E/S coverage and two-thirds reinsurance.

Exchange syndicates earned \$50,000 of about \$800,000 in direct premiums in 1982. They earned \$864,487 of \$1.6 million in reinsurance written.

Syndicates on the Insurance Exchange of the Americas in Miami began underwriting April 4 and expect to be underwriting about 75% reinsurance and 25% direct surplus lines.

IEA's Executive Director Alan Teale says six syndicates are now operating and receiving submissions from 51 broker members. He expects IEA to have 40 syndicates and 75 broker members by year-end.

Ex-Swett executives challenge depressed wholesale market

By RHONDA L. RUNDLE

DALLAS—MacLean, Oddy & Associates, a new wholesale operation started by three prominent specialty lines marketers, is testing the maxim that seasoned professionals can succeed even in hard times.

Roy B. Oddy resigned as president of wholesale broker Swett & Crawford last May to head the new Dallas-based venture, which he predicts will rank among the top 10 specialty insurance marketers five years from now.

"I tend to be conservative—some of my associates plan to be in the top five by that time," he adds.

Among those associates are John W. Hanna and Anita Chanpong,

two other high-ranking Swett & Crawford alumni who have cast their lots with Mr. Oddy and Sedgwick Group P.L.C. Sedgwick is Britain's largest brokerage company and the parent of MacLean, Oddy & Associates.

Mr. Oddy is optimistic about the new company's prospects despite current conditions in the commercial insurance marketplace that are leading more people out of the wholesale marketing business than into it. Many firms are struggling to keep premium volume and revenue levels even with past years as their commissions dwindle and their business is drawn into standard markets.

MacLean, Oddy & Associates expects to specialize in placement of large risks by capitalizing on its principals' expertise in both the U.S. and London markets. In addition to Sedgwick, the company will rely upon three or four other London brokers as its "windows on the London market."

Using its knowledge of how business is conducted on both sides of the Atlantic, the firm plans to mesh markets to offer its customers a quick route to secure placement of their jumbo risks.

International risks brought to Sedgwick and other London brokers also may be channeled through the Dallas wholesaler for placement in the U.S. market.

To insure first-rate service, the new firm plans to do business with a limited number of customers. No hard-and-fast rules have been or will be drawn, but Mr. Oddy describes this pool of select customers as mostly alphabet and major regional brokers.

"We want our motto to be: 'Service starts when the order is given,'" he explains.

Besides wholesale brokerage, MacLean, Oddy & Associates will act as a reinsurance intermediary and an underwriting manager for both U.S. and London insurers.

"Pure surplus lines brokers are at a disadvantage in today's market," believes Mr. Oddy. "The successful wholesale marketer needs strong in-house facilities."

Using its U.S. and London links, its underwriting pen and its ability to place reinsurance behind various facilities, MacLean, Oddy & Associates expects to be able to construct enormous capacity for jumbo risks.

At first, the new company will concentrate on specialty programs for energy and utility risks. And Mr. Oddy expects the firm to handle corporate asset protection plans, which combine physical damage, liability, marine, aviation, directors and officers, fiduciary liability and other risks into a single package.

The new firm's three principals are anxious to avoid any action that would adversely affect their previous employer, "which we all spent a lot of time building up," Mr. Oddy explains. The company has agreed not to solicit any Swett & Crawford accounts for a 12-month period.

However, the company will not turn away such business if it is brought to it. "If agents or risk managers come to us and ask us to service their business, we will do so," Mr. Oddy says.

The MacLean in the new firm's name establishes a historical link to Alexander MacLean, a deceased principal in one of Sedgwick's predecessor companies.

Mr. MacLean founded a British brokerage business in 1830 that was acquired by the partnership of Bland & Welch, which merged with E.W. Payne & Co. in 1974. The Bland Payne Group joined with Sedgwick Forbes in 1979 to form what is now Sedgwick Group P.L.C.

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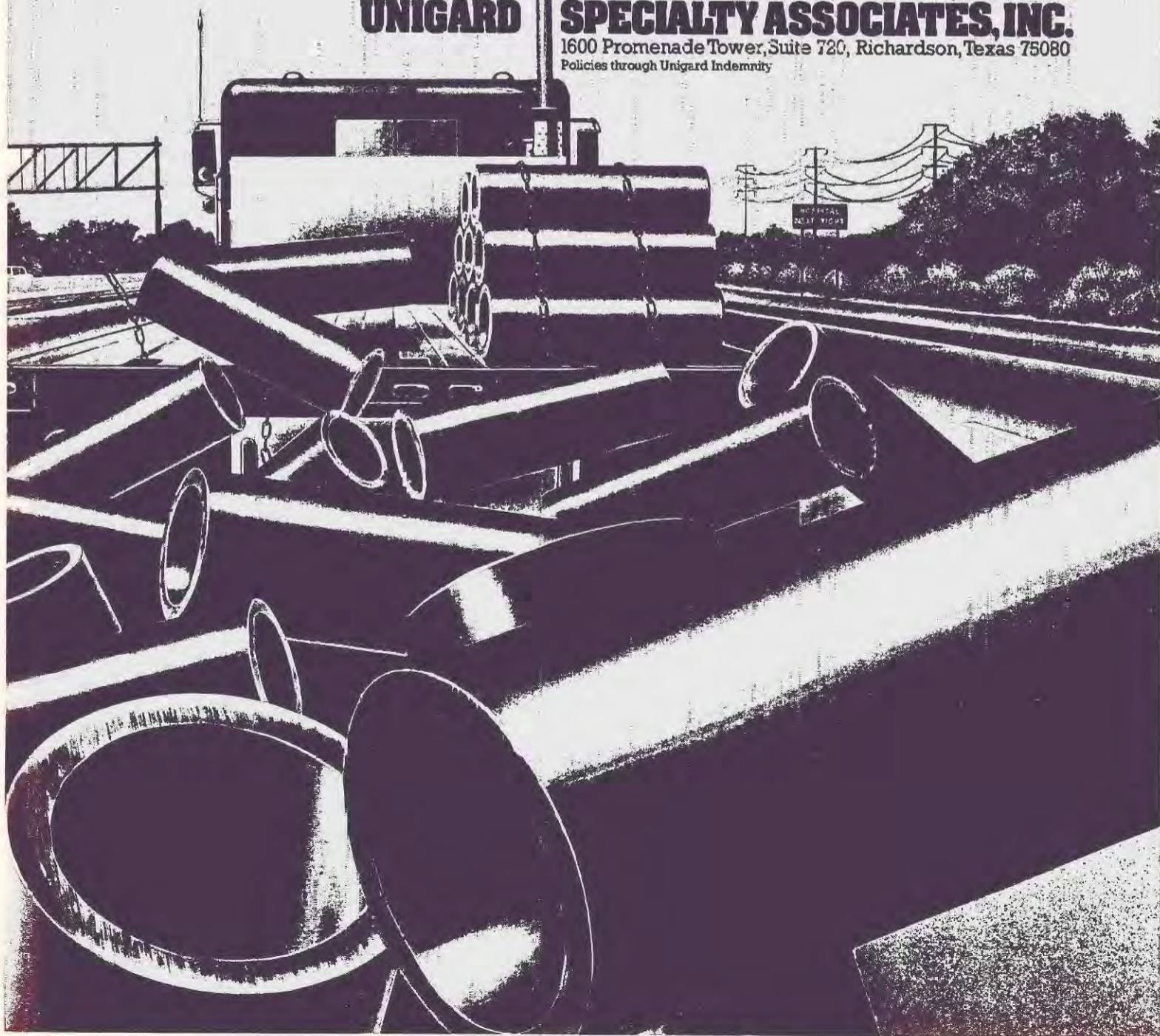
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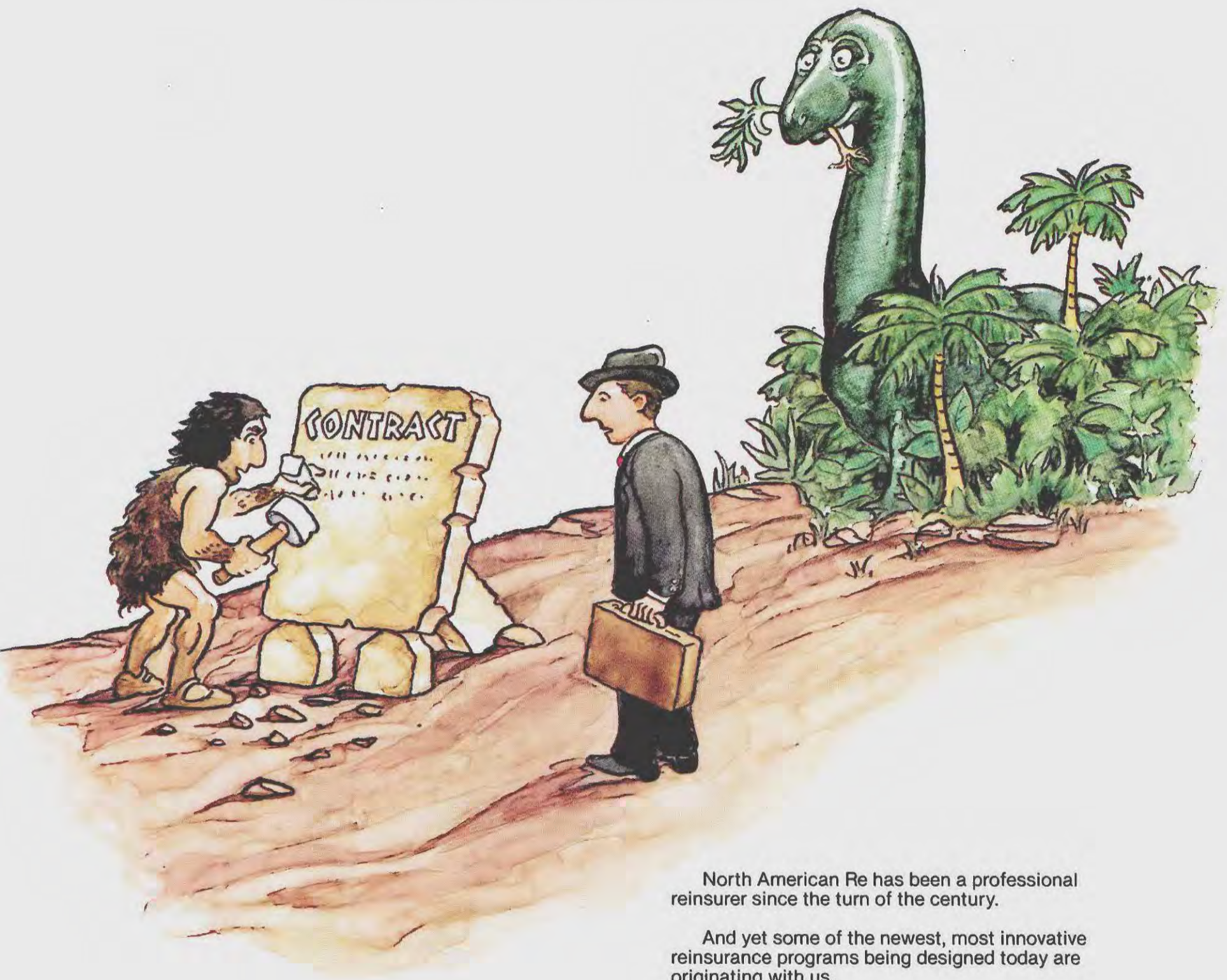
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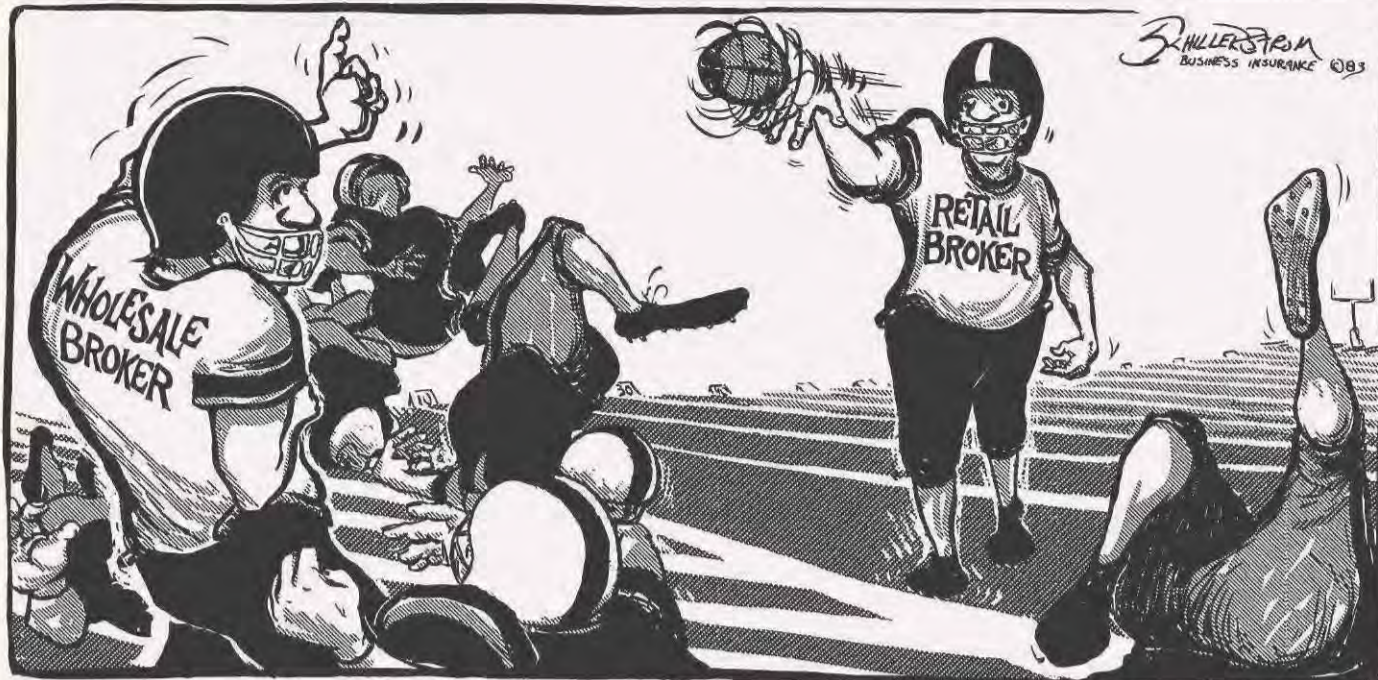
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opinions



A little unnecessary passing

AS ONE delves into the special world of wholesale brokerage, managing general agencies and underwriting managers, a nagging question always arises: Do these companies earn their keep?

Generally, based on our findings on this marketplace as reported this week, we answer a qualified yes.

The wholesale broker that can help the smaller local agent place a tough risk for a valued client certainly earns its keep—in the eyes of the local agent and the policyholder. The managing general agent or underwriting manager that underwrites risks, processes claims and places reinsurance for the insurance company more efficiently than the insurer can is reducing the underwriting expense factor and leaving more money to pay claims and provide service.

But, there is some validity to criticism of this marketplace as a sometimes superfluous link in the daisy chain of companies through which premiums flow.

There are business relationships between retail and wholesale brokers that have outlived their usefulness. Unless the retail broker lacks a surplus lines license—and few do in the states where they conduct most of their business—or doesn't know the marketplace—and most say they do—the retail broker doesn't need and shouldn't use the the wholesale broker. The retail broker with the in-house facilities can go directly to the insurance company or the MGA or underwriting manager that has authority to issue the insurance policy.

Yet, some business relationships survive these new realities because of tradition and personal relationships between the retail and wholesale broker. They've done business together for years, go to football games to-

gether in the fall and baseball in the summer. For the few percentage points of commission income involved, one could say this isn't worth criticizing.

We are surprised, however, that the management of the large public brokers hasn't called a halt to doling out business to unaffiliated wholesalers when they can do the same job for the client themselves. Can it be solely a reluctance to break with tradition or could it be that the top retail brokers' management doubts the strength of their own contacts with the marketplace?

It is worth noting, however, that competition is taking its toll on the wholesale broker. More and more are finding they need the competitive edge of underwriting authority to hold premium volume. Just look at the chart of the 10 leading underwriting managers and brokers—seven of the 10 conduct more than half of their business as managing general agents or underwriting managers. Only three do more than half their business as brokers.

We predict there will be a day when our Top 10 chart will not include a single company that is predominantly a wholesale broker. As more and more retail brokers consolidate and develop expertise in the marketplace, there will be fewer retail brokers needing the services of a wholesale broker. To the extent that reduces the commission charge to the insurance buyer—or if need be provides more dollars to pay losses or improve service—we say that's a good development.

Only those wholesale brokers/managing general agents/underwriting managers who are earning their keep will survive in this industry that is being forced to become more efficient.

letters

Having some doubts on the source of information

To the editor: We take exception to your article, "Mercer leads benefit brokers: Study," outlining broker activity (BI, July 25). We do not question the accuracy of the reporting; we are suspect of this source of information.

The use of 5500A forms from the Department of Labor for data accumulation and analysis is a poor technique for many reasons, including (but not limited to):

- Inaccurate filing of the plan information.
- Omission of fees paid to consultants not reported as commission.
- Consolidation of life, health and disability policies as one contract.
- Incomplete statistical base...and on and on.

According to "Source Book of Health Insurance Data 1982-1983," by the Health Insurance Assn. of America, total health premiums for 1981 (life insurance ex-

cluded) of all private insuring organizations were \$84.9 billion. Your analysis cites \$7.5 billion as the basis of determining market penetration by major brokerage operations. This is less than 10% of the placement of premium, and we suggest that this is too small a sample on which to base any conclusion.

Kenneth F. Clarke
Vp, Manager-Employee Benefits
Rollins Burdick Hunter of Illinois Inc.
Chicago

■ **Judy Diamond**, publisher of the "Group Insurance Standard Directory" compiled by ERISA Benefit Funds Inc., responds:

"Although it may be Mr. Clarke's opinion that the form 5500A is not an accurate source of data, it is the only source of data available on group insurance plans.

Furthermore, we made it clear, and Business Insurance made it clear, that our

analysis was based on data from approximately 30,000 contracts, and thus represented only this universe. Since only those companies with more than 100 plan participants are required to report, our universe could include only those plans. All conclusions and comparisons are based solely on this universe; we do not profess the data to represent group insurance for the entire United States.

Finally, in response to Mr. Clarke's second point, employers are required to report fees paid to consultants. There are separate lines for fees and commissions."

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611.

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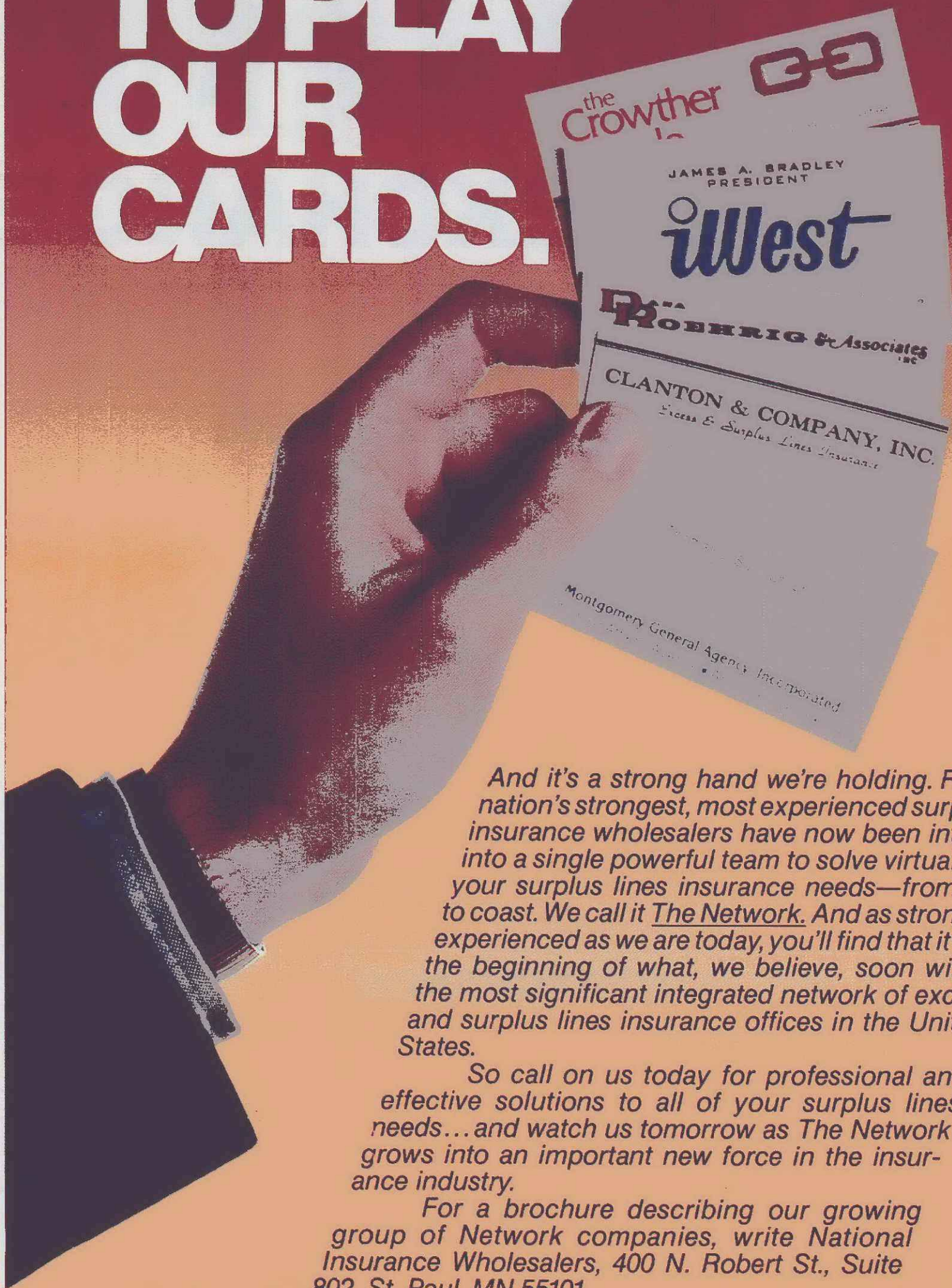
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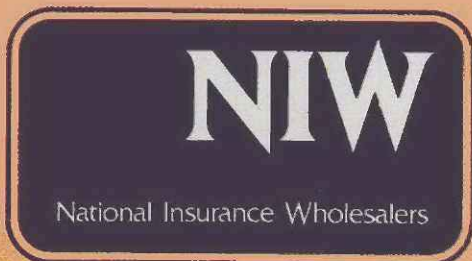
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BI

Surplus premiums plunge for second year

Surplus lines regulation, competition from licensed insurers and more rate cutting took a big bite out of surplus lines insurers' business in 1982.

The bite was indeed large: more than \$81.2 million in premiums, or 3.6% of the 1981 premium surplus lines volume. And more than half of the decline, \$48.3 million, was lost in New York, a state with one of the toughest surplus lines laws.

Surplus lines insurers wrote just \$2.148 billion in premiums in 1982, according to figures obtained from state insurance departments.

It's the second year in a row that surplus lines insurers saw their premiums dwindle, although in 1981 it was by much less. In 1981, surplus lines insurers' premium volume fell only 0.2%

—\$3.8 million nationwide—to \$2.229 billion, despite a \$70 million premium loss in New York.

Throughout the late 1970s until 1981, surplus lines insurers had enjoyed growth as they picked up risks that the admitted insurance market had abandoned. According to *Business Insurance's* survey of state insurance departments, surplus lines premium volume peaked in 1980 at \$2.233 billion.

The third annual *Business Insurance* survey of the 50 state insurance departments confirms what every broker, managing general agent and underwriting manager says: Admitted insurers are taking business away from surplus lines insurers.

Admitted insurers have state regulation on their side. State insurance laws prohibit placing insurance with a surplus lines

insurer when an admitted insurer will write the policy.

"The pressure is to place business in the admitted market—it's just less of a hassle," sums up Irvin Saltzman, president of Delaware Valley Underwriting Agency Inc. in Hatboro, Pa., a wholesaler that generated \$48.2 million in premium in 1982. Other wholesalers agree.

The effect of the strict enforcement of these laws is most graphic in New York, where Regulation 41 requires surplus lines brokers to document rejections from five independent admitted insurers before placing the risk with a surplus insurer. Brokers also must maintain these rejection records for five years.

Continued on next page

Surplus lines premiums and taxes by state

State	Surplus lines premiums					Surplus lines taxes			
	1982	1981	1980	82-81 % change	82-80 % change	1982	1981	1980	% Tax rate
Alabama	\$27,206,350	\$33,452,210	\$28,191,149	-18.7%	-3.5%	\$1,088,254	\$1,338,088	\$1,127,645	4.00
Alaska	52,449,035 ¹	55,820,947	52,509,386	-6.1	-0.2	1,192,862 ²	1,336,345	1,330,871	3.00
Arizona	14,343,860	18,582,578	21,144,310	-22.9	-32.2	430,316	557,477	634,329	3.00
Arkansas	11,912,424	11,425,260	14,077,259	4.3	-15.4	476,497	457,014	563,090	4.00
California	244,625,960	271,711,750	268,788,778	-10.0	-9.0	7,338,779	8,151,353	8,063,663	3.00
Colorado	26,735,321	28,628,728	27,964,378	-6.7	-4.4	534,670	572,576	559,286	2.00
Connecticut	30,000,000 ³	39,473,706	26,918,377	-24.1	-11.5	1,200,000 ³	1,578,948	1,076,735	4.00
Delaware	6,607,965	4,415,206	2,946,669	49.7	24.3	132,159	88,304	58,933	2.00
Dist. of Columbia	15,725,138	14,110,000	12,831,000	11.5	22.6	314,503	282,201	256,636	2.00
Florida	140,944,586 ⁴	136,283,739 ³	117,455,882	3.5	20.0	3,399,604 ⁴	3,506,296 ³	2,945,387	3.00
Georgia	54,663,787	51,842,904	42,703,581	5.4	28.1	2,186,551	2,073,716	1,708,143	4.00
Hawaii	13,415,809	13,738,465	12,366,434	-2.4	8.5	627,859	642,960	578,749	4.68
Idaho	5,665,455	6,970,627	7,680,596	-18.8	-26.3	169,945	209,121	230,418	3.00
Illinois	87,220,266	115,491,400	114,164,600	-24.5	-23.7	2,616,608	3,464,742	3,424,938	3.00
Indiana	32,221,670	40,027,782	37,171,026	-19.6	-13.4	805,542	1,000,695	929,276	2.50
Iowa	14,218,926	13,096,184	13,274,902	8.6	7.2	265,925	261,924	265,498	2.00
Kansas	14,943,400 ³	25,005,630	22,903,352	-40.3	-34.8	448,302 ⁴	474,689	437,060	2.00 ⁶
Kentucky	18,036,098	17,409,746	16,057,008	3.6	12.3	541,083	522,292	481,710	3.00
Louisiana	243,969,396	218,265,031	200,898,991	11.8	21.5	6,098,585	5,480,425	5,054,683	2.50
Maine	3,988,308 ⁴	4,166,331	5,131,033	-4.3	-22.3	119,677	124,990	153,931	3.00
Maryland	29,990,242	29,068,735	29,804,575	3.2	0.7	464,105	858,109	886,202	3.00
Massachusetts	55,285,520	51,102,500	48,497,900	8.2	14.0	2,211,411	2,044,101	1,939,919	4.00
Michigan	83,192,333	73,941,912	91,071,780	12.6	-8.7	1,861,346	1,647,933	1,954,038	2.00 ⁷
Minnesota	18,014,900 ⁴	16,858,451 ⁴	22,017,592 ⁴	6.9	-18.2	540,447	505,754	660,528	3.00
Mississippi	15,441,350 ⁴	8,497,325 ⁴	14,801,300 ⁴	81.8	4.4	617,654	339,893	592,052	4.00
Missouri	35,716,662	39,542,765	39,496,230	-9.7	-9.6	1,783,935	1,977,138	1,974,417	5.00
Montana	2,250,788	2,479,518	2,405,926	-9.3	-6.5	64,366	74,104	73,538	5.00 ⁸
Nebraska	8,187,790	9,883,726	10,968,018	-17.2	-25.4	182,432	212,621	229,104	2.75 ⁹
Nevada	7,048,628	5,000,000 ³	7,718,809	41.0	-8.6	135,224	100,000 ³	143,494	2.00 ⁶
New Hampshire	7,873,475	6,034,452	7,760,048	30.5	1.5	161,509	119,693	155,181	2.00
New Jersey	91,447,438	98,200,880	100,450,400	-6.9	-9.0	2,743,423	2,946,029	3,013,512	3.00
New Mexico	6,140,049	5,870,173	5,440,619	4.6	12.9	149,741	146,754	137,918	2.50
New York	100,000,000 ³	148,320,000	218,656,407	-32.6	-54.3	2,000,000	5,339,520	7,870,129	3.60
North Carolina	26,097,000 ³	23,724,907	22,112,060	10.0	18.1	1,304,850 ³	1,186,248	1,107,186	5.00
North Dakota	2,472,423 ³	2,354,689	3,143,246	5.0	-21.4	61,811 ³	59,327	78,603	2.50
Ohio	12,556,799	15,552,166	13,618,471	-19.3	-7.8	627,841	777,790	680,927	5.00
Oklahoma	46,694,937	32,589,666	25,947,896	43.3	80.0	2,801,669	1,955,380	1,556,873	6.00
Oregon	25,571,747	31,250,457	34,303,215	-18.2	-25.5	575,364	703,135	771,882	2.25 ¹⁰
Pennsylvania	97,500,000	91,000,000	100,000,000	7.2	-2.5	2,900,000	2,700,000	2,950,000	3.00
Rhode Island	5,607,233	20,144,967	10,020,300	-72.2	-44.1	168,217	604,349	300,609	3.00
South Carolina	15,616,486	14,362,190	13,718,224	8.8	13.9	624,659	574,488	548,729	4.00
South Dakota	2,322,293	2,282,274	2,684,182	1.8	-13.5	93,600	92,574	110,671	4.00 ¹¹
Tennessee	23,337,000 ⁴	28,791,403 ⁴	27,000,000 ⁴	-19.0	-13.6	507,545 ⁴	575,828 ⁴	600,000 ⁴	2.00 ¹²
Texas	265,614,819	231,078,109	208,731,810	15.0	27.3	10,226,171	8,901,659	8,036,221	3.85
Utah	6,881,733	5,951,882	6,840,261	15.7	0.7	206,452	178,556	205,208	3.00
Vermont	3,212,104	3,496,061	3,677,541	-8.2	-12.7	96,363	104,881	110,326	3.00
Virginia	14,561,420	20,388,532	17,854,198	-28.6	-18.5	400,455	560,617	491,038	2.75
Washington	49,210,688	55,860,368	59,337,444	-12.0	-17.1	1,056,845	1,114,118	1,195,364	2.00
West Virginia	6,506,044	8,607,693	7,660,894	-24.5	-15.1	344,559	155,417	133,801	6.00
Wisconsin	20,439,598	22,253,229	28,168,100	-8.2	-27.5	597,732 ¹³	667,597	845,043	3.00
Wyoming	4,433,757	4,858,133	3,988,333	-8.8	11.2	137,126	145,744	121,288	3.00
Totals/Averages	2,148,119,010	2,229,274,083	2,233,074,490	-3.6	-3.8	65,634,573	69,493,513	69,354,782	3.30

¹ Includes ocean marine. ² 0.75% for ocean marine; 0.5% filing fee. ³ State Insurance Department estimate/preliminary figure. ⁴ BI estimate. ⁵ 3% for out-of-state companies.
⁶ 2% Jan. 1 thru July 1; 4% after July 1. ⁷ 3% on fire; 2% all other. ⁸ 2.75% premium tax; 1.5% firemen's pension tax; 0.75% fire marshal tax. ⁹ 2% on liability tax; 0.75% fire marshal tax.
¹⁰ 2% on liability; 2.5% on fire. ¹¹ 4% on liability; 1% on fire. ¹² 2% on liability; 2.5% on fire. ¹³ 0.5% for ocean marine.
 Chart: BI survey of insurance departments.

Premiums decline

Continued from previous page

In 1981, the first full year Regulation 41 was in effect, surplus lines premium volume in New York fell \$70.3 million, or 32%, to \$148.3 million.

More than half that volume decline, \$46.9 million, was picked up by insurers specially licensed to operate in the so-called New York Free Trade Zone. Free Trade Zone insurers are free from rate and form regulation to write certain risks, but compete on equal footing with admitted insurers.

Overall, Free Trade Zone insurers wrote \$82.8 million in premium in 1982, up 76% from 1981.

In 1982, according to a *Business Insurance* estimate based on interviews with brokers, surplus lines premium volume in New York fell another 32%. (The New York Insurance Department has yet to tally the figures for 1982.)

Insurance buyers generally prefer insuring with admitted insurers because these insurers' policy commitments are protected by state guaranty funds. If an admitted insurer goes broke and can't pay its claims, the guaranty fund, supported by other admitted insurers, will.

There is no such protection behind a policy issued by a surplus lines insurer, which by definition is not licensed in the state where it is writing insurance.

Admitted insurers, hungry for premiums, are writing all sorts of risks they formerly didn't want. Whether it's product liability, excess property/casualty, directors and officers liability or professional liability insurance, the admitted market wants to write the business.

And the business left in the surplus lines market is written much more cheaply than it once was, Mr. Saltzman comments. "Our volume is not indicative of what we are

doing. (It) represents twice the amount of business we were handling two years ago."

His statement applies to many other wholesalers as well.

In all, surplus lines premium volume declined in 27 states and rose in 23.

The drop was 10% or less in 11 states, between 10% and 20% in eight states, between 20% and 30% in five states and more than 30% in three states—New York, Rhode Island and Kansas.

Rhode Island reported the largest percentage drop in premium volume: off 72.2%, or \$14.5 million to \$5.6 million, based on affidavits filed with the state Tax Division for the fiscal year ending June 30.

An official in the state Insurance Department said, "We have no idea what happened," and indicated there might be a review of records to be sure all premium taxes were recorded in the proper accounts.

In Kansas, where premiums fell

40.3%, or \$10 million to \$14.9 million, Deputy Commissioner Ron Todd said one factor contributing to the decrease is the willingness of the admitted market to write product liability insurance that had previously been left to surplus lines insurers.

In the 23 states where surplus lines volume increased, the increase was 10% or less in 15 states, between 10% and 20% in three states and more than 30% in five states.

In Mississippi, where surplus lines premiums increased 81.8% over the 1981 volume, 1982 premiums were up only 4.4% compared with 1980.

The big drop in 1981, from \$14.8 million to \$8.5 million, was due to the slack economy, said Nancy Cross, secretary to the deputy commissioner.

One risk contributing to the increased surplus lines premium volume in 1982, Ms. Cross noted, was

the Grand Gulf Nuclear Station, owned by Middle South Energy Inc., which is insured in the surplus lines market. Construction on one of the twin plants began in 1974 and should be completed next year, while the other is only 30% completed.

In Delaware, where surplus lines premiums increased 49.7%, to \$6.6 million from \$4.4 million, Insurance Commissioner David Elliott said several new companies have started underwriting.

In Oklahoma, where premiums increased 43.3% in 1982 to \$46.7 million, Deputy Commissioner J. Angela Ables said the insurance business is up in general in both the admitted and non-admitted markets.

In Nevada, where surplus lines premiums increased 41%, Surplus Lines Examiner Alice Graham said half of the \$2 million increase to \$7 million was attributed to volume not reported in 1979 and 1980. ■

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Some states tighten rules

Some states are tightening regulation of the surplus lines market a notch or two, but no major legislation is coming down.

"There hasn't been any really dramatic regulation or legislation affecting the surplus lines industry," says Richard M. Bouhan, government relations director of the National Assn. of Professional Surplus Lines Offices Ltd., a trade association of surplus lines insurers and marketers.

"It's been somewhat of a quiet year."

Still, in late 1982 the National Assn. of Insurance Commissioners approved a Model Surplus Lines Insurance Act recommended to the 50 states. So far, Alaska is the only state to introduce the bill for passage, Mr. Bouhan said.

However, Virginia is attempting to more stringently enforce the good faith, diligent search requirement for brokers in the surplus lines market.

Deputy Insurance Commissioner Peter Synnott said that brokers are required by state law to get three rejections from the admitted market before going to the non-admitted market, but that rule has been abused.

The thrust of the regulation is to "flesh out" what brokers can and cannot do, Mr. Synnott says, and it clarifies what the department has already been doing for several years. A hearing on the proposed changes is set for Sept. 29.

Pennsylvania also wants greater scrutiny of the affidavits that brokers must file with the state Insurance Department and is working with the state surplus lines associations to achieve this.

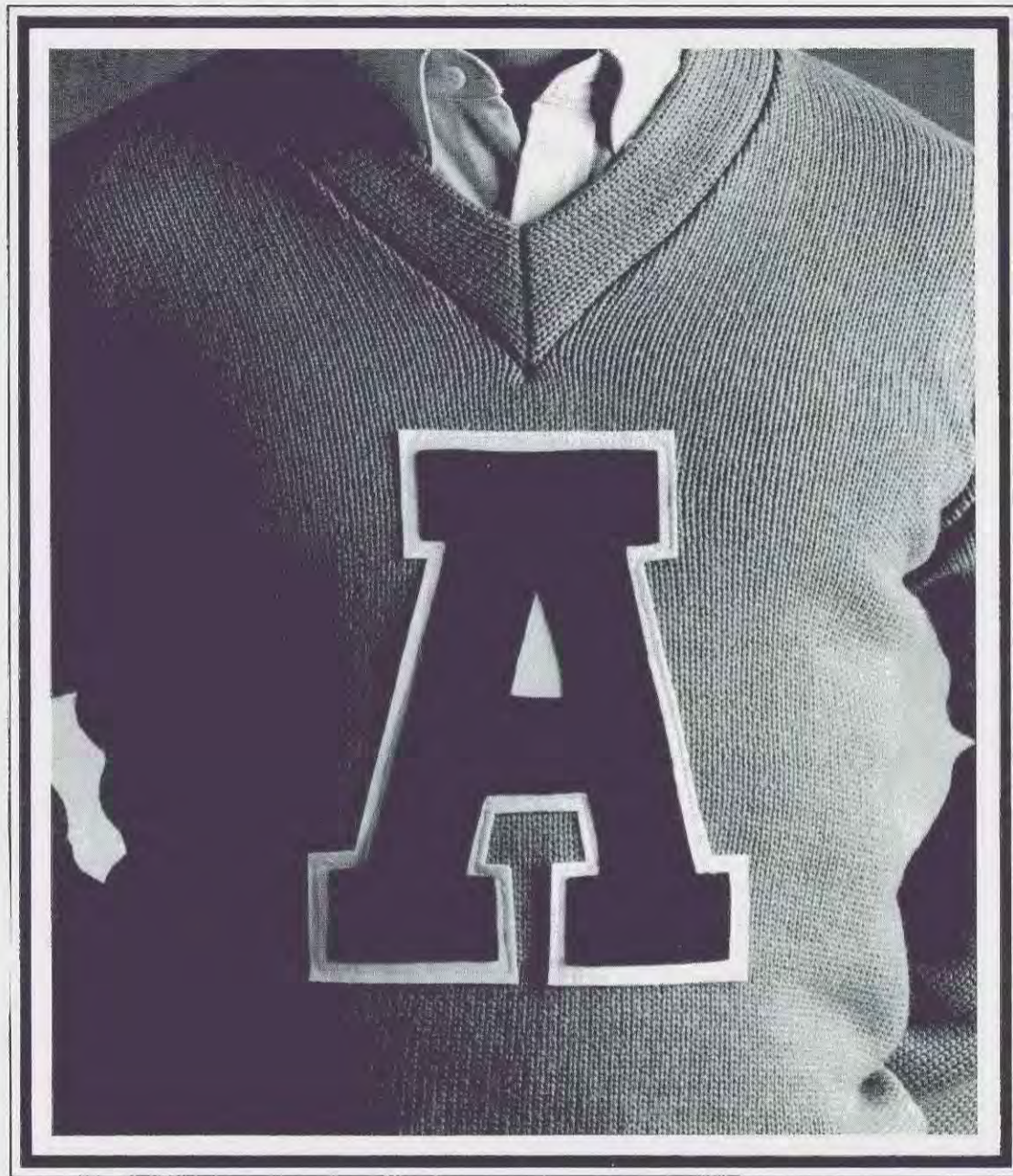
A spokesman for a surplus lines insurer said that the greater enforcement may cause a decrease in the number of retail brokers going to the non-admitted market in Pennsylvania.

But it could also have a positive effect on the surplus lines market, he says. Some retail brokers with surplus lines licenses may decide instead to use surplus line brokers that are more familiar with filing the affidavits.

Some states—including New York, Georgia, New Mexico and Maine—are now asking for statistical information from surplus line insurers and brokers to make sure all premium taxes are being collected, Mr. Bouhan says.

North Dakota, Louisiana, Missouri, Illinois, Oklahoma and Alaska also have introduced or passed legislation raising capital and surplus or trust fund requirements for surplus lines insurers. ■

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Sayre & Toso Inc.

2600 Wilshire Blvd., Los Angeles, Calif. 90057; 213-381-6811

	1982	1981
Premium volume	\$245,357,000	\$280,421,000
Gross rev.	\$36,592,000	\$41,296,000
Employees	670	603
Commercial lines	100%	100%

Sayre & Toso Inc.'s performance in 1982 offers a clear picture of the effect of current surplus market conditions on the industry.

The Los-Angeles-based company that topped *Business Insurance's* list of brokers, managing general

agents and underwriting managers in 1982 has since lost 13% in premium volume and 11% in gross revenues, yet still is the leading MGA in the marketplace.

Premium volume of Mission Insurance Group Inc.'s agency division, led by Sayre & Toso, dropped to \$245.4 million from \$280 million in 1981. Last year's figure falls even below 1980's \$251.4 million.

And gross revenues for the agency division dropped to \$36.6 million in 1982 from \$41.3 million in 1981.

Sayre & Toso produces about 80% of the business generated by Mission's agency division, or approximately \$196.3 million. About 12% of the volume, or \$29.4 million, comes from George S. Kausler Ltd., and about 8%, an estimated \$19.6 mil-

lion, is contributed by a third Mission MGA, SFO Inc. Operations at the division's Carillon Managers International have been temporarily suspended.

Sayre & Toso last year achieved a balance between property and casualty business, and Geoffrey A. Nicholls, senior vp-external operations, predicts the ratio "will stay the way it is for the foreseeable future until there is a change in the market."

He attributes Sayre & Toso's premium drop to competition, easing of rates and the company's new attitude toward risk assumption.

"Last year, we embarked on the first stages of re-underwriting programs, where we would strive to improve terms and conditions from

an underwriting point of view," he says. "And we've done that, by and large but, of course, it's meant that we've lost business."

He expects Sayre & Toso's premium volume to continue to decrease "marginally overall" in 1983, largely because the market caused the company to become increasingly selective in its acceptance of risks.

Its selective underwriting criteria has forced it to direct more of its energy into brokerage operations.

Mr. Nicholls explains that Sayre & Toso frequently looks to broker a risk that its own underwriting criteria prohibit it from accepting.

Broker functions produced about \$6.5 million for Sayre & Toso last year, and Mr. Nicholls expects that figure to grow this year.

The unaffiliated companies with which Sayre & Toso placed the most business as a broker were Associated International Insurance Co. in Los Angeles; Shand, Morahan & Co. Inc. in Evanston, Ill.; and Interstate National Corp. in Chicago.

Sayre & Toso specializes in arranging large commercial umbrella and excess liability coverage and also underwrites excess workers compensation and some product liability and builders risks. Excess insurance above self-funded retentions is assuming a more prominent role in the company's business.

Sayre & Toso offers an in-house binding capacity of \$20 million on casualty risks, and about \$13 million on property risks.

In its property department, the MGA will consider underwriting risks of all types. "We're willing to look at any commercial property where we can get our rates and conditions," says Mr. Nicholls.

Indeed, Sayre & Toso underwrites a diversity of commercial risks—property and casualty.

Sayre & Toso last year arranged excess liability coverages for the 1982 World's Fair in Knoxville, Tenn., and umbrella and property coverages on the Seattle Space Needle.

All-risk coverage for the Los Angeles County Museum of Art's fine arts collection was arranged by Sayre & Toso last year, as was all-risk property insurance for the historic Governor's Mansion in Dover, Mass.

The MGA had to work hard last year to generate new business, Mr. Nicholls says, and even harder to retain some of its old business. "Everything is being shopped very aggressively," he notes.

Although he can't estimate how much, he says new business "was quite a substantial portion of our volume in 1982."

The company relies on strong marketing practices to guarantee a constant flow of business. "We expect of our branches that they will conduct a lot of marketing activity all of the time. Some of them have people who do nothing but marketing, but even in those branches, the underwriters also market," Mr. Nicholls says.

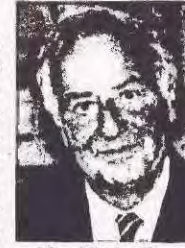
"There is a great deal of marketing emphasis at Sayre & Toso—there always has been," he notes. The monthly sales reports he receives from the various branch offices itemize the calls a salesman has made and even report what was discussed.

Probably the company's least successful marketing strategy has been its attendance at industry conventions and trade shows, Mr. Nicholls says. Sayre & Toso is placing less emphasis on hitting the show-booth circuit and more on individual producer calls.

"Some of the local conventions are not proving to produce the way that they used to," Mr. Nicholls reports. "The agents and producers are busy, they're anxious about their business and they want to see people in their offices who will be effective in one-on-one relationships and calls.

"We will continue to attend the conventions and agents' meetings and so on because we want to be seen there. But in terms of sheer effectiveness, I think the one-on-one producer call is a much more effective way of doing business in the

Continued on page 16



Mr. Nicholls



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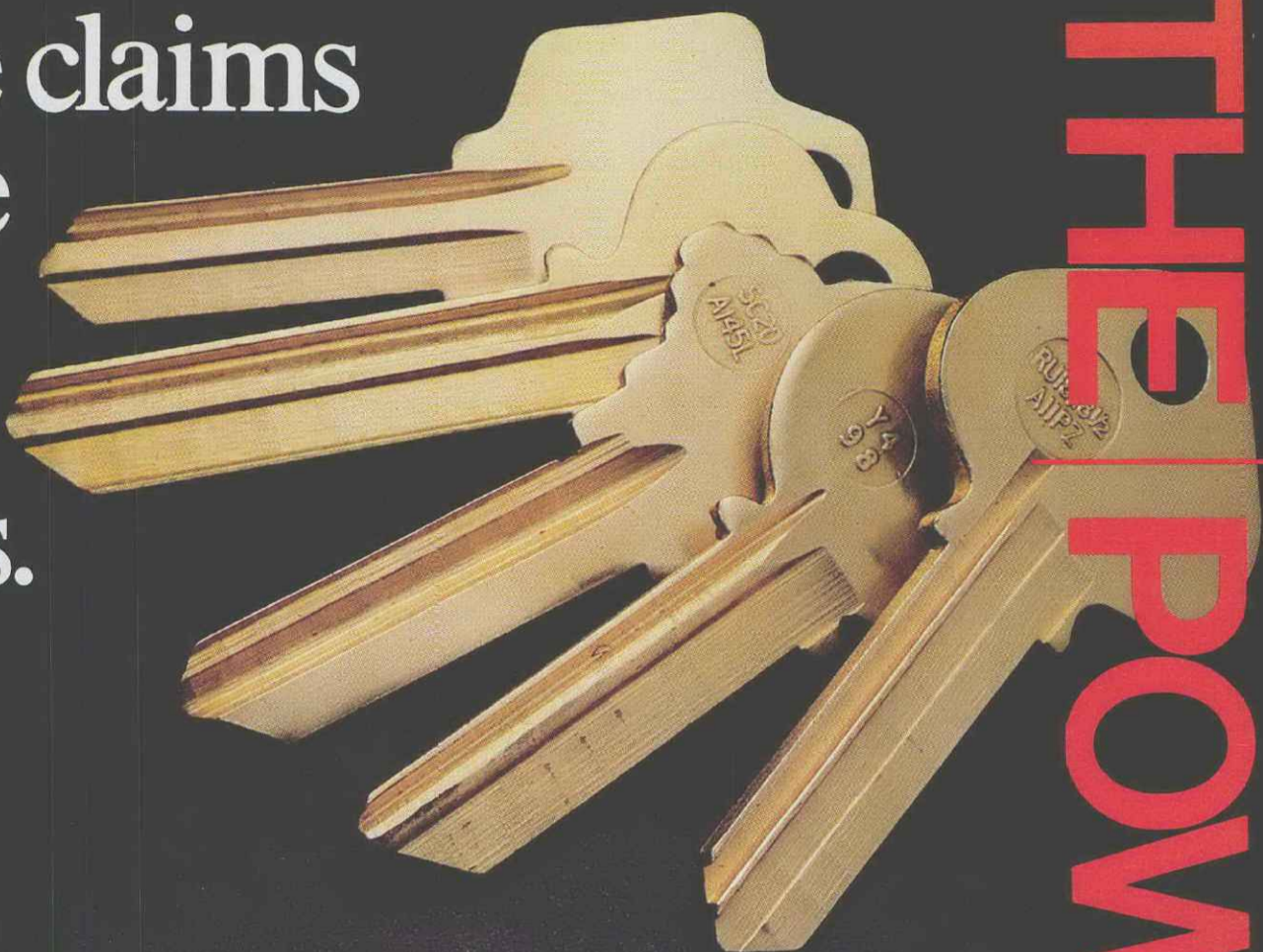


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Continued from page 14
current market," he says.

The major national alphabet producers provide Sayre & Toso with about 40% of its business, Mr. Nicholls estimates. But the bulk of the company's business is provided by medium-sized agents and brokers nationwide. Sayre & Toso uses no volume or loss ratio requirements of its suppliers and will consider accepting a risk from a source of any size, Mr. Nicholls explains.

The company holds the underwriting pen for the Mission group's three insurance subsidiaries—Mission National Insurance Co., Holland-America Insurance Co. and Mission Insurance Co.—and for one unaffiliated insurer, General Insurance Co. of Trieste & Venice, Italy (U.S. branch).

More than 90% of the MGA's business is placed with Mission's own insurers. About 2.5%, a projected \$6 million for 1983, is fronted through General's New York of-

fice, and the remainder is brokered through unaffiliated insurers.

Sayre & Toso no longer issues direct policies through New Zealand Insurance Co. Ltd. because of the insurer's decision earlier this year to concentrate its efforts in this country on reinsurance. New Zealand, however, continues to function as a reinsurer for Mission.

Sayre & Toso uses more than 200 reinsurers throughout the world, but Mr. Nicholls does not reveal their identities. The company requires about \$30 million in capital and surplus of the reinsurers that assume layers of its risks.

Sayre & Toso is answering a tough market with some new products it hopes will improve its business volume.

It now offers organizers of athletic competitions four types of sporting events coverage, all written by Mission insurers.

One policy would cover the amount of a cash prize in a compe-

titition. For example, a fishing contest might offer a \$5,000 prize to the entrant who could catch a tagged fish set free in a large lake. The chances of that fish being hooked are slim, the organizer insures against it, and one of Sayre & Toso's issuing companies supplies the prize if the fish is caught.

The coverage is tailored to the specific needs of the event, Mr. Nicholls says. "The computations are endless." The policy could protect organizers of bowling and basketball tournaments or golf tournaments with hole-in-one prizes.

A second program would compensate the policyholder if it were forced to cancel an event because of rain.

The other two programs protect the organizer if a scheduled celebrity does not show up, or if the event must be canceled for other reasons.

Another product now available through Sayre & Toso is a package

program designed for supermarkets, grocery warehouses, shopping centers and restaurants, previously written by Mission's SFO agency.

This shift in operations "will market the SFO product much more effectively," Mr. Nicholls predicts.

"SFO was very aggressive in marketing, but they just couldn't cover the whole country the way Sayre & Toso can with its 26 offices."

Writing coverage for plants that convert refuse into energy is a venture that Sayre & Toso is interested in, although it did not win any of those risks it quoted last year. It's a complicated coverage to underwrite, Mr. Nicholls says, adding that the plants must meet high standards before Sayre & Toso will accept the risk.

The MGA is working on a joint venture with Travel Air Insurance Co. (Kansas) to develop a program to cover aircraft of Beech Aircraft

Corp. against liability and property damage.

Sayre & Toso pulled away from writing satellite risks last year. "It requires a great deal of capacity, and while we have enormous capacity for standard lines, on that kind of business you've got to go into the facultative market to a great degree, and a lot of it's already committed when you get into it," he explains.

"The state of the market has made us, particularly on the casualty side, look at some more sophisticated kinds of business," he says. "But we're being extremely careful and professional about that. We're only working with certain producers who have expertise in these certain classes."

Mr. Nicholls would not reveal what lines of business Sayre & Toso is studying, nor the producers that have brought the business to the company's attention.

"Sayre & Toso is prepared to consider unusual risks, as it always has been," he maintains, "but with full information and a proper track record of the producer's expertise."

"A producer with a history in a certain class of specialized business will come to us and demonstrate his expertise, and discuss certain risks, and if we feel that he has knowledge and has a track record and see that the risk is a reasonable proposition for us, then we'll quote and may write it," he says.

"We do not want to be in a position in the market where we are limited to the Sayre & Toso/Mission underwriting programs. We want as much as possible, although I hate the expression, to be a 'one-stop shop.' We'd like to be able to do something with every piece of good, reasonable business that comes through the door," he says. "But obviously you can't do all that in-house."

The losses Sayre & Toso faced in 1982 were not as severe as those experienced in 1981.

In 1981, Mission insurers shared in such large losses as the Las Vegas Hilton and MGM Grand Hotel fires, and the Kansas City Hyatt Regency Hotel skywalk collapse. "This year (1982) we've been more fortunate," Mr. Nicholls says. "We've had a more normal underwriting year, and our property results have improved considerably."

The largest loss Sayre & Toso experienced last year was on a \$20 million umbrella it arranged for the operator of an oil well that went out of control. "But the risk, of course, has been well spread throughout the (reinsurance) market, so nobody's going to be particularly hurt by it," he says.

What does the future hold for Mission's largest MGA?

Mr. Nicholls does not foresee any major change in the company's direction or approach toward the market. "I see us as a very major factor in the marketplace. I can see us carrying on into 1984 on the same basis, continuing to cover the market in terms of marketing the way we have."

Sayre & Toso's 16 full-service offices are in Los Angeles, San Francisco and Orange, Calif.; Dallas; Houston; Seattle; Portland, Ore.; Denver; Chicago; New York; New Orleans; Atlanta; Boston; St. Louis; Philadelphia; and Minneapolis. Ten field offices are in Sacramento, San Jose and Fresno, Calif.; Phoenix, Ariz; Tampa, Fla.; Tulsa, Okla.; Detroit; Milwaukee; Cleveland; and Charlotte, N.C.

Principal officers besides Mr. Nicholls include Westley M. Heyward, president; Walter A. Greenup, executive vp; Charles M. Floyd, senior vp-operations; Richard S. Chance, vp-property underwriting; and John Brough, vp-casualty underwriting.

Sayre & Toso is a member of both NAPSLO and AAMGA.

—By Steve Taravella

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 60201; 312-866-2800

	1982	1981
Premium volume	\$220,000,000	\$210,000,000
Gross rev.	\$28,600,000*	\$27,300,000*
Employees	449	405
Commercial lines	100%	100%

*BI estimate

Ask officials of Shand, Morahan & Co. Inc. why brokers should

come to them, and they will mention service, continuity, expertise and claims-handling ability.

But, these days, they usually don't mention price.

The Evanston, Ill., underwriting manager raised rates last October through a "corrective action plan," and it now admits that it's having a tough time competing in certain lines against other marketers and insurers (BI, Oct. 18, 1982).

Shand, Morahan has lost a large amount of business in professional liability lines for lawyers, architects and engineers, and it is geared for losing even more in the future.

Although Shand's 1982 premium volume grew 4.8% to \$220 million

from \$210 million in 1981, premiums will probably decline to between \$185 and \$195 million in 1983, company officials predict, which could jeopardize its standing as the second-largest underwriting manager/managing general agent surveyed by *Business Insurance*.

Last October, Shand raised rates 10% to 30% for most lines including professional liability coverages for lawyers, architects and engineers, Realtors and insurance agents and brokers; multiline coverage for financial institutions; and general medical malpractice and hospital medical malpractice. The hikes were an effort to stem underwriting losses.

Shand, a subsidiary of Alexander & Alexander Services Inc., is constantly evaluating and re-evaluating its books of business, says Chairman and Chief Executive Officer Joseph J. Prochaska Jr., in explaining the rationale behind the rate hikes.



Mr. Prochaska

"We could see that there was just a continual erosion of the underwriting profitability of our books of business," he says.

Shand wanted to avoid a repeat

of 1976 and 1977 when underwriters instituted huge rate increases to make up for prior losses, he adds.

"We've taken (the rate hikes) to the point where we have not been afraid to lose business if we don't get our terms," Mr. Prochaska says.

"On the associations, especially in the lawyers' areas, we have lost a number of our sponsorships."

Some state bar associations that had previously recommended that members buy their professional liability insurance from Shand have withdrawn their sponsorship. In fact, Shand has lost about one-half the premium volume it had formerly generated from association-sponsored lawyers professional liability coverages, Mr. Prochaska says.

In addition, the rate hikes triggered the loss of 10 large architects and engineering professional liability accounts that produced close to \$3 million in premium volume.

"It's not that we are withdrawing from any line of business because we aren't," adds Mr. Prochaska. "All we're doing is putting our prices up to where we think they have to be to provide a viable market."

Even with the price increases, Shand officials say they are seeing increased business in some lines including financial institutions, medical malpractice, particularly for hospitals, miscellaneous errors and omissions and environmental impairment liability coverages.

Shand points out that many policyholders have remained despite the price increases.

"It is not the situation on many of the individual risks where they have just left for a lower price," Mr. Prochaska says. "On some cases, even if there are lower prices, they've stayed with us from a continuity standpoint."

"In some cases, (and) some people in the business would be quite surprised, we have been successful in selling rate increases by being able to go out and meet with the buyer, or in some cases with an insurance committee of an association, and be able to explain the statistics to them ourselves," adds Shand President E.L. "Mac" Calhoun.

"In several cases we've been successful entertaining very substantial rate increases in that manner."

Shand officials generally say that the company, as well as the rest of the industry, must work harder to keep generating the same amount of business.

"In our business as with any other aspect of the insurance business today, you've got to work harder to stay where you are," Mr. Calhoun says. "There's no doubt about it."

"We have tried to work harder also at being a little bit smarter, we hope, than our competition."

While Shand expects premium volume to decline considerably in 1983, its 1982 results were better than anticipated, company management admits.

"Overall, we just outperformed our expectations a little bit," says Mr. Prochaska.

He points to two reasons behind the increase in premium volume:

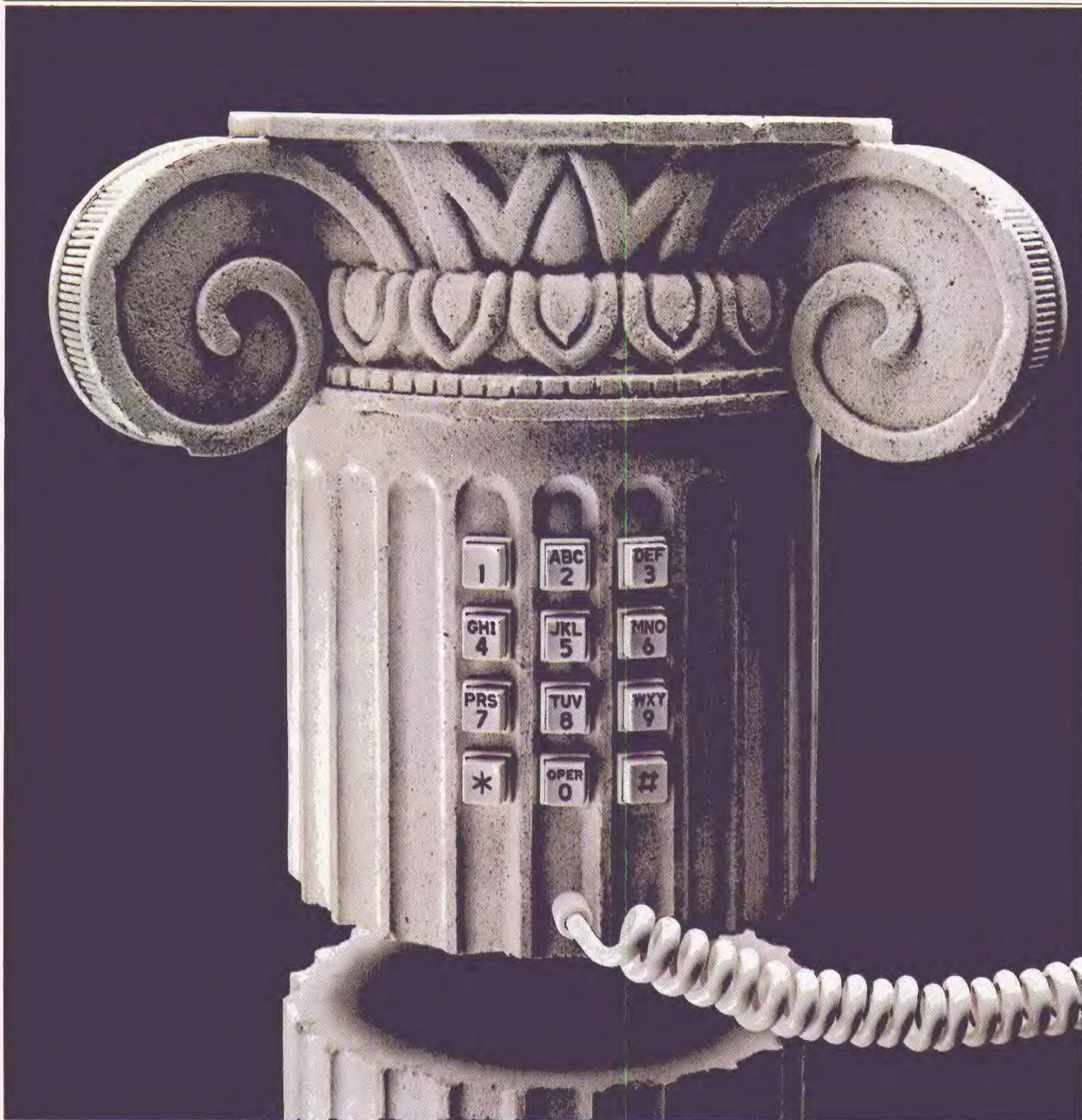
- The company wrote more errors and omissions coverage for insurance agents than it had anticipated.

- Shand increased its hospital medical malpractice business, mostly because of high assessments levied by the state-chartered Florida Patients Compensation Fund (BI, July 26, 1982).

However, the company's loss ratio rose with premium volume in 1982, and Shand expects its loss ratio to rise again in 1983 despite the rate hikes.

Shand's loss ratio should be lower next year, Mr. Prochaska says, though the company will not disclose specifics about loss ratios.

Continued on page 20



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Continued from page 18

Shand is currently underwriting manager for six insurers, down from seven last year, and has authority to bind reinsurance for these companies with 99 reinsurers, down from 107.

It no longer underwrites—by mutual agreement—for American Bankers Insurance Co. of Florida. American Bankers had underwritten professional liability coverages for title abstractors, lawyers, accountants and real estate agents. These risks were transferred to other companies for which Shand underwrites, says Shand Vice Chairman Max W. Beam.

Among Shand's major markets is Evanston Insurance Group, which is 52% owned by Shand and receives about 30% to 35% of its business. The group includes Evanston Insurance Co. and Insurance Co. of Evanston.

Shand also underwrites for Mutual Fire, Marine & Inland Insur-

ance Co.; Utica Mutual Insurance Co.; General Accident Insurance Co. of America; and AGC Insurance of Australia.

In addition, Shand has limited underwriting authority for lawyers professional liability coverages written by syndicates at Lloyd's of London.

Shand now deals with fewer reinsurers, Mr. Beam says, because of mergers between some foreign reinsurers and some foreign reinsurers have decided to drop out of the U.S. market.

But, Mr. Prochaska says Shand's reinsurers have been enthusiastic about the rate hikes.

In-house capacity is \$30 million per risk on all major classes of business except medical malpractice, which has a \$20 million limit. Shand is considering adding capacity for lawyers professional liability insurance, officials say.

Professional liability coverages for a wide variety of occupations make up about 80% of Shand's business. The other 20% includes miscellaneous casualty, product liability, excess general liability, umbrella liability and hospital medical malpractice.

Specifically, architects and engineers and lawyers professional liability coverage represented a little more than one-half of the underwriting manager's business in 1982, a percentage that will probably be reduced slightly in 1983.

Shand does business with more than 2,500 brokers nationwide, but approximately 75% of its business is generated from approximately 100 producers.

Among its top 20 sources of business are alphabet brokers, retail brokers that specialize in a narrow area of insurance and wholesalers.

Shand placed 60% of its business with admitted insurers last year, up from 40% in 1981.

"In more of our lines of business, we have had competitors on an admitted basis and, as our programs have matured, we're required to compete on an admitted basis," said Mr. Prochaska.

"We're still convinced that on many lines of business we have to be able to respond to pricing quickly, which means the surplus lines market is the better vehicle.

"But at the same time the company has to be realistic in today's market. We don't determine the market. We are a player in the market and therefore the market dictates that some of its more established lines of business now are written on an admitted basis."

But, he adds, more emphasis will be again placed on the non-admitted market as new products are developed and offered. Shand officials note the company is developing new product areas, though they are still months away from coming onto the market.

Among the coverages that Shand has pioneered in recent years are environmental impairment liability and coverage protecting against losses from unauthorized computer access.

Among the new coverage areas that Shand is investigating is financial guarantees, which could include insuring the financial value of leased items or perhaps guarantee an investment in a limited partnership (BI, May 9).

Shand officials also say they are interested in developing another insurance product concerning computers, though they would not be specific about their plans.

The company notes that introducing a new line of coverage requires substantial development time and an effort to educate risk managers and retail brokers. For example, the environmental impairment liability coverage developed in 1981 is now picking up steam.

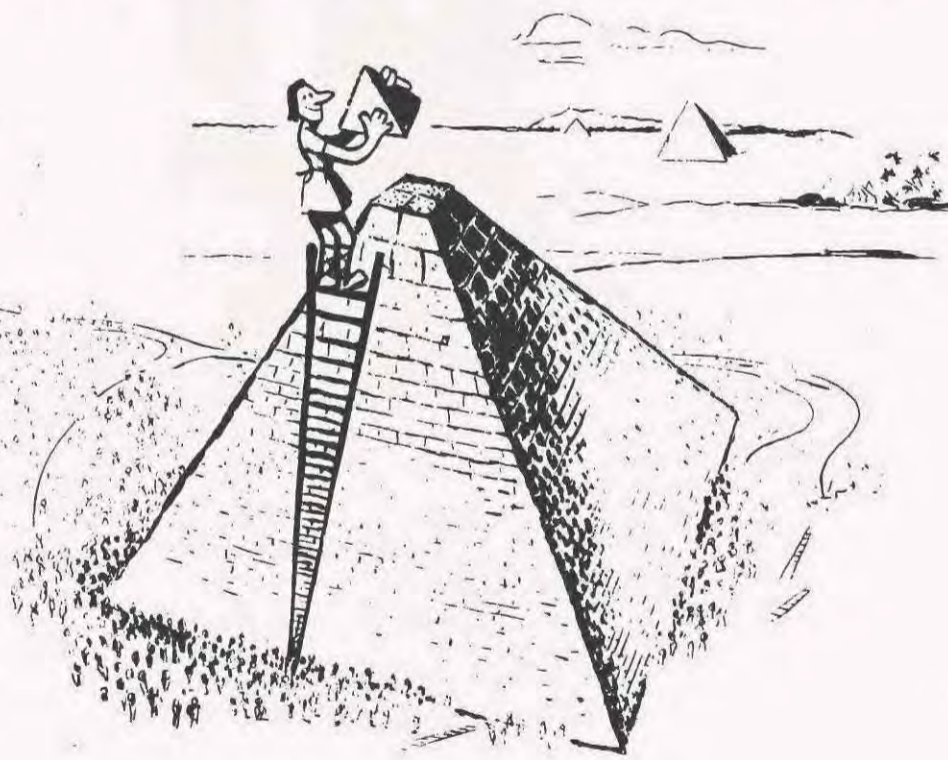
"This year, that (policy) has begun to pick up more and more

Continued on page 22

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Continued from page 20

with better recognition of risks and exposures by companies and the public. We're seeing much more activity," Mr. Prochaska says.

The unauthorized computer access coverage "is developing very slowly, but it is developing," he adds. "It's the kind of thing that people have to hear about and get adjusted to."

First, Mr. Calhoun points out, top management must be made aware of the exposure. In some cases, he notes, computer security staffs are reluctant to say the insurance is needed because that would admit to problems in the design of the system.

"There's also the matter of budgets," Mr. Calhoun adds. "We've been in a recession and risk managers are working with tight budgets. Even if the risk manager is convinced that the computer coverage is needed, it is not cheap."

The minimum annual premium

for the computer coverage is \$5,000, Mr. Beam says, with the average quoted premium ranging from \$20,000 to \$30,000.

Although Shand officials point out the buyer needs to be made aware of new coverages, the company does not conduct business directly with the policyholder. However, it often will meet with a risk manager and his broker to discuss coverage, terms or what they hope to accomplish.

"We all bring strengths to the table," Mr. Prochaska says. "Many times, especially in the complex coverages we deal with, by getting all three parties together you get a much more effective program."

Although Mr. Prochaska has replaced former Chairman Joseph E. Morahan Jr., who has joined the parent company, the new chairman says there will not be any change in direction at Shand.

"It's not really that Joe Morahan left Shand, Morahan, he's just di-

recting Shand, Morahan from a different level," Mr. Prochaska says.

Mr. Morahan is still actively involved in the business and has kept his office in Evanston, he notes.

"We feel that by Joe Morahan now being a part of A&A corporate, and by our reporting to Mr. Morahan, that it assures us a continuity of our being able to operate in the autonomous manner we have in the past."

Shand officials also say that the financial problems that Shand's parent, Alexander & Alexander, has encountered during the past year have not had any impact on Shand's business.

"I'd be lying if I said it didn't raise some questions—it has," Mr. Prochaska says, adding that brokers, policyholders and reinsurers asked what happened at A&A and what impact its problems will have on Shand.

The answer, according to Mr. Prochaska, is that it really hasn't

had a substantial effect at all.

Also, unlike A&A, Shand is not planning any layoffs.

The company had 449 employees at the end of 1982, up from 405 in 1981, but Mr. Prochaska anticipates that head count will be down 10 to 20 people by the end of this year. The reduction will be accomplished through normal attrition.

Although Shand does plan to trim its workforce in the next several months, the company expects to expand in the coming years. It points out that the new \$23 million to \$26 million headquarters now being built in Evanston has room for 650 employees, about 200 more than are currently on staff.

The building is scheduled for occupancy in the fall of 1984.

The company's principal officers include Mr. Prochaska, Mr. Beam and Mr. Calhoun.

Shand, Morahan, founded in 1970, is a member of NAPSLO.

—By Stephen Tarnoff

L.W. Biegler Profit Center

Sears Tower, 100th Floor, 233 S. Wacker Drive, Chicago, Ill. 60606; 312-876-3100

	1982	1981
Premium volume	\$207,123,000	\$213,700,000
Gross rev.	\$26,910,000*	\$27,780,000*
Employees	190	185
Commercial lines	100%	100%

*BI estimate.

When the elevator door opens on the 100th floor of the Sears Tower in Chicago, a visitor reads a large plaque on the wall:

L.W. Biegler Inc.
Home Office

of International Surplus Lines
International Insurance Co.

The sign begins to explain the insurance market that is accessed every day beyond the glass doors to the visitor's left.

It's both an admitted marketplace and a surplus lines market.

What the sign doesn't reveal is that all three companies are owned by Crum & Forster, which this year was purchased by Xerox Corp.

The sign also doesn't advertise the \$25 million in capacity for directors and officers liability insurance, professional liability insurance, excess casualty insurance and primary and excess property insurance.

The capacity is offered by the Crum & Forster insurance companies for which L.W. Biegler underwrites or manages and the 80 reinsurers lined up behind them.

But the retail and wholesale brokers—60% retail and 40% wholesale—that walk into these offices atop the tallest building in the world know what's behind the sign. And they brought this Crum & Forster profit center \$207 million in gross premiums in 1982 in Chicago, San Francisco, Los Angeles, Toronto, and New York.

In the competitive marketplace of 1982, Biegler lost 3.1% of premiums compared with 1981, even though it is writing 30% more policies and bigger limits.

"All of what we call the large-ticket items have been a target of competition. Even if we renew, we renew at less premium," says Lou Biegler, chairman and chief executive officer of L.W. Biegler Inc. and International Surplus Lines Insurance Co.

But, Mr. Biegler added, "We don't chase risks down to the bottom dollar. We will give them up."

To maintain volume, Biegler is writing larger limits and focusing on smaller risks. But, it takes more smaller risks to generate the volume.

Biegler's 1982 premium volume makes this profit center the third-largest among the underwriting managers ranked by *Business Insurance*.

L.W. Biegler Inc. underwrites for three admitted Crum & Forster insurance companies: International Insurance Co., North River Insurance Co. and U.S. Fire Insurance Co.

The L.W. Biegler Profit Center also manages the business of Crum & Forster subsidiary International Surplus Lines Insurance Co., accepting risks on behalf of the non-admitted insurer when a surplus lines market is needed. The officers of L.W. Biegler Inc. and ISLIC are identical and ISLIC has no employees.

And, although conducting almost all business as an underwriting manager, L.W. Biegler also on occasion makes placements as a broker, including placements with syndicates at Lloyd's of London if that market is needed.

Continued on facing page



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Continued from facing page

Mr. Biegler doesn't make distinctions between business conducted as L.W. Biegler Inc. and ISLIC. "I look at our shop as one profit center," he says. "It doesn't matter to me if its L.W. Biegler or International Surplus Lines that writes the business—as long as we write it."

L.W. Biegler's access to admitted markets was one factor that helped the profit center's volume in 1982. Premiums written for the surplus lines insurance company were down 15% to \$66.5 million while LWB's business as underwriting manager for other Crum & Forster insurers was up 8% to \$140.5 million from \$131 million in 1981.

"We're constantly switching business from the surplus lines company to admitted companies," Mr. Biegler explains.

As admitted insurers start filing forms for products previously written only by surplus insurers, Biegler must move business from ISLIC to Crum & Forster's admitted companies to remain competitive—and under insurance laws, legal.

Professional liability insurance for real estate agents and accountants is being switched to admitted insurers in some states, as are many directors and officers liability insurance policies. Liability insurance for school board members, for example, is being switched to admitted markets.

Yet, the percent of its business placed with non-admitted insurers in 1982 crept up a tad to 37% from 35% in 1981. "We've been placing a bit more brokerage with other people, and some direct placements with Lloyd's, so the percent of surplus lines is up a little," Mr. Biegler said.



Mr. Biegler

Still written as surplus lines are some classes of professional liability insurance and some directors and officers liability insurance.

The type of professional liability risks still written as surplus lines varies with the state. In some states, architects and engineers, insurance agents and real estate agents are still surplus lines risks, he noted.

"Really tough D&O business" is still written on a surplus basis, he added. Companies with two or three losses or new companies are considered really tough risks.

The composition of risks underwritten by the profit center in 1982 changed little from 1981, Mr. Biegler said. It was about 37% casualty risks, 25% professional liability risks, 25% directors and officers liability insurance and 13% property and railroad risks. In 1981 it was 30% casualty, 30% directors and officers liability risks, 22% professional liability and 18% property and railroads.

Among the casualty risks written are product liability, excess insurance over a self-insured retention and specific excess for self-funded workers compensation programs.

One change in underwriting philosophy has occurred at Biegler in the last year: There is less interest in writing primary-layer environmental impairment liability insurance than there was a year ago. "We're still writing excess, and we've renewed policies," Mr. Biegler says.

The circumstances surrounding one very large loss, which Mr. Biegler declined to describe, led Mr. Biegler to conclude that problems in underwriting EIL exposures have not been solved. "We're not happy with the basic (policy) form and the inspection system to know what we are underwriting," he said. "And, people are not buying it."

Lacking widespread purchases

by companies, underwriters of EIL could be stuck with what insurers call "adverse selection"—only people with a higher potential for loss buying the insurance, he agreed.

Another relatively new product, bankers professional liability insurance, which covers all bank operations including trust work, is a "growing business," Mr. Biegler says.

The Biegler profit center this year started with one fewer office and \$25 million less in premiums than in 1982 because, effective Jan. 1, the New York office of L.W. Biegler Inc. became part of a newly organized Crum & Forster division in a corporate reorganization.

"Crum & Forster reorganized and took the U.S. Insurance Group and split into three pieces.

"Crum & Forster Underwriters Group, an insurance company, serves all of Canada and all the Eastern Seaboard to Maryland, and also Pennsylvania and Ohio. To strengthen its position, I spun off L.W. Biegler of New York. It's now part of CFU Underwriters."

Although the New York office technically is no longer part of the Biegler profit center, it uses the reinsurance treaties Mr. Biegler has established and the Biegler ground rules for underwriting speciality covers, like directors and officers liability insurance.

When comparing the first six months' results of 1983 with 1982 exclusive of the New York office, the profit center's business is 1.5% ahead of last year. L.W. Biegler itself is ahead 14%, while ISLIC is down 25% as the switch to admitted markets from ISLIC continues.

The Biegler Profit Center added only about five people, for a total 1982 year-end staff of 190, to handle the additional 30% in the number of policies written, thanks to new automation.

When Biegler is asked to quote on a D&O or a professional liability risk, the quotation is sent out on a computer-printed form. The form includes information about the insured, the broker and the various terms and quotations offered.

The quote is sent in duplicate and the broker is asked to return a copy with the final order, circling the requested limits and deductibles and indicating the effective dates.

When the order comes in, the original quote is retrieved from the computer, the requested limit and deductible are noted and the effective date inserted. Endorsements to the policy can be added. Then, a printer connected to the computer prints the insurance policy in the required number of duplicates.

"The only manual work is to tear apart the copies—and the fifth is as good as the original," Mr. Biegler says.

The branch offices have terminals and their own printers.

The computer even automatically assigns the premium to each layer of reinsurance on the policy. "So at the end of the month, the computer runs for each reinsurance company show the amount of premium to be paid," he says.

Biegler is now adapting casualty insurance to the system.

"We haven't been able to adopt it to property," Mr. Biegler says. "The policies are big but there are not as many and there are scads of facultative reinsurance," he explains.

Another computer tallies loss information for Biegler accounts.

Although developing the automated policy system required "a lot of time, money and frustration," Mr. Biegler says, "it works beautifully." Biegler turns around a quote in seven days, he says, and policies are issued in 48 hours with an invoice.

"We see very few complaints about service," Mr. Biegler says. "That's one of the reasons we're holding our own."

This year, Mr. Biegler expects to

Continued on next page

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Continued from previous page
 acquire a managing general agent specializing in financial institutions. The acquisition, which could be announced soon, will add a new office and expand Biegler's financial institutions' business.

Mr. Biegler noted that with so many financial problems facing banks and savings and loans, others may not be interested in financial institutions. "We think we can wade through the mess," he said.

ISLIC's combined ratio doubled to 80.7% in 1982 from 39.1% in 1981, but these financial results continue to look envious in a marketplace where insurers are routinely reporting combined ratios in excess of 100%.

The increase in ISLIC's combined ratio is due to several factors, including reduced gross premium volume, a change in a quota-share reinsurance treaty and more losses.

Although ISLIC wrote less in gross premiums in 1982 than 1981

(\$69.2 million compared with \$82.8 million), ISLIC retained more net premiums: \$13.9 million compared with \$12.4 million in 1981.

The decrease in gross premium volume reduced the amount of premiums paid to reinsurers and so reduced income generated by over-riding commissions.

The increase in net premiums was due to another increase in ISLIC's retention under a quota-share treaty with an affiliated Crum & Forster insurance company. In 1981, ISLIC ceded 40% of its business to a Crum & Forster affiliate. In 1982, it was decreased to 30% and this year it was decreased to 20%.

The increase in retention under the treaty both decreased ISLIC's ceding commission income and left ISLIC with a bigger share of 1982 losses and loss adjustment expenses.

And, "case activity increased during 1982," said Vp and Treasurer

Lonnie L. Steffwen.

In 1981, ISLIC reported a pure loss ratio of 64.5%. In 1982, it was 87%.

In 1981, commissions on reinsurance ceded far exceeded operating expenses, resulting in a negative expense ratio of 25.4%, which reduced the loss ratio of 64.5% to a combined ratio of 39.1%.

In 1982, the negative expense ratio was just 6.3%, reducing the pure loss ratio of 87% to a combined ratio of 80.7%.

In 1982, ISLIC paid a \$5 million dividend to Crum & Forster.

ISLIC is an approved, non-admitted insurer in the District of Columbia, Puerto Rico and all states except Illinois, where it is admitted. It is rated A+, Class XII by A.M. Best's and passed all the tests applied by the National Assn. of Insurance Commissioners to test the financial strength of an insurer.

Meanwhile, the L.W. Biegler Syndicate on the Illinois Insurance

Exchange, a subsidiary of ISLIC, "has grown nicely," Mr. Biegler says. It has written \$2.5 million in premiums for the first six months of 1983 and expects annualized premiums of \$4 million to \$4.5 million.

In 1982, the syndicate's first full year of operation, it underwrote \$1.6 million in premiums.

"The Illinois Insurance Exchange is progressing satisfactorily, in a conservative fashion, which is an intelligent approach in this day of extreme competition," says Mr. Biegler, who is chairman of the exchange.

Other officers of L.W. Biegler and ISLIC are: S. Richard Vassallo, president and chief operating officer; C.M. Murphy, senior vp/secretary; Norman R. Reid, H. James Cantwell and John A. Dore, senior vps; and Lonnie L. Steffen, vp/treasurer.

L.W. Biegler is a member of NAPSLO.

—By Kathryn J. McIntyre

E.H. Crump Cos. Inc.

E.H. Crump Cos. Inc.

5350 Poplar Ave., Memphis, Tenn.
 38117; 901-761-1550

	1982	1981
Premium volume	\$151,000,000	\$138,000,000
Gross rev.	\$14,325,000	\$13,200,000
Employees	222	264
Commercial lines	96%	96%

Fierce competition continued to erode E.H. Crump Cos. Inc.'s excess/surplus lines business in 1982, but cost-containment moves, reorganization and a few successful lines helped keep the operation profitable.

"1982 was a tough year," reports Earl R. Lanning, vp in charge of surplus lines.

Premium volume handled by Crump's affiliated surplus lines companies grew by 9.4% last year, reaching \$151 million from \$138 million in 1981.

This was a decline from the growth rate of the previous year and the latest in a series of such declines. In 1981, volume was up 18.5% over 1980's figure of \$116.5 million, and the 1980 volume rose 20%.

Gross revenues rose 8.5% in 1982 to \$14.3 million from \$13.2 million in 1981. Revenues had increased 14.8% in 1981 and 26% in 1980.

Crump is ranked fourth in the *Business Insurance* ranking of managing general agents and underwriting managers.

Mr. Lanning had anticipated that competition in the property/casualty market would slacken by the third quarter of 1982, and the continuing soft market was one of his biggest disappointments last year.



Mr. Lanning

"(Umbrella liability) is being written at 10% or so less than it was just a year ago. I didn't think it would go down any more, but it did," he said.

On the property side, Crump bid on a three-year, non-cancellable insurance program sponsored by the federal Department of Housing and Urban Development to cover several billion dollars' worth of property at Indian reservations across the country. After examining the property involved, Crump determined it couldn't write the business for less than \$18 million. The program went to another broker who had returned a \$9 million bid, Mr. Lanning says.

"We evidently relied too heavily on the fact that (the market) was going to (turn). We've learned not to rely on that and to go after the business and be more aggressive. The fact that we weren't as aggressive as we should have been in 1982 is disappointing when I look at it in hindsight," he said.

Even so, Mr. Lanning thinks that a 9.4% growth rate in a year like 1982 isn't bad.

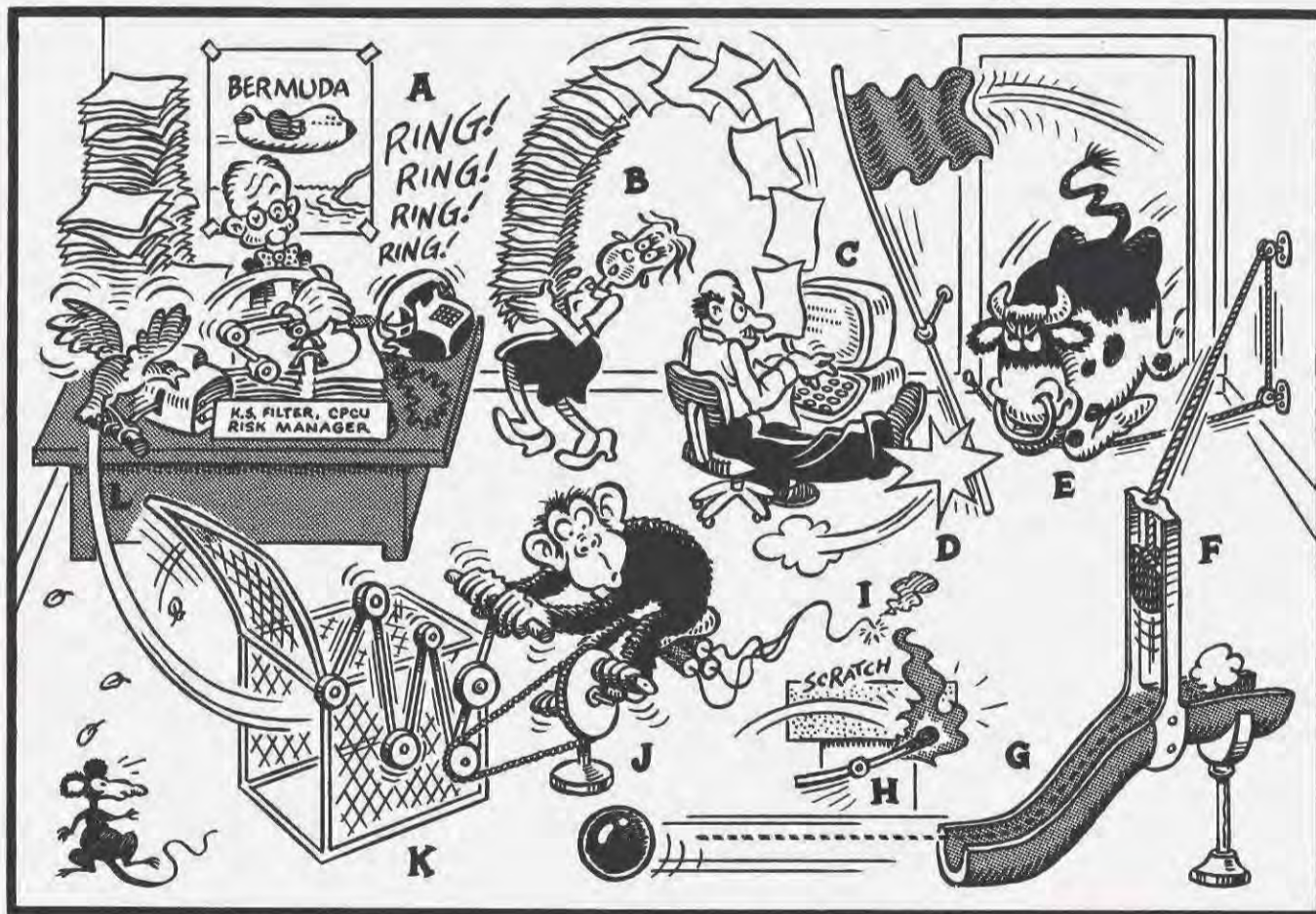
"I wouldn't accept that as acceptable growth for this year or for future years, but in view of the prices on many of the large accounts going down dramatically still, I was satisfied with that growth for last year."

Crump is shooting for a 15% growth rate in 1983, and expects that new business will have to account for 40% to 50% of its volume, as it did last year, for the company to meet its goals.

Mr. Lanning adds that there may be light at the end of the competitive market tunnel. While rates in most lines are still sliding, they aren't going down as fast as they have in recent years, he says.

Continued on page 26

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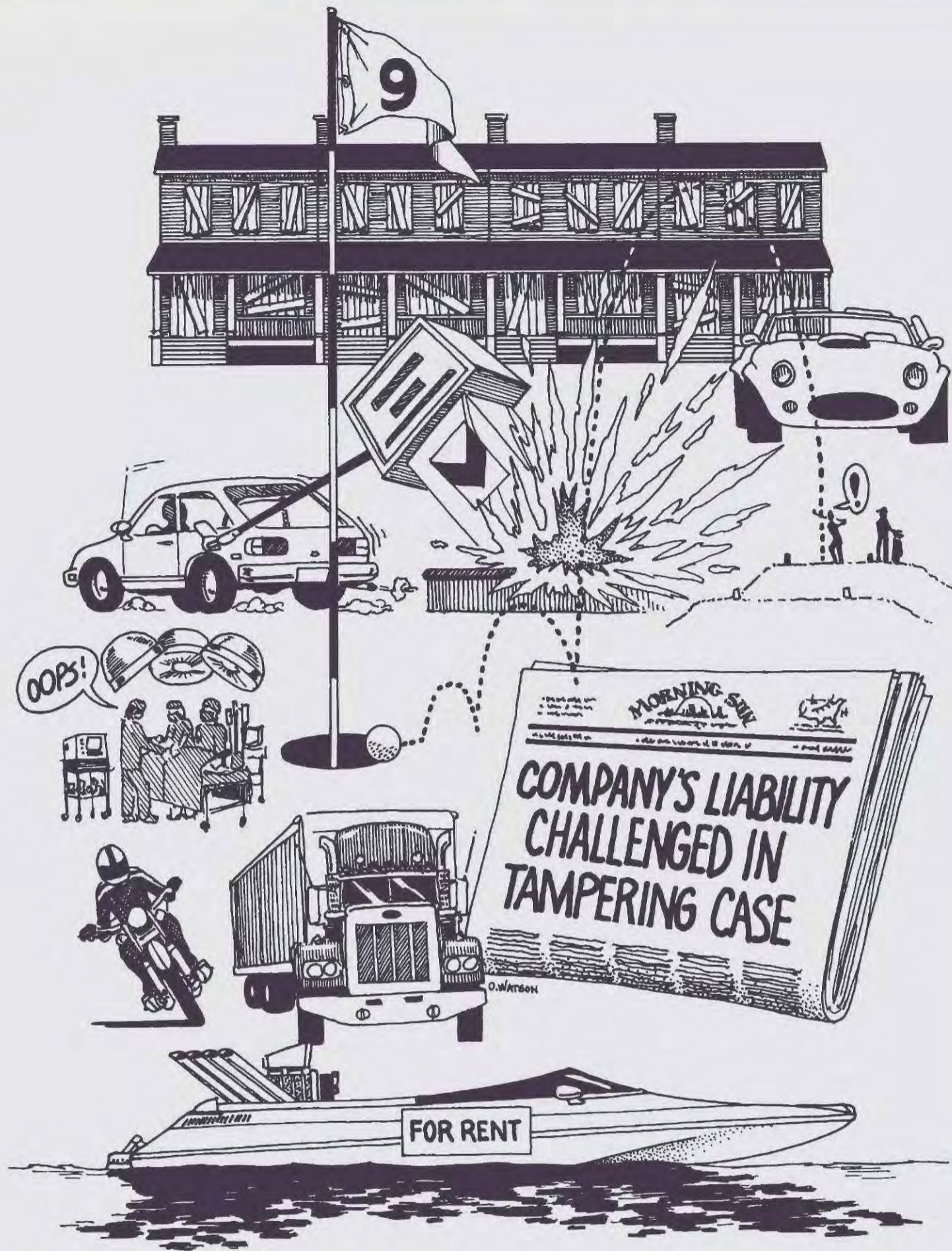
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Continued from page 24

"Percentage-wise, the prices aren't going down so much now as just not going up. (We) renew as is or renew at 10% less than last year instead of 50% like we've been doing the last few years," he said.

There is a simple reason for prices not continuing downward, he notes.

"Prices on some classes are so low now, there's not much more

'down' to it. They'd be zero if they went down much more."

Crump has taken a number of steps since last year to shore up revenues and increase volume.

For one thing, Crump is raising its commissions from underwriters, which now average about 8%, by another 1%, Mr. Lanning says.

"Interest (rates are) coming down, so where we did have fairly good interest income for a couple of

years, we are having to rely more on getting a little higher average retention on our premiums. Contingent (commissions) are going down likewise as loss ratios go up," he explained.

The company is also continuing its practice of taking a hard look at offices whose expenses exceed 80% of pretax income. This prompted Crump last year to sell off its personal lines business and reduce

staff in several offices, including Seattle and Conway, Ark. These offices retain their commercial lines business.

Crump reduced overall E/S staff to 222 employees in 1982 from 264 in 1981. A good part of the reduction came from the elimination of personal lines, Mr. Lanning said.

"There's where you have a lot of paper flow. It takes a lot of people," he explained.

Last month, Crump also sold E.H. Crump of California Inc., which wrote mainly aviation business, to St. Paul Surplus Lines Insurance Co.

To further reduce costs, the company is also moving away from maintaining full-service field offices. Branches in Conway, Ark., and Springfield, Mo., have been cut back to one-person production operations, with other functions such as underwriting, policy issuing and claims handling centralized in Memphis.

Crump also opened a new one-person office in Charlotte, N.C., last year to cover North and South Carolina, and is looking to open other such offices in Mississippi, Alabama and Georgia this year, Mr. Lanning says.

He added that Crump used to operate this way before developing full-service offices, but that the soft market has forced it to reverse its full-service philosophy.

Another such change in corporate thinking was Crump's decision last year to deal with fewer agents and write more big accounts, Mr. Lanning reports.

About 75% of the company's volume is produced by independent agents, with only about 25%—usually specialty risks like aviation—produced by the large alphabet brokers, he said. About 5% of Crump's E/S business comes from its own retail brokerage affiliates.

"Instead of dealing with hundreds of agents in a given state like we did in the past, we're trying to concentrate on anywhere between 35 and 50 agents scattered throughout the state where we can go after large commercial and industrial accounts rather than business across the board," he said. "We've got to get a higher average premium per account."

This change in the character of Crump's book is already under way, Mr. Lanning reports.

"We used to write small, substandard property accounts. We now are going after the large schedules," he said. "One of the areas of concentration the last few years has been gas utilities. We at one time wrote the small-town gas utility—and we still do—but we're going more and more after the big utilities."

Another area of concentration has been the company's excess medical malpractice/loss-control program for self-insured hospitals developed with Galen Systems Corp. of Dallas, which handles the loss-control program.

The program includes excess hospital general liability and professional liability over self-insured retentions that may range from \$200,000 per occurrence/\$600,000 annual aggregate to \$1 million per occurrence/\$3 million aggregate.

A Crump subsidiary, Southern American Insurance Co., is fronting the package, and all but a small net line will be reinsured with Lloyd's, Mr. Lanning says.

Some details of the reinsurance are still being ironed out, and Crump's first submission for the coverage is in London now, he reports.

"We're going after classes that are subject to catastrophic losses but have no loss frequency," he said. "When you get (a loss), you get a good one, but you don't have the constant claims-handling expense."

Crump also expects growth from an increased concentration on what Mr. Lanning calls "specialty" lines.

With the onset of the competitive market, more and more admitted insurers have broken into lines that had previously been left to excess/surplus markets. As a result of the competition, Crump has found itself "squeezed out" in such lines as gap layer excess insurance and owners, landlords and tenants liability coverage, he explained.

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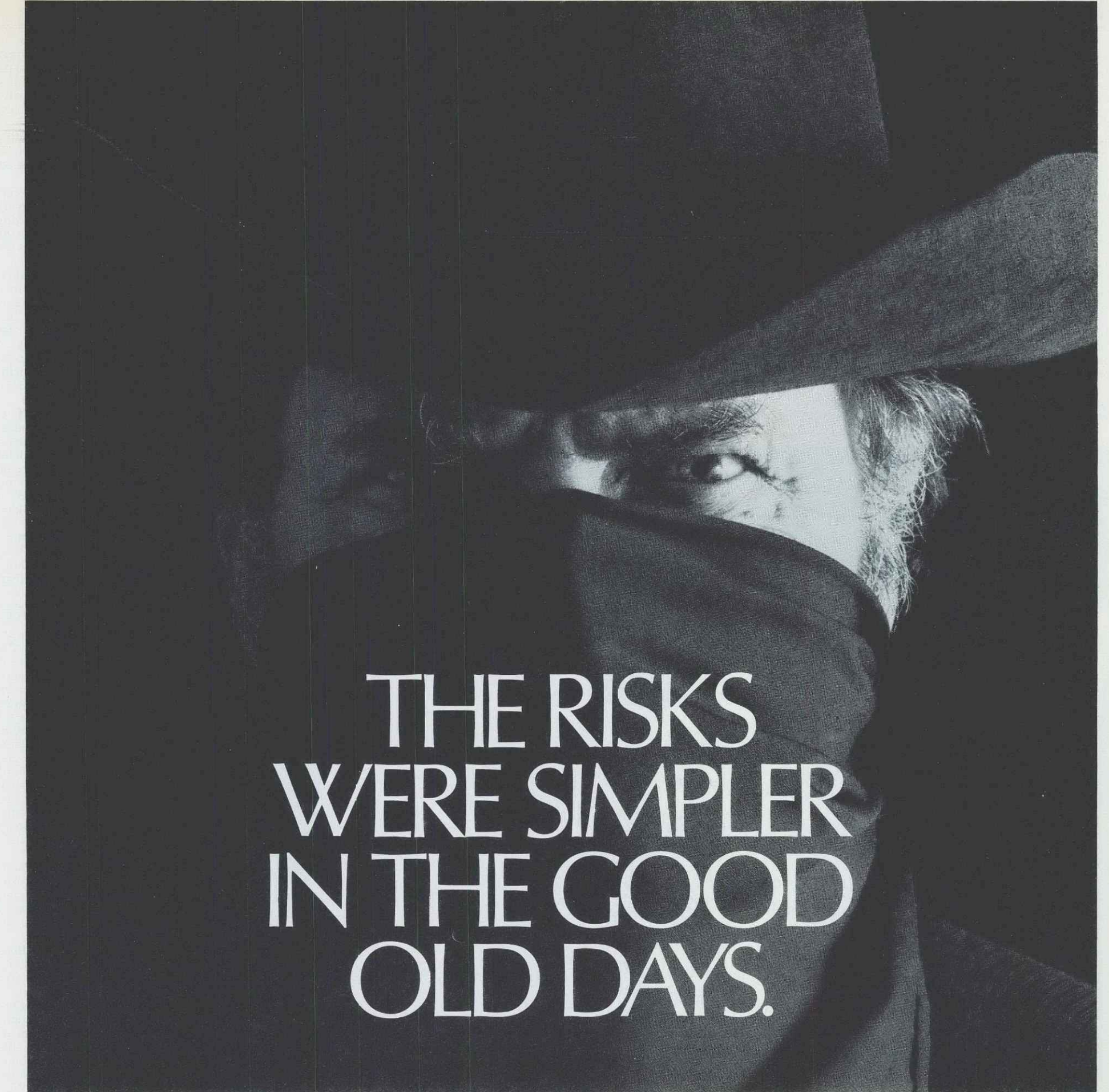
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Continued from page 26
large-capacity and non-standard risks that were the staple of the E/S market, Crump has focused its attention on a number of specialty lines.

One such line is the excess medical malpractice program for hospitals, he noted. Another is a comprehensive package of coverages Crump developed for financial institutions.

The package, underwritten by Crum & Forster insurers, includes primary and excess coverage for all property risks, including inland marine; workers compensation; bond; directors and officers liability; and more than a dozen separate errors and omissions exposures, including fiduciary liability.

The directors and officers liability portion also includes a "personal umbrella" to cover bank executives who serve on the boards of outside companies and to cover situations where an action not taken in a

director's official capacity at the bank leads to some liability.

Crum & Forster's capacity on the package is \$25 million. None has been bound yet, but two banks submitted applications earlier this month, Mr. Lanning says.

While general E&O exposures in banks are nothing new, he conceded, recent developments in the banking field have given rise to new exposures that may open the door to Crump.

Admitted insurers haven't pulled the rug completely out from under the E/S market, though, and in some areas such as aviation, Crump is seeing business return to it from admitted companies.

"Fifteen years or so ago, we were the largest writer of cropdusters in the United States. Then several others got into it and drove the price down to where for all practical purposes we were out of that business for quite a number of years. We got back into it in 1982

hoping that maybe we could pick up a million-dollar premium, and we wrote \$2 million premium in the class. So (the market) had hardened more than we thought it had," he said.

Crump expects aviation business to be even more brisk this year, despite the sale of Crump of California. The company's major market for the coverage is Monarch Insurance Co. of Ohio, for which it has binding authority.

Another such area is smaller commercial auto/long-haul truck risks, generating annual premiums of between \$10,000 and \$30,000 apiece, he added.

"Quite a number of the markets in the long-haul truck business have gotten out or are increasing their prices even if it means they lose the business. So as a result, we're getting orders now."

But Crump hasn't heard from any of the larger auto/truck risks, which standard markets are still

writing "way too cheap" to provide E/S companies with an opening, he added.

The company's major market for auto/truck business is Integrity Insurance Co. of Paramus, N.J., for which it has binding authority.

Still, one indication of the market's softness is the fact that 80% of Crump's business is placed with admitted markets and only 20% with non-admitted companies. This ratio has not changed since 1981, but rose from 60% admitted and 40% non-admitted between 1980 and 1981.

The non-admitted companies won't pick up a larger share of Crump's placements this year, either, Mr. Lanning says.

Even when the market does begin to tighten, Mr. Lanning says he doesn't expect the E/S industry to return to the prominent role it played in the mid-1970s.

"The standard markets are getting a freer hand to write things that they couldn't do in the past

when the (rate and form) filings were very restricted. More states are going to a 'use-and-file' law now, where they can do pretty much what they want to and make the filing later," he explained.

The number of markets writing traditional E/S coverages such as umbrella liability has skyrocketed, he added.

"Today, many of the major carriers have a non-admitted company that they are using. There's getting to be less distinction between the admitted and the non-admitted than there was in the past."

Crump has made no acquisitions in the excess/surplus area since 1981. Though it was looking to buy Montgomery General Agency Inc. in Philadelphia last year, it was beaten out by St. Paul, Mr. Lanning says. He added that Crump is looking for an acquisition in the Northeast, but probably will not move before 1984.

Crump does about 65% of its business as a managing general agent or an underwriting manager, underwriting and issuing policies on an insurer's behalf and in some cases handling reinsurance and claims. With the remaining 35% of its business, it acts only as a broker.

Insurers for which Crump has binding authority include: Admiral Insurance Co.; Allianz Underwriters Inc.; American Family Home Insurance Co.; American Modern Home Insurance Co.; Carolina Casualty Insurance Co.; Cherokee Insurance Co.; Employers Mutual Casualty Co.; First State Insurance Co.; Foremost Insurance Co. of Grand Rapids, Mich.; Great American Surplus Lines Insurance Co.; Guaranty National Insurance Co.; Illinois EMCASCO Insurance Co.; Integrity Insurance Co. of Paramus, N.J.; The Monarch Insurance Co. of Ohio; National Indemnity Co.; Northland Insurance Co.; Occidental Fire & Casualty Co. of North Carolina; Planet Insurance Co.; Southern American Insurance Co.; Thomas Jefferson Insurance Co.; Transit Casualty Co.; Western World Insurance Co. Inc.; and various underwriters at Lloyd's.

Crump is an underwriting manager for Employers Mutual Casualty, Integrity, Monarch, Planet, Reliance Insurance Co., Southern American and various markets on Crump's marine slip.

Crump's wholly owned offices include: Crump London Underwriters in Memphis, Tenn.; Crump Aviation Underwriters in Memphis; Arkansas Insurance Service Inc. in Conway, Ark.; Crump London Underwriters (Florida) in Sanford, Fla.; Crump London Illinois, Inc. in Chicago; Crump London Underwriters Inc. in Springfield, Mo.; Crump London of Wisconsin Inc. in Waukesha; Crump London Northwest in Kirkland, Wash.; G&M Marine Inc./G&M Surplus Lines Insurance in New Orleans; S.J. Petrakis Insurance Services Inc. in Los Angeles and San Francisco; CrumpRe Intermediaries Inc. in New York; and Crump London Underwriting Management in Memphis.

Jointly owned offices include: Crump-Davis Inc. in Dallas; Crump-Davis of Colorado Inc. in Denver; Crump-Davis of Houston Inc.; Crump London of Ohio Inc. in Columbus; Crump-Northeast Risk Managers Ltd. in New York; Regency International Ltd. and Regency Reinsurance Brokers Ltd. in Hamilton, Bermuda; Professional Reinsurance Office Inc. and Pro Re Treaty of America Inc. in Dallas; and Pro Re Inc. of Atlanta, Dallas, and New York.

Principal officers in addition to Mr. Lanning are Sidney A. Stewart Jr., president and chief executive officer; James M. Power, vice chairman; Donald A. Thomas, executive vp.

Crump, founded in 1921, is a member of NAPSLO and AAMGA.

—By Douglas McLeod

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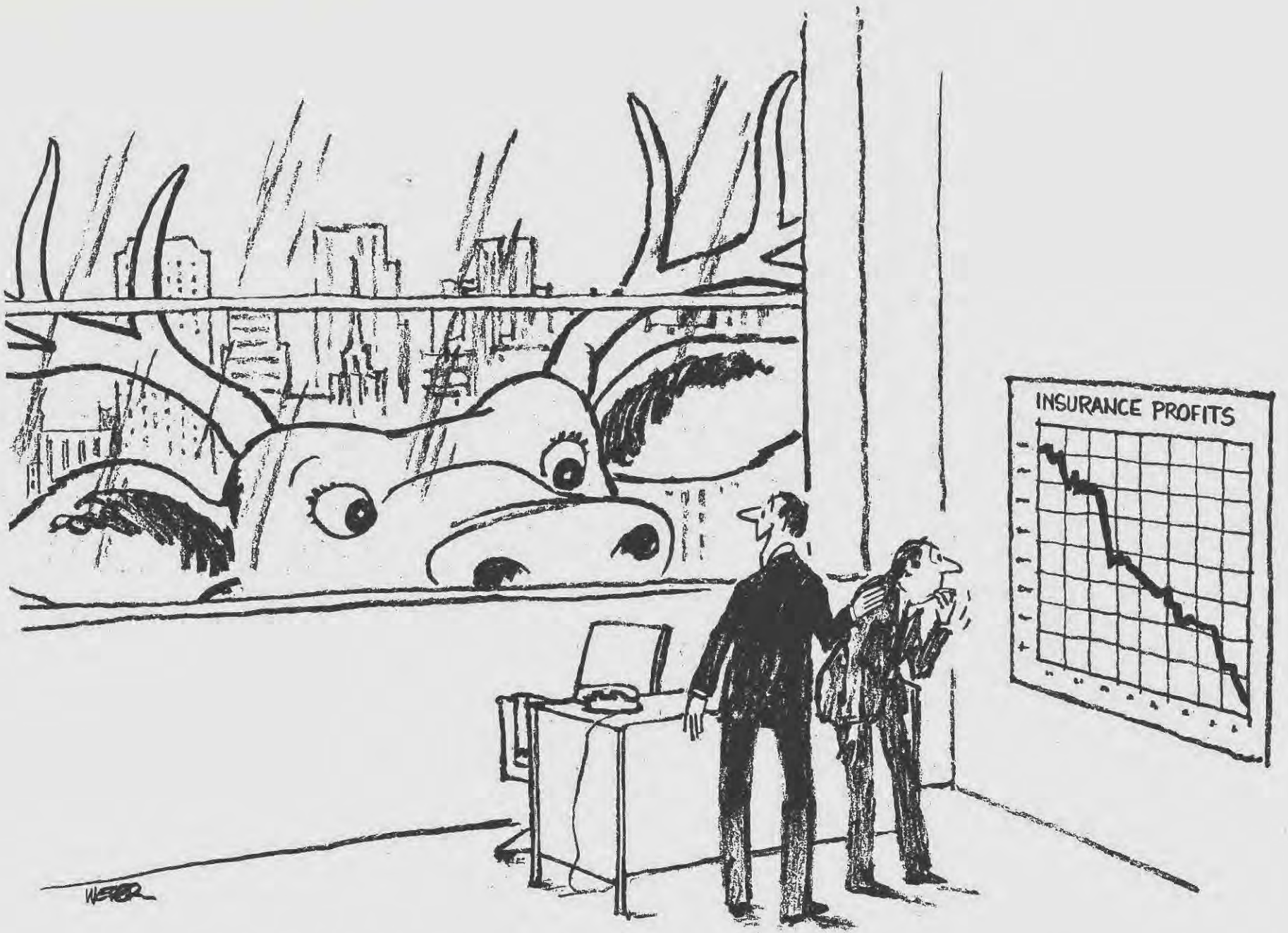
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	1982	1981
Premium volume	\$140,100,000	\$154,900,000
Gross rev.	\$39,319,858	\$39,688,440
Employees	290	304
Commercial lines	98%	98%

Cravens, Dargan & Co. Pacific Coast is building an inventory of unusual specialty coverages to take up the slack left by retrenchment in its lumber and casualty underwriting departments.

The 80-year-old underwriting management company in San Francisco, formerly a unit of Connecticut General Investment Corp.

and now part of CIGNA Corp., has suffered from the housing construction slump that has driven the wood products industry into deep depression.

By virtue of its age, Cravens, Dargan also is feeling the whip of long-tail casualty business written at a time before newer markets arrived on the scene. The company has not spotted any one single source of casualty claims—such as asbestos or DES—just a potpourri of losses that were slow to develop.

One of the company's offices also put a considerable volume of business on the books with rock-bottom self-insured retentions. While other markets were selling comparable coverage above \$100,000 to \$200,000 retentions, underwriters in this one office offered virtually first-dollar coverage that resulted in heavy losses.

A combination of depressed conditions in the construction industry and fierce rate competition and underwriting cautiousness took its toll on Cravens, Dargan's premium volume last year. It dropped 9.6% to \$140.1 million from \$154.9 million in 1981, making it the fifth-largest managing general agent/underwriting manager in the *Business Insurance* ranking.

Gross revenues dipped just slightly during the same period to \$39.3 million from \$39.7 million.



Mr. Dauernheim

"Casualty has hurt us the most in the past few years," observes Hal C. Dauernheim, Cravens, Dargan president. Besides the rate competition, which he terms "almost unconscionable," Cravens, Dargan's results have been eroded by management's decision to boost reserves for expected claims.

Also, Cravens, Dargan's long-term contracts with the insurance companies it manages were based on the brighter market conditions of several years ago.

"The contingencies and commissions we received were fine during normal cycles," explains Mr. Dauernheim. "But now, we've gone through five or six years on the down cycle and those contracts are no longer profitable."

That is a situation the company started to remedy last year with renegotiations of existing contracts.

Cravens, Dargan also embarked on a "re-underwriting program" last year to put its casualty business on a more profitable basis. When accounts came up for renewal, they were scrutinized closely on a case-by-case basis. In some cases the coverages were changed or the price was increased.

The result was an overall drop in Cravens, Dargan casualty premium volume.

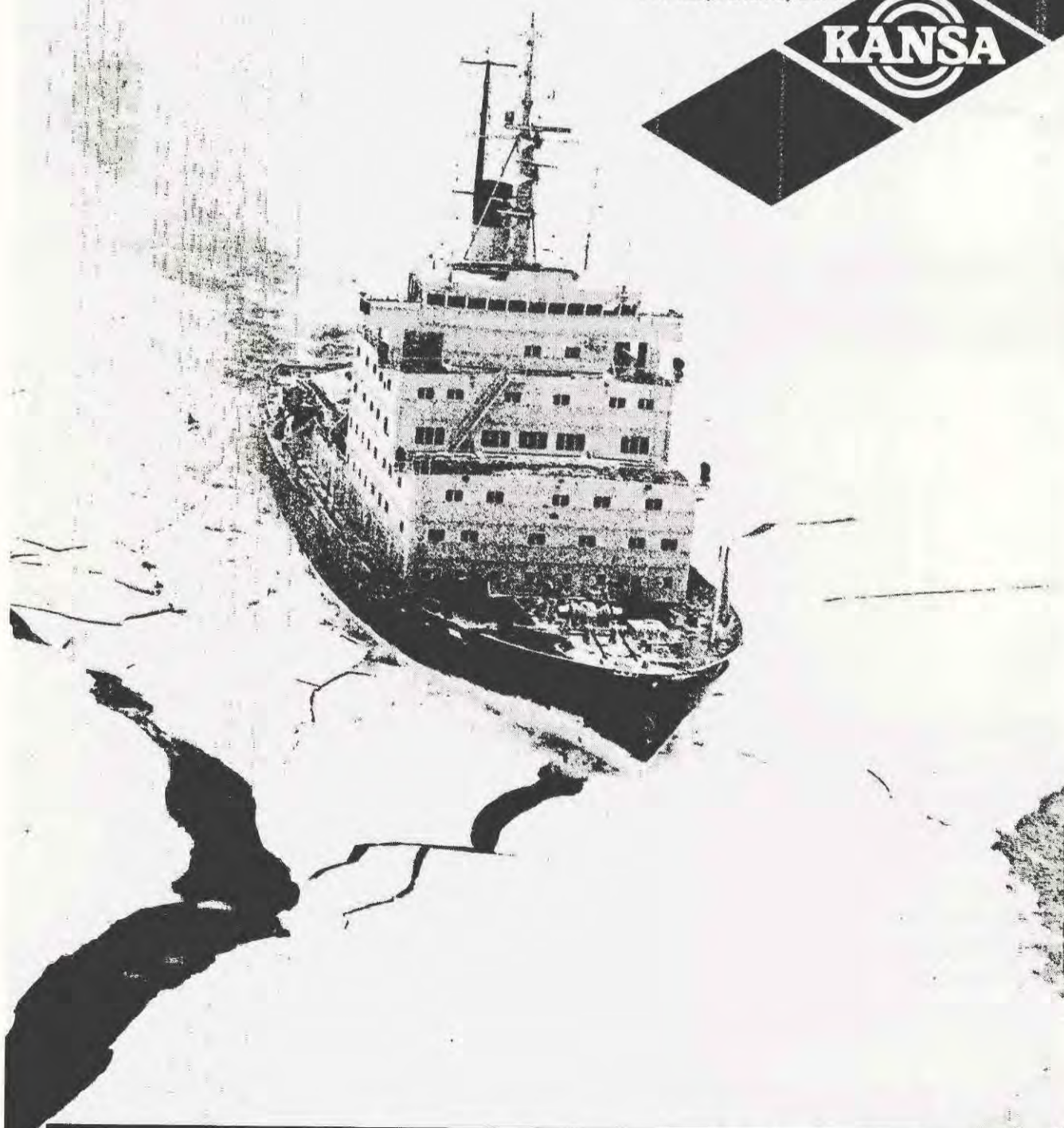
"Sometimes if you just quote the same price as last year you lose the account," observes Robert W. Haney, vp-marketing/operations. But, he stresses that the re-underwriting program is a selective program. Cravens, Dargan has not withdrawn from any class of business.

Over the past couple of years, Cravens, Dargan has restricted its premium volume in the lumber industry, which includes risks from sawmills to furniture factories. "We probably only write half as much lumber business as we used to," observes Mr. Dauernheim.

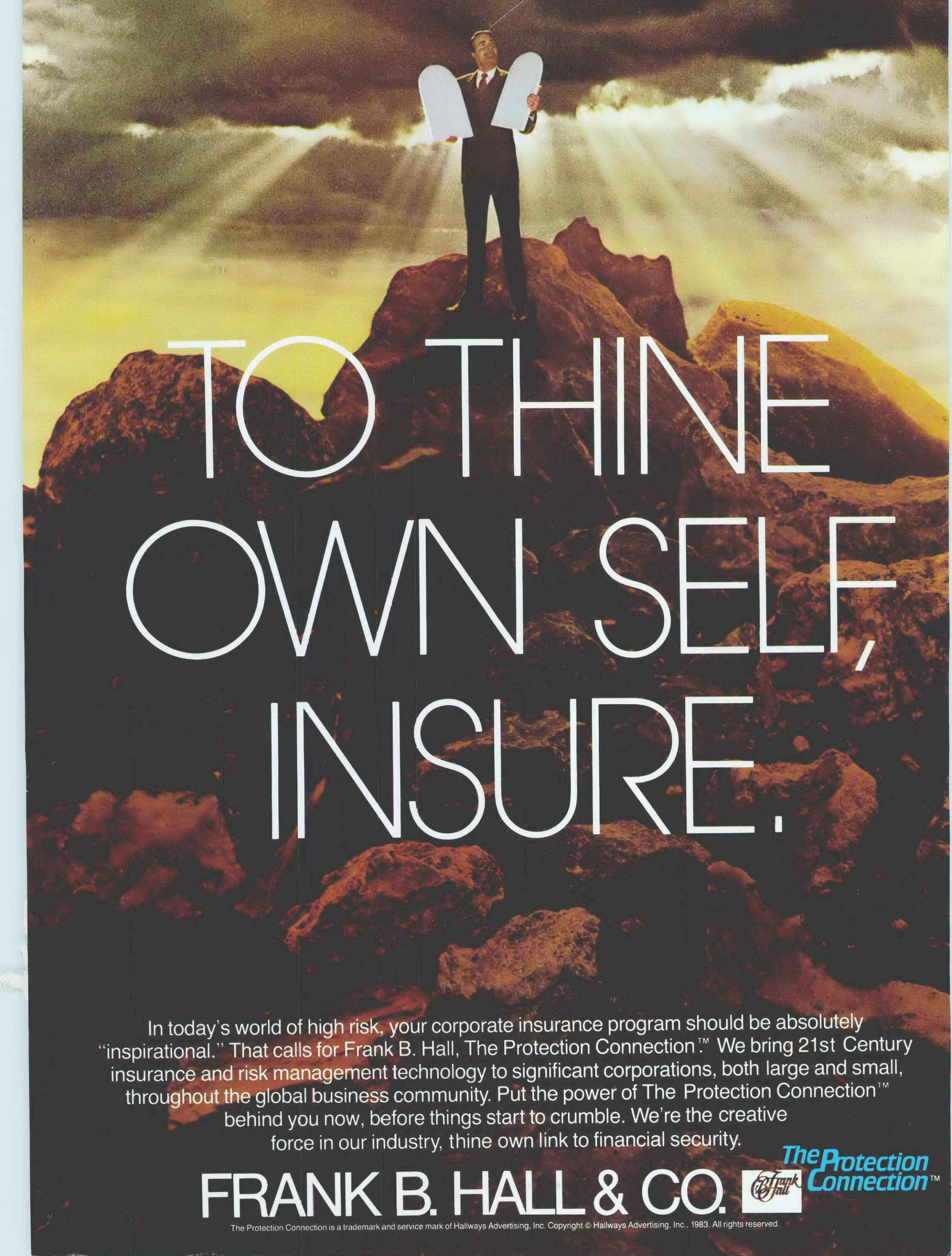
Loss ratios in the industry have been a disaster, he points out. When a plant's economic situation deteriorates, sometimes its loss prevention programs erode, too. "We voluntarily decided not to renew some accounts because we weren't sure they would be able to continue the same fire safety programs."

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Economic difficulties also can lead to labor problems, which increase the prospects for accidents and workers compensation losses, he added.

Despite these conditions, however, Cravens, Dargan has maintained its lead market position in Canada's lumber industry. The company has been able to maintain better rate levels there than in the United States.

Some of the overall decline in Cravens, Dargan's lumber and casualty business has been offset by growth in its largest department—property—and its newest department—special accounts.

The company anticipates a growth to \$9 million this year from \$3 million last year in premium volume placed in the special accounts department.

One new program in that department that is still under review is a bank trust coverage, which simpli-

fies a bank's placement of various insurance coverages in its trust department. The bank submits its portfolio of properties held in trust on behalf of its clients, and Cravens, Dargan provides property and casualty coverages rolled into a single package.

So far, there are a few banks in the pilot program, which is currently being offered in California only.

Four or five other specialty programs also are in development, but Cravens, Dargan is reluctant to discuss them because some of them will never go beyond the drawing board. "These things take time to develop soundly and we don't like to announce them until they're ready," says Mr. Haney.

However, financial guarantee-type coverages are under consideration, he acknowledges.

Cravens, Dargan management is satisfied with its underwriting performance in a wide range of property lines, although bad weather last year blew the black ink out of the business. Without these losses, Cravens, Dargan's property department would have been very profitable, reports Mr. Dauernheim.

The company sustained at least a \$25 million loss—perhaps the largest in its history—from Hurricane Iwa in the Hawaiian Islands (*BI*, Dec. 6, 1982). Cravens, Dargan was harder hit than other markets, partly due to hotel damage and other losses claimed by Honolulu-based Amfac Inc., a large, long-time Cravens, Dargan policyholder.

A freak tornado in downtown Los Angeles last year added another several million dollars in losses.

Besides its general property, casualty and lumber facilities, Cravens, Dargan provides a market for excess workers compensation, unusual aviation risks, helicopter fleets, difference-in-conditions, automobile warranty and ocean marine risks on the West Coast. The company has developed some direct-mail marketing programs with retail brokers for homeowners difference-in-conditions insurance.

Cravens, Dargan's customers tend to be national alphabet houses and large regional brokers that need a market for medium-sized to jumbo risks that are complex in nature. Smaller agents and brokers may come to Cravens, Dargan to place an occasional aviation or other specialty risk.

Accounts range from \$5,000 to \$14 million in premium size, with a medium-sized account defined by the company as roughly \$35,000 with the pricing in today's market. "Much below the \$5,000 premium level the account don't make any money, given what we do with engineering and claims services," remarks Mr. Dauernheim.

But, "we think most of our brokers and agents look at us as the kind of organization that will look at almost anything, analyze it and see if we can't find a market," he stresses. Cravens, Dargan also says it is willing to work with retail brokers on new product development if the broker is prepared to invest time in the project to assure proper handling.

Cravens, Dargan underwrites a homeowners' difference-in-conditions policy that

Continued on facing page

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Continued from page 32

is marketed through broker Emmett & Chandler in Los Angeles and various financial institutions, for example. The program now boasts more than 20,000 participants. Similar programs are available to other agents and brokers.

Thanks to last year's rough weather, the results in 1982 and the first half of 1983 were not the best, but they were not terribly bad, sums up Mr. Dauernheim. "We think we're through the worst part of the storms, so we can still recoup the second half of the year."

Another product developed to meet a need in the marketplace insures commercial airlines' deductibles for ingestion risks on their hull policies.

Several years ago, the London market led the way in raising deductibles against mechanical damage caused to aircrafts' motors by ingestion of birds or other objects. Cravens, Dargan put together a domestic insurance treaty that enabled it to offer coverage that in a \$100,000 to \$1 million deductible.

"We understood why London took the approach it did, we determined we could tailor the program to careful operators and make a profit," says Mr. Dauernheim. "The program has been highly successful, he adds.

Ninety percent of Cravens, Dargan's premium volume is placed with four companies or whom it acts as underwriting manager and others for which it is a managing general agent. The remainder of its business is brokered to other CIGNA and unaffiliated markets, including Lloyd's of London.

Cravens, Dargan tap admitted insurers for 90% of the business it handles.

The four insurers for which Cravens, Dargan acts as underwriting manager and their approximate share of the manager's premium placements last year are: Century Indemnity Insurance Co., a CIGNA Corp. affiliate in Hartford, Conn., 25%; Central National Insurance Co. of Omaha in Nebraska, 60%; Motor Vehicle Casualty Co. in Elmhurst, Ill., 10%; and Elite Insurance Co. in Vancouver, British Columbia, 5%.

During the next year, Cravens, Dargan expects to place more business with Century Indemnity and less with Central National.

The main reason is that Cravens, Dargan obtained exclusive rights to Century—a sister CIGNA company—last year. It is a very broad market that can be used in every state except Hawaii. (Cravens, Dargan is in the process of obtaining a license for the company in Hawaii.) Cravens, Dargan can use Century for new programs that might compete with what its other insurers are offering through other marketers.

"But, I would not read into this that we would be pushing other companies out and only keeping our own companies," stressed Mr. Dauernheim. "We would always want to have four or five different issuing companies. One or two would hamper our style."

Cravens, Dargan has extremely broad underwriting authority on behalf of its four markets, which can be used in any of its departments. As a general rule, all of the insurers participate in property, casualty, aviation, lumber and other risks, explains Mr. Haney.

Occasionally, Cravens, Dargan may arrange for one of its insurers to issue policies that are fully reinsured to a facility that specializes in a risk that Cravens, Dargan prefers not to underwrite itself. And, Cravens, Dargan offers its management services on a fee basis to insurance companies that want to purchase them on an unbundled basis.

It also offers its management services to insurance companies—including captives—that need help managing their way out of a problem class of business.

"Usually, when a company closes its doors to a particular type of business, the good people leave," explains Mr. Dauernheim. "The company may want us to settle the claims and manage the runoff."

Cravens, Dargan sees opportunities for itself in the difficulties some captive insurers are encountering as they mature and start to feel the heat from heavy losses.

"We're looking at it," says Mr. Dauernheim. But so far he feels that most of the captives Cravens, Dargan has talked to are looking for the kind of help that could accelerate rather than solve their problems. Cravens, Dargan wants to be part of the solution and not the problem, he explains.

Cravens, Dargan & Co. was founded in Texas in 1903 and operated as a managing general agency in the Southwest. In 1930, the company opened a West Coast office in San Francisco, which was independently run by one of the Cravens brothers named Malcolm.

The West Coast operation grew quickly as an underwriting man-

ager and surplus lines broker specializing in large industrial and commercial accounts. During the 1960s it split off as a separate California corporation bearing the Pacific Coast name.

The ownership of both the California and Texas companies remained somewhat the same until 1974, when the San Francisco company was sold to Connecticut General Investment Corp. Cravens, Dargan assumed underwriting management in the Western states for Aetna Insurance Co., a CG affiliate.

By 1980, both Cravens, Dargan and Aetna had grown so quickly that a decision was reached to assign separate management to the two companies, explains Mr. Dauernheim. This realignment, which involved splitting personnel into two separate teams, was completed in 1981.

And then, Connecticut General and INA Corp. merged to form the

CIGNA Corp. Today, Cravens, Dargan is a part of CIGNA's wholesale brokerage operations, which also include California Union Insurance Co. and broker Montgomery & Collins, both in Los Angeles.

Besides San Francisco, Cravens, Dargan, Pacific Coast offices are located in Los Angeles; Chicago; Atlanta; Seattle and Spokane, Wash.; Portland, Ore.; New York; Phoenix, Ariz.; St. Louis; and Honolulu.

Principal officers in addition to Mr. Dauernheim and Mr. Haney are: Gilbert T. Martin, vp-special risk property; Joseph B. Rosicker, vp-casualty/excess and surplus; Peter T. Politi, vp-aviation and marine; Frank A. Tiacente, vp-administration/financial.

Cravens, Dargan & Co., Pacific Coast, is a member of AAMGA, NAPSLO, and the surplus lines associations of California, Arizona, Illinois and Washington.

—By Rhonda L. Rundle



Mr. Haney



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714-851-2374

	1982	1981
Premium volume	\$121,869,056	\$98,500,762
Gross rev.	\$13,567,275	\$10,545,000
Employees	201	198
Commercial lines	100%	100%

Baccala & Shoop Insurance Services' premium volume increased 23.7% in 1982, by far the largest gain reported by any of the marketers profiled by *Business Insurance*, but Chairman William P. Baccala doesn't seem too impressed by the gain.

Volume at the Corroon & Black Corp. subsidiary jumped to \$121.9 million from \$98.5 million in 1981 because two of its main markets increased their risk-bearing

appetite and it stepped up efforts to handle more property risks.

Gross revenues likewise jumped 28.7% to \$13.6 million from \$10.5 million in 1981.

But Mr. Baccala explains that the large premium volume jump was partially because the underwriting manager's 1981 results were severely depressed when it lost one of its key markets for several months.

Baccala & Shoop formally ended its underwriting management agreement with that market, Old Republic Insurance Co., in January 1982, and has since increased its use of Twin City Fire Insurance Co. and Nutmeg Insurance Co., both Hartford Insurance Group affiliates.

The company's 1982 growth is also a result of devoting more energy in 1982 to writing property insurance, Mr. Baccala says. And he credits a portion of its increased

volume to the company's efforts to retain those risks that had been historically profitable.

"We did nothing extraordinary last year," Mr. Baccala adds. "The type of environment (is not suited) for new and different things right now."

Baccala & Shoop's business is now about 60% casualty and 40% property, though Mr. Baccala predicts that the ratio may even out to a 50-50 balance next year because the company expects to lose additional umbrella and excess workers compensation accounts.

Commercial umbrellas and excess liability policies make up the bulk of the company's casualty business, although price competition last year forced Baccala & Shoop to surrender more of its umbrella business than it had in previous tough cycles.

Excess workers compensation coverage, once a Baccala & Shoop staple, has moved out of the com-

pany's spotlight and now stands in the shadows. "The competition for that is too fierce for us," Mr. Baccala admits. He estimates that the company lost about \$3.5 million to \$4 million in premium volume in this line last year.

It still tries to underwrite new workers compensation accounts, he notes, but with little success.

Primary and excess insurance on all-risk and difference-in-conditions policies, as well as inland marine and builders risks, make up Baccala & Shoop's growing property business.

About 70% of the company's casualty business last year was generated by retail brokers and about 30% by wholesale brokers. However, the ratio is just about the reverse on the property side of the business: about 70% from wholesalers and 30% from retail brokers.

Mr. Baccala expects that ratio to hold constant throughout this year.

"The predominance of our business comes from the major, publicly held brokers and a few large, independent brokers," he notes.

Among the large retailers from which Baccala & Shoop receives business are Marsh & McLennan Inc., Alexander & Alexander Inc., Fred S. James & Co. Inc. and Frank B. Hall & Co. Inc. Its parent company, Corroon & Black, provides only about 5% of its business.

Wholesale brokers from which frequently accepts business include Sherwood Insurance Services and Lawrence A. Krause & Associates Inc., both in San Francisco and NBA Excess & Surplus Inc., a Marsh & McLennan affiliate.

The company did not shy from any of its major providers, year, and Mr. Baccala reports it increased the number of brokers it deals with "because we were solicited business."

But Baccala & Shoop handled most of its business through two underwriters: Twin City and Nutmeg. Together, they account for about 85% of the underwriting manager's business, or at least \$100 million in premium.

Twin City, an admitted insurer, probably underwrote a larger volume than Nutmeg, a non-admitted insurer, but the firm would break down the amount handled by each.

About 10% of Baccala & Shoop's volume, or \$12.9 million, was placed through Centaur Insurance through Centaur Insurance and about 5%, or \$6.4 million, was placed through INSCO Ltd. in Bermuda. Mr. Baccala says both insurers are assumed the same percentage of risk in 1982 as in 1981, and he doesn't predict any change in the future.



Mr. Baccala

American Centennial Insurance Co., another insurer for which Baccala & Shoop served as underwriting manager, decided to manage its own operations starting last September, but its absence has had no noticeable effect on its operations, Mr. Baccala asserts, because strong markets, like Nutmeg and Twin City, were ready and willing to fill the void.

Each of the insurers for which the firm has binding authority agree to share a certain percentage of each risk the underwriting manager accepts. The percentage of the coverage they assume is constant, not changing from risk to risk.

In addition, Baccala & Shoop is also underwriting manager for National Excess Insurance Co., a reinsurance subsidiary of Corroon & Black. NATEX currently reinsures only a small portion of Baccala & Shoop's risks, largely auto physical damage coverages.

Last year at this time, NATEX was licensed to operate in 19 states; today, it operates in 28 states, with application pending in 15 others. Eventually the company is expected to become a direct insurer.

Baccala & Shoop offers a property capacity of \$35 million (\$50 million on builders risks), and a casualty capacity of \$25 million.

It turned to admitted markets more often last year than in 1981. Admitted insurers handled 85% of the underwriting manager's business in 1982, compared with 68% during the prior year.

"In today's highly competitive market, brokers are not as enthusiastic about taking non-admitted companies as they are admitted companies," he notes. "And since we have both, and that's known to the brokerage community, we find ourselves increasingly using the admitted paper."

He adds that he expects this trend to continue.

Continued on facing page

"Over 20 years in reinsurance has taught me that innovation without stability is risky business."

Carol A. Rennie, President, HANSECO Re.



Why does HANSECO Re offer so much stability? "First, we have the backing and support of the John Hancock which has over 120 years of experience in insurance. Second, a commitment has been made to our clients to provide stable reinsurance; we have structured HANSECO Re to have proper surplus and reserves to meet our commitments."

What's innovative about HANSECO Re's approach? "We offer innovation in the form of creative problem solving by a select team of reinsurance professionals. While we don't underwrite by committee, we make available to brokers the minds and expertise of the entire HANSECO Re team as a resource that can be used to brainstorm client needs."

"We are interested in being a 'lead reinsurer' and in doing the extra work that this entails. Presently, we write a U.S. domestic property and casualty treaty book of business."

Who are HANSECO Re's clients? "Reinsurance intermediaries. Particularly those brokers who are looking for excellent service as well as problem solving done in a timely fashion."

How does the HANSECO Re philosophy benefit brokers? "We're structured from top to bottom to provide quality reinsurance service. Our survival depends upon our responsiveness, accessibility and timeliness in working with brokers. In a nutshell, we are committed to achieving success by making sure our clients are successful."

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Continued from facing page

As part of its function as an underwriting manager, Baccala & Shoop administers claims and places all the reinsurance for its insurers. For facultative reinsurance, the company turns to about 10 markets, while it places treaty reinsurance with about 20.

The firm's retention level varies from risk to risk, Mr. Baccala reports. "It depends on the exposure of the risk. On some of them, we keep the entire amount, on some we buy reinsurance."

He explains that the company might keep the entire risk on a high excess layer if the chances of a catastrophe were remote, like the coverage it wrote for the Kansas City Hyatt Regency Hotel, "where your judgment would have led you to believe it was a very fine risk."

"Your judgment would tell you again to write that same risk again because in 100 years, they haven't had that kind of loss and they won't have another one for another 100 years. It's just being in there that one year that's so awful."

Indeed, Baccala & Shoop rebounded last year from a period marked by several major losses, including the 1981 skywalks collapse at the Kansas City Hyatt and the 1980 fire at the MGM Grand Hotel in Las Vegas, Nev.

"We had the unfortunate luck to be involved in some of the larger, more publicized catastrophic losses, such as the Hyatt Hotel and the MGM," Mr. Baccala recalls. "Those are all risks, certainly, that when I'm making decisions we would write again... but we just happened to be in at a most inopportune time, to say the least."

Practically all the claims from both the Hyatt and the MGM disasters have now been settled, he says, though he expects the company will be involved in litigation for several years.

He estimates that Baccala & Shoop has paid \$35 million between the two disasters.

While the firm worked harder than before last year to generate new business, it watched some of its old accounts go to other markets.

"They all shop around," Mr. Baccala says. "Loyalty is a word that is anathema to the insurance business as far as the relationship between companies and brokers."

Although Baccala & Shoop is competing for new business just like everyone else, he says it won't succumb to cut-rate pricing to hold onto its place in the industry.

"We have attempted to obtain their business—to stretch ourselves price-wise as much as possible—but if we feel at a certain point that we can no longer meet the competition, then we unfortunately have to let the risk go," he says.

"We're planning to attempt to underwrite on a very restrictive basis and hopefully retain the major business we have on our books," he says. "But if we have to lose it, we'll lose it and at prices we think are totally impossible to make a profit at."

Mr. Baccala does not foresee any major changes in the company's operation, nor does he expect to offer any new products in the near future, unlike many of the other top wholesalers that are counting on new products to restore their depressed premium growth.

For instance, the underwriting manager's plans to market a package product for community banks with deposits of \$250 million or less now sit by the wayside. The project has been virtually abandoned "because of a lack of a market," Mr. Baccala says.

"We only hope that some sanity will return to this business some time in the foreseeable future," he says. "In the meantime, we're going to attempt to (retain) on our books those risks we think have been historically profitable and (that present) an opportunity to underwrite

at a profit even in today's depressed rate levels.

"On risks we feel are profitable or we feel we can extend a lot of capacity, we provide excellent service. When they have a claim, they'll be handled better (by us) than anyone else in the industry."

Besides its home office in Newport Beach, the firm has offices in Atlanta; Dallas; Los Angeles; Minneapolis; Memphis, Tenn.; New York; Chicago; Philadelphia; San Francisco; Houston; Seattle and Columbus, Ohio. It also maintains a field office in Tulsa, Okla.

Besides Mr. Baccala, other principal officers include Noel Higgett, president; Thomas Allen, senior vp-finance; Stanley Sheldon, senior vp-casualty; Rich McAdam, senior vp-property; John Broderick, senior vp-claims; and William Spargur, senior vp-production.

Baccala & Shoop is a member of NAPSLO.

—By Steve Taravella

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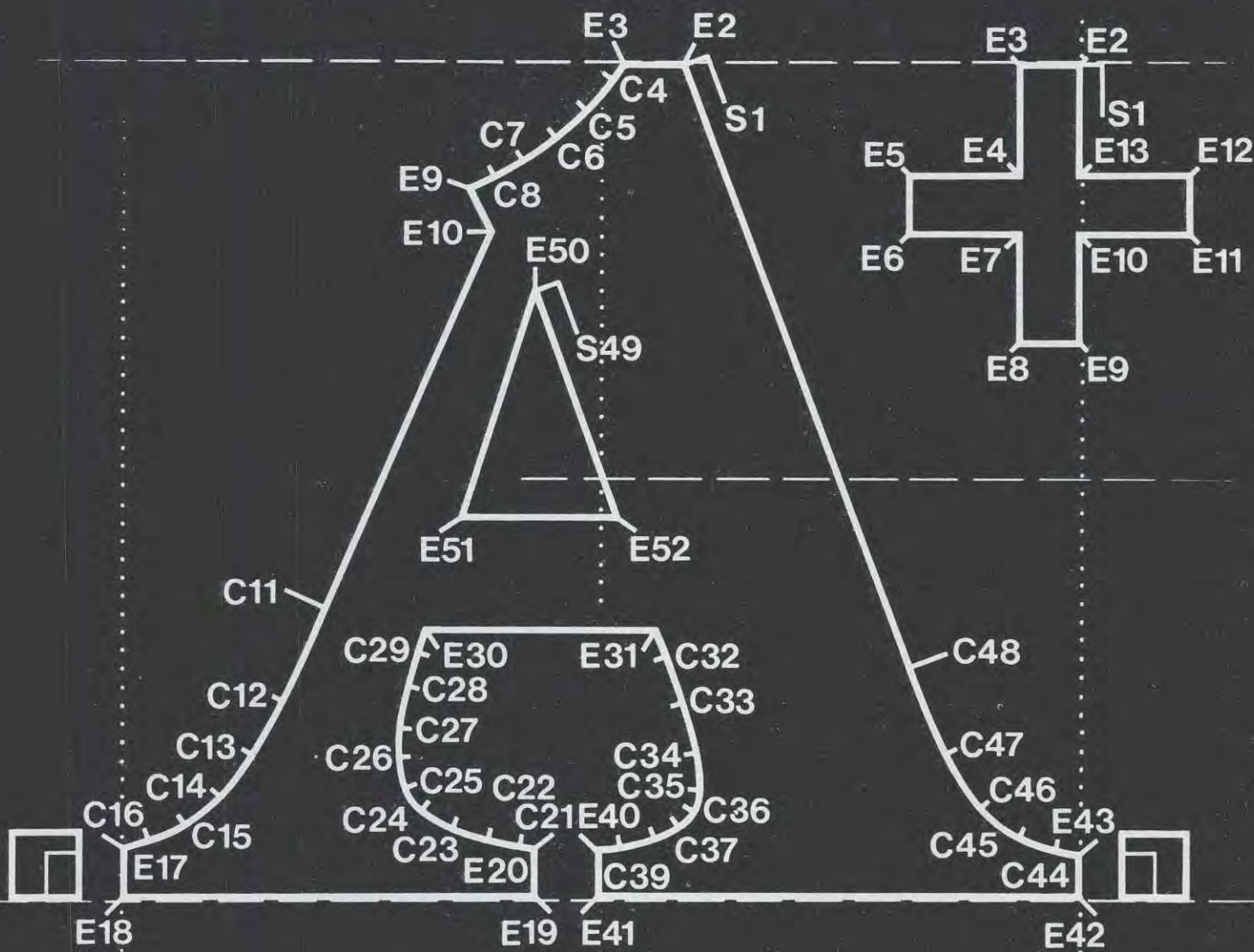
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**Victor O. Schinnerer
 & Co. Inc.**

5028 Wisconsin Ave. N.W.,
 Washington, D.C. 20016;
 202-686-2850

	1982	1981
Premium volume	\$115,000,000	\$114,000,000
Gross rev.	\$14,950,000*	\$14,820,000*
Employees	123	118
Commercial lines	100%	100%

*BI estimate

Several years ago, Victor O. Schinnerer & Co. Inc. hammered out its long-term goal.

"We wanted to expand our products so we could be a one-stop facility for our producers, particularly in the area of professional errors and omissions coverage," recalled Douglas Dolan, Schinnerer's vp of technical services.

During the last year, Schinnerer

moved closer to its ultimate goal: having a liability insurance product for every profession.

New programs include errors and omissions coverage for real estate agents as well as liability insurance for non-profit organizations.

In addition, Schinnerer, a subsidiary of Marsh & McLennan Cos. Inc., began to offer directors and officers liability insurance, products protection and recall insurance and a new policy that indemnifies an individual taxpayer for extra taxes that must be paid after an Internal Revenue Service audit.

Schinnerer's expansion into new product lines will continue.

"We'll continue to expand the kinds of products we offer. It is in our interest to have as diverse a portfolio of products as possible," Mr. Dolan said.

That expansion already is paying off. At a time when other special lines organizations experienced declines in premium volume, Schinnerer stayed on an even keel.

Schinnerer's premium volume

increased slightly in 1982 to \$115 million from \$114 million in 1981, but that growth was down from the 3.6% increase reported in 1981. The company is the seventh-largest managing general agent/underwriting manager in the *Business Insurance* survey.

Schinnerer officials believe their decision to offer more products will lead to more positive results.

"Time was devoted to developing new products that won't show up as revenue for a number of years," said Leslie Brincefield, Schinnerer's advertising director.

The new errors and omissions coverage for real estate agents could be one of those winners.

"Fewer than a half of the roughly 125,000 real estate firms in the market now carry some version of this type of coverage," Mr. Dolan said.

Real estate agents' vulnerability

to errors and omissions suits has increased because buying and selling residential property has become more complex. For example, instead of arranging a simple mortgage, selling a house now may depend on an agent's ability to set up a creative financing arrangement for the buyer.

Schinnerer's E&O policy, offered for the first time late last year, is written by The Travelers Indemnity Co. with a \$10 million limit and deductibles as low as \$500.

Schinnerer's target is medium-sized real estate firms—agencies with 75 to 100 sales agents and \$2 million to \$3 million in annual commissions—but coverages can be arranged for agencies with just one or two agents.

Given its Washington base, Schinnerer was a natural to offer a liability insurance policy for non-profit organizations that covers errors and omissions, personal injury and publishers' liability.

"There are more associations in Washington than any other city and we already had a fair number of contacts with associations because of our other products," Mr. Dolan points out.

Its non-profit organizations liability program, written by Chubb Group, offers limits up to \$35 million. Deductibles start at \$500.

Chubb also is now supplying Schinnerer with a directors and officers liability policy to fill a gap in the underwriter manager's portfolio of products.

"We had been getting a number of D&O submissions from producers because they look at us as a speciality market. Instead of turning away submissions, we wanted to have a facility," he said.

The Chubb D&O policy, which has a \$35 million limit, has been doing well since it was introduced last fall, Mr. Dolan said.

Chubb also is writing a products protection and recall insurance policy marketed by Schinnerer that has a \$25 million limit.

The Chubb policy covers, among other things, the cost of additional advertising expense a company may incur when the reputation of one of its products is damaged and the cost of a voluntary or government-mandated product recall.

While Schinnerer has received inquiries about the coverage, Mr. Dolan said it is too early to tell if the policy will become a major product.

Of all of Schinnerer's new products, the one that probably has captured the most public attention is its tax audit insurance policy.

The coverage, written by Central National Insurance Co. of Omaha, Neb., pays additional taxes assessed by the Internal Revenue Service as a result of a personal tax audit.

The policy is designed to pay up to \$100,000 in cases where the IRS rejects the taxpayer's or accountant's interpretation of tax rules. It does not cover mathematical or clerical errors, omissions of gross income, fraud or negligence.

In addition, the policy reimburses the taxpayer for up to \$1,000 in professional fees—accountants' and attorneys' charges—that are incurred during the initial stages of an IRS audit.

To buy the policy, a taxpayers' return must be prepared and signed by a certified public accountant or a tax attorney.

It is too soon to say if the policy will be a winner—approval by most state insurance departments is not expected before early 1984—but the company says the influential accounting profession already is enthusiastic about the coverage, known as TAXRIGHT Tax Audit Insurance.

Schinnerer officials say annual premiums for the policy will start at \$100, while most taxpayers can be insured for less than \$600.

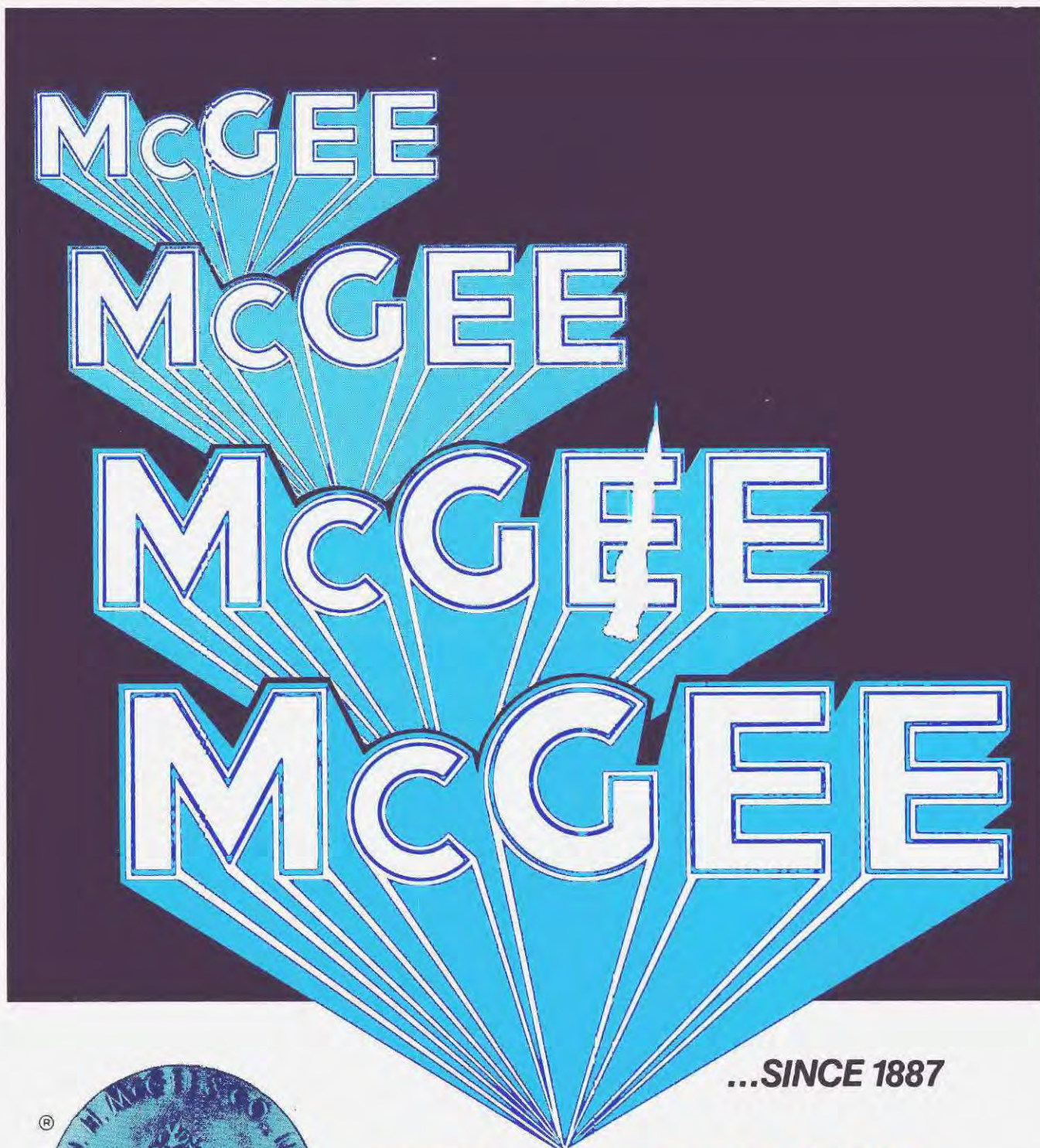
It's possible that some employers may buy the policy for their workers and include it in their employee benefit program, Schinnerer officials say.

Aside from introducing new policies, Schinnerer streamlined some existing ones. For example, the primary and excess portions of Schinnerer's professional liability insurance policy for hospitals, which had been written by different insurers, now is written only by The Travelers.

"It isn't a good situation when different insurers are writing different portions of the risk," Mr. Dolan explained.

In fact, Schinnerer's biggest growth during the last year was in the health care professional liability field, where it can supply up to \$35.5 million in primary and excess coverages.

Much of that growth came from Florida hospitals that fled the state-chartered Patients Compensation
Continued on facing page



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Continued from facing page
Fund to avoid special assessments to make up for years of artificially low rates (BI, July 26, 1982).

So far this year, Schinnerer has picked up 55 Florida hospitals, garnering 25% of the state's hospital professional liability insurance market, according to Jim Willging, a vp in the Washington office.

Besides its new offerings, the 45-year-old company is continuing to improve the product that made it a name in the speciality lines market: architects and engineers professional liability insurance.

"Architects and engineers coverages are still our bread-and-butter product," Mr. Dolan said. Schinnerer's experience in architects and engineers professional liability problems is the reason that it so totally dominates the market for the coverage, Mr. Dolan said.

"We have more experience in the specialized area of A/E than anyone else, having done it for 26 years. We have worked closely with the same insurer—CNA—and the architects and engineers professional trade associations to provide a stable, solid market during all those years," Mr. Dolan said.

Schinnerer isn't resting on its laurels in the architects/engineers market. For example, it recently expanded its successful project insurance by adding an owners' multiproject policy.

Under the standard policy, all the design professionals working on a single project are covered during the construction of the project and several years after the project is completed.

The standard limit on project insurance is \$25 million, but Schinnerer can put together \$75 million or more. "We can respond in a matter of a couple of days to higher limits," Mr. Dolan said.

The owners' multiproject policy adds a new twist by allowing owners involved in the simultaneous development of multiple projects to purchase one policy providing coverage for the design teams on every project undertaken during the policy period.

While project insurance is a popular coverage for mass-transit projects, skyscrapers and sewer projects, Schinnerer last year supplied coverage for a most unusual project: the construction of two major operation bases and 38 outposts for the 3,000-man multinational peacekeeping force established by the Camp David accords to patrol the Sinai Desert.

Schinnerer will deal directly with risk managers, with the retail broker's approval, on loss-control or contract issues. "In fact, the agent or broker may prefer this because he may not want to be in the middle of a technical issue," Mr. Dolan said.

The majority of Schinnerer's business is placed with CNA Insurance Cos. and it is an underwriting manager for Columbia Casualty Co., a CNA subsidiary; Federal Insurance Co.; Northbrook Excess & Surplus Insurance Co.; United States Liability Insurance Co.; Mount Vernon Fire Insurance Co.; and Central National Insurance Co.

It also does business with about 70 other insurers and reinsurers.

The company places 90% of its business with admitted insurers. More than 90% of its business is handled as an underwriting manager.

Schinnerer has about 7,000 to 11,000 commercial accounts. About 6,500 agents and brokers that place business with the company.

Full-service offices are located in Washington, New York, Chicago and San Francisco.

Principal officers of Victor O. Schinnerer include: J. Sprigg Duvall, president; James R. Stevens, executive vp; and Merrill B. Walker, Paul L. Genecki and Thomas Tucker, senior vps.

—By Jerry Geisel

Stewart Smith Holdings Inc.

123 William St., New York, N.Y. 10038; 212-964-2929

	1982	1981
Premium volume	\$210,000,000*	\$217,000,000*
Gross revenue	\$28,000,000*	\$24,500,000*
Employees	228*	228*
Commercial lines	NA	NA

*BI estimate.

Stewart Smith Holdings Inc. isn't waiting for a return to the good old days of high commercial insurance rates and tight capacity, says President Martin E. McConnell.

The surplus lines brokerage and underwriting manager, owned by Lloyd's of London broker Stewart Wrightson Group P.L.C., is planning to grow by offering a variety of specialty insurance products to retail brokers and several under-

writing and reinsurance services to insurers.

New products and coverage refinements should be the true goals of a good excess/surplus company, because the surplus marketplace is defined by—but not dependent upon—the retail commercial insurance cycle, Mr. McConnell explains.

Although the insurance industry may generally define "surplus lines" as coverage underwritten by non-admitted insurers, Mr. McConnell believes that definition is old-fashioned and inaccurate. Surplus lines products can be marketed by licensed or unlicensed insurers as the marketplace or state regulations allow.

The key, he says, is the product and its design.

Insurance coverages for previously difficult-to-place risks, like product liability, are now available from admitted insurers through re-

tail brokers. Although risks like these made up the surplus lines marketplace of the past, they may never again fit that category, Mr. McConnell says.

But new exposures, liabilities and insurance concepts are being discovered every day, and these become the contemporary surplus lines market, he explains.

Environmental impairment liability, public entity liability, aerospace coverages and residual value guarantee insurance are the surplus lines of the present, according to Mr. McConnell, established by the needs of the corporate buyer and the attitudes of the retail market.

"The surplus lines business is a floating marketplace," he says. "It must be constantly changing, defining new risks and coverage needs, designing coverage and finding capacity for exposures that need it."

"I'm sure there are some brokers out there who are waiting for the market to change, but I think that this is the market and it's our job to adapt."

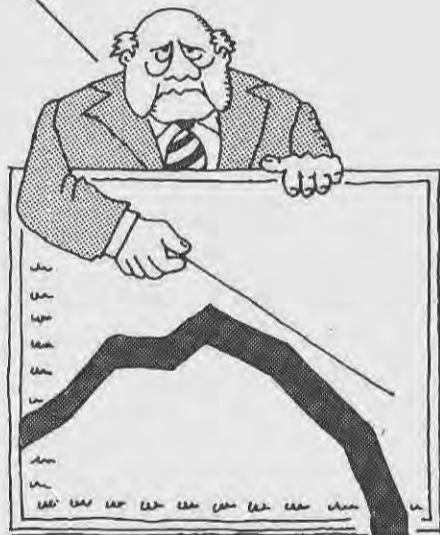
However, even Stewart Smith, the largest predominantly E/S broker in the nation, has not completely been able to resist the competitive pressure and falling rates. The firm's 1982 premium volume, which according to Mr. McConnell is "in excess of \$200 million but less than \$250 million," is a few percentage points less than in 1981, a testimony to shrinking premiums.

Business Insurance estimates Stewart Smith's 1982 premium volume at \$210 million, based on interviews with U.S. and London industry observers. That's 3.2% less than the company's estimated volume of \$217 million in 1981.

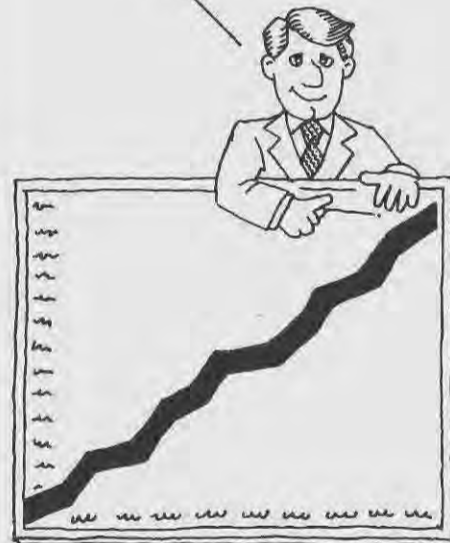
But the fact that the company's 1982 volume is only slightly below

Continued on next page

"Insurors have sustained a \$14 billion loss on underwriting last year...that's a 110% ratio for 1982"



"Ahemm...We had an underwriting profit for the 19th consecutive year."*



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Policyholders' Surplus*

Aggregate average for the industry ...102.3%
Western World291.2%

Loss Reserves*

Aggregate average for the industry ...123.9%
Western World186.5%

Net Investment Gain*

Aggregate average for the industry ...219.4%
Western World435.6%

*For the 5-year period December 31, 1977 to December 31, 1982.

We have a feeling we've been doing something right over the years and the figures seem to confirm it. If you would like to know more about us and our specialty lines programs just drop us a line. You'll find we even have a pretty good response performance.



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Continued from previous page
1981's is a testimony to the new products the brokerage has developed, Mr. McConnell says.

"It's certainly true that most kinds of insurance cost less, but corporations are also buying more insurance," Mr. McConnell remarks. "We are trying to cultivate rather than buy growth by doing something better with our products and offering more of them to meet current needs."

Stewart Smith was founded in the late 1940s as a Midwest regional excess/surplus lines brokerage and merged with Matthews Wrightson Ltd., a British company in 1973. The U.S. company, executives say, kept the Stewart Smith name for domestic recognition, but the company actually functions as the U.S. counterpart of Stewart Wrightson, marketing U.S. risks domestically and abroad and serving as a U.S. link for foreign clients.

The excess/surplus lines bro-

kerage operation, which now makes up about 60% of Stewart Smith's business, is internationally known for expertise with aviation risks and for selling controversial executive kidnap and ransom insurance.

However, executives note that the bread and butter of Stewart Smith's brokerage business are more mundane liability cover-



Mr. McConnell

These include umbrella liability insurance, directors and officers liability insurance, board of education liability insurance, law enforcement officers liability coverage, professional errors and omissions insurance, bankers' and trust company errors and omissions and specialty accident and health coverage for key corporate executives, performers and professional athletes.

Recent additions to the Stewart Smith portfolio include environmental impairment liability coverage, residual value guarantee insurance and a line of aerospace insurance products covering the launch and operations of satellites.

Stewart Smith's environmental impairment liability coverage, announced earlier this year, is underwritten by Great American Surplus Lines Insurance Co. for up to \$25 million per occurrence and \$50 million aggregate.

Residual value guarantee insurance, policies that insure against a reduction of value of leased equipment, also available, is underwritten by Lloyd's and other domestic and international insurers (BI, May 9).

Satellite insurance, also underwritten primarily by Lloyd's, is available for almost any limit required, but the brokerage has in-house underwriting authority for \$10 million to \$15 million depending upon the risk.

However, most of Stewart Smith's "new" products are old products that have been updated and improved with broader coverages and more precise wordings, executives note. Some of the coverages are brokered and others are underwritten directly through its underwriting management subsidiary, Wrightson & Co.

"Our strength, we believe, is our continuing interest in refining and improving our products, developing new policy wordings to match developing exposures.

"For example, we think we were one of the pioneers of directors and officers coverage years ago, but we didn't stop by just developing the coverage and selling the product. The D&O policy has undergone continual rewriting and designing to keep up with the times and the competition."

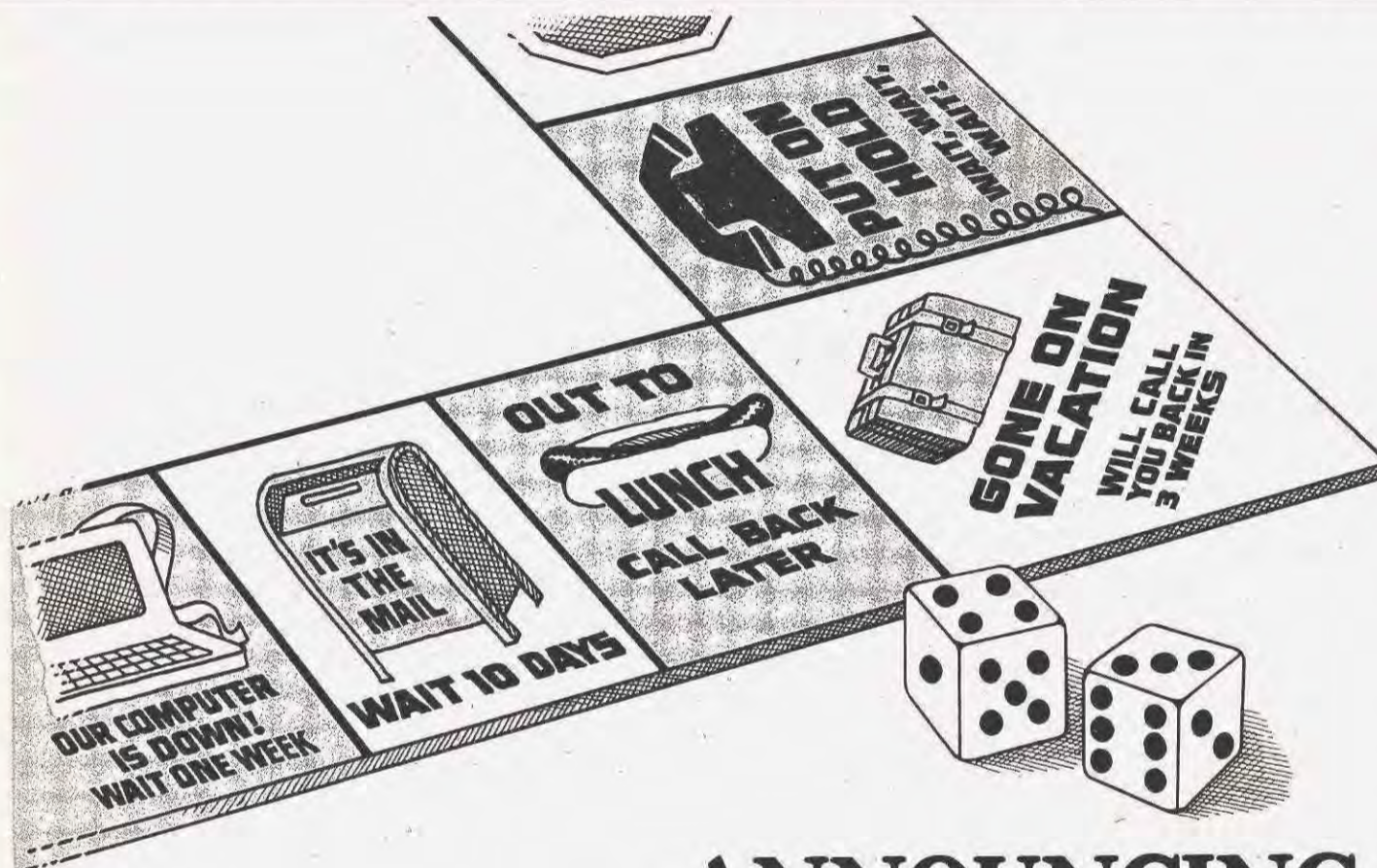
Mr. McConnell believes that Stewart Smith is one of the most copied brokers in the business.

"We deliberately put some mistakes in early sample copies of our D&O policies," Mr. McConnell remarks. "We later discovered that our competitors had copied our forms exactly, complete with mistakes. It's a compliment in a way."

Stewart Smith has also continued to expand and refine its public entity insurance products, pioneering third-party liability coverage for school boards and law enforcement official liability coverage.

Another competitive edge, Mr. McConnell believes, is Stewart Smith's "unaligned" status. While many major competitors are either owned or dominated by large national U.S. retail brokers or insurers, Stewart Smith remains relatively independent in the United States, a fact appreciated by regional retail brokers, independent

Continued on facing page



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Continued from facing page agents and risk managers.

Although Stewart Smith is an excess broker for financial institution risks brokered by Rollins Wrightson Co., a joint venture between Rollins Burdick Hunter Co. in the United States and Stewart Wrightson in Britain, it has no standing alliance with any of the major U.S. brokers. Rather, it continues to work with almost all of the major brokers on specific risk assignments. Frequently, those assignments are made at the request of the risk manager.

"The retail brokerage client has a lot to do with our working on their risks. Risk managers seem to be aware of our reputation in certain fields, such as aviation, public entities and other liability areas," Mr. McConnell explains.

Stewart Smith's international connections with Stewart Wrightson also help, he adds.

"We market coverages domestically and internationally simultaneously through Stewart Wrightson, while many of our competitors switch back and forth from their domestic operations to their London brokers. In some cases, we can respond faster with a broader spread of markets."

The brokerage, however, is a wholesaler and will not do business directly with corporate risk managers, Mr. McConnell says, though he is aware that some risk managers want to deal more directly with underwriters. Stewart Smith executives believe that retail brokers are an essential part of the team designing and marketing corporate insurance programs.

"Organized correctly, all members of a risk-handling team provide something important to the design of proper coverage. The retail broker should be present in negotiations because it's the retail broker who is most aware of the service provided the client and the extent of the program.

"Though we say that brokers should know as much about their client's business as the client itself, that can never be true, so the client, too, is essential to discussions, providing information about the risks and the company's philosophy."

The firm provides a specialized product knowledge and experience with worldwide markets, he says, and at the request of the risk manager and the retail broker, Stewart Smith will set up a meeting with overseas underwriters.

The goal of such a meeting is to facilitate communication about complex risks, not cut out a step in the brokerage process.

Stewart Smith's specialized products and market knowledge is also what attracts regional brokers "and an awful lot of independent agents," who come to Stewart Smith with coverage problems, according to Mr. McConnell.

"We are a national organization and we do not ignore any part of the country or any type of retail agent or broker. We are not just a house for alphabet brokers, nor are we just interested in some regional firms. And we do not want to ignore the needs of independent agents," he says.

Agents are particularly good clients for Stewart Smith, industry sources note, because many small agents control the insurance programs of public entities, which are a prime market for Stewart Smith's portfolio of third-party liability coverages.

Moreover, Mr. McConnell believes that independent agents serve a very important role in the commercial insurance market and deserve the support of the whole insurance industry.

"The agents are the ones in the trenches fighting our battles against banks who desperately want into the insurance business," he explains. "Banks are beginning their efforts with personal insur-

ance and small commercial risks, but if the agency system falls, banks will be breathing down the commercial insurance industry's necks in no time."

If banks do gain a foothold in insurance, Mr. McConnell adds, the additional capacity they would bring would be bad for the marketplace as a whole, but would benefit the surplus lines broker.

"If banks become underwriters, they will write what they want and what they understand, pressuring the retail insurance market and driving capacity away from the retail business and back into the surplus lines market, which banks are not likely to understand immedi-

ately. This would benefit the surplus lines market, which is always looking for capacity for big risks," he says.

About 40% of Stewart Smith's volume is generated by its underwriting management for a small stable of both admitted and non-admitted insurers including the Calvert Insurance Co., a Stewart Smith subsidiary. The underwriting management activities were concentrated in subsidiary Wrightson & Co. in July 1982, Mr. McConnell says, to provide a clear separation between brokerage and underwriting functions.

However, Wrightson & Co., which was founded as the first U.S.

subsidiary of Stewart Wrightson in 1924 and reactivated in 1980, underwrites many of the surplus lines products marketed by Stewart Smith.

Mr. McConnell declined to reveal all the insurers for which Wrightson & Co. underwrites and their loss ratios, but noted that "overall our book is profitable for the insurers we represent."

Stewart Smith also brokers reinsurance for client insurers through its Stewart Smith Intermediaries Inc. subsidiary and occasionally provides casualty claims auditing services.

Stewart Smith Holdings Inc. subsidiaries include: Stewart Smith

East Inc.; Stewart Smith Mid-America Inc.; Stewart Smith West Inc.; Stewart Smith Southwest Inc.; Stewart Smith Intermediaries Inc.; and Calvert Insurance Co.

The company currently has 225 employees working in 12 cities: New York; Chicago; Los Angeles; Dallas; San Francisco; Detroit; Boston; Washington; Pittsburgh; Philadelphia; Atlanta; and Edison, N.J.

Principal officers in addition to Mr. McConnell include George Gibbs Jr. and Paul W. Sult, senior vps; J. Howard Payne, vp; and John R. Rogers, vp-finance.

Stewart Smith is a member of NAPSLO.

—By Len Strazewski



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Swett & Crawford

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	1982	1981
Premium volume	\$165,021,850	\$164,591,000
Gross rev.	\$14,400,000	\$14,558,000
Employees	192	212
Commercial lines	100%	100%

It would be hard to imagine a year of greater change than 1983 has been for Swett & Crawford, the nation's second-largest wholesale broker.

In May, President Roy B. Oddy announced his resignation to start up a new brokerage in Dallas under the wing of Sedgwick Group P.L.C., the largest Lloyd's of London brokerage (see story, page 6).

Two other senior Swett staffers left to join Mr. Oddy in the Texas venture. John W. Hanna and Anita Chanpong were major producers for Swett & Crawford whose departure could impact new business activity.

Adding to the management drain, Swett & Crawford suffered another personnel loss when San Francisco Regional Manager and Senior Vp Russell D. Durkee died.

But, the biggest change came after Continental Corp. decided to divest itself of Swett & Crawford, which it has owned since 1976. The partnership had never really achieved the kind of synergism with the insurer's retail agents that Continental had wanted.

Continental found a buyer in The St. Paul Cos. Inc., which last year embarked on a major campaign to create National Insurance Wholesalers Inc., a network of wholesale brokers.

NIW has doubled its size through internal growth and a string of major and minor acquisitions during the first six months of this year. It will undoubtedly appear among the top 10 specialty marketers in the *Business Insurance* rankings next year.

St. Paul will reportedly pay Continental \$30 million to \$40 million for Swett & Crawford. St. Paul expects to finalize the acquisition by Sept. 1 or soon thereafter (*BI*, July 18).

For the time being, at least, Swett & Crawford will retain its name, separate identity and management. It will be run as a separate unit parallel to NIW.

Continental will retain the risk-bearing companies that were part of the Swett & Crawford Group, including Harbor Insurance Co., Pacific Insurance Co. and its affiliate Continental Insurance Co. (Europe) Ltd. Continental also is keeping Appleton & Cox, a San Francisco-based wholesaler that specializes in small, difficult-to-place commercial and personal lines risks.

There are a lot of unanswered questions about how Swett & Crawford will fit into the St. Paul family and how the brokerage will do business in the future without corporate ties to Harbor, its most important market.

For example, Swett & Crawford Management Ltd. in New York, a separate entity that was also purchased by the St. Paul, could lose its staff to Harbor since it functioned as underwriting manager for the insurer on the East Coast. The management company underwrote and designed many of Swett's specialty programs.

Despite the many uncertainties,

however, Swett executives and regional managers feel good about the change, reports Mac W. Henderson, who assumed the presidency after Mr. Oddy's departure. Mr. Henderson also is chairman of Foremark Corp., a Continental holding company that may be dissolved once the sale is complete.

"Now we will be owned by a company dedicated to being a factor in the surplus lines business," explains Mr. Henderson. "The Continental was never dedicated to that. They were more interested in seeing how Swett & Crawford could fit in with their other operations."

Although Swett & Crawford was never directly barred by Continental from exploring independent business opportunities, the broker's energies were siphoned off into experimental projects using Continental's ideas to achieve greater synergies with its own retail agents, said Mr. Henderson.

'Now we will be owned by a company dedicated to being a factor in the surplus lines business. The Continental was never dedicated to that,' says Swett & Crawford President Mac Henderson.

For these and other reasons—notably conditions in the commercial insurance market—Swett & Crawford has been struggling in recent years to hold its premier position in the wholesale brokerage business.

Last year, the broker finally managed to end a four-year slide in premium volume from a high of \$203 million in 1977. During 1982, S&C generated premium volume of \$165 million, about \$430,000 more than the year before.

Gross revenues of \$14.4 million were slightly lower than in 1982.

Mr. Henderson reports that the company this year is holding quite close to its 1982 performance. "Considering the management upheavals and the turmoil that's gone on here related to the sale, I think we've performed damn well," he says.

"We've lost some outstanding people, but we've got a lot of outstanding people left."

Swett continues to specialize in very large, sophisticated risks that require the participation of a number of markets, including Lloyd's of London. Forty percent

of Swett's business is generated by the alphabet brokers and the remainder comes from large regional and local retail brokers.

"There's a tendency for less of it to come from the alphabet houses because they have their own in-house facilities," concedes Mr. Henderson. "Still, we have built an outstanding reputation and so they continue to seek us out."

The broker occasionally meets directly with the risk manager as long as the retail broker has no objection, says Mr. Henderson. Occasionally, Swett takes both the retail broker and the risk manager to London. Sometimes this happens because the risk manager wants to meet the London underwriter, or it may be because the underwriter wants to get a feel for the risk.

Swett's key London brokers are Sedgwick Group and Lloyd Thompson (Insurance Brokers) Ltd. It also places risks through

Continued on facing page

AMERICAN IN REINS

Natural catastrophe management: delayed claims can blow you away.

There's no gas, no electricity, no water, no phone. Sometimes, as with the couple in this news photo, there's no house. Just an empty place where their home used to be.

Six hours after the hurricane, you're making your way through the debris, looking for your policyholders. You're wearing your Catastrophe Team hat with your company's name on it. Your policyholders will remember that name with gratitude as long as they live.

They're lucky, because you have a Catastrophe Plan. Your Cat Team moved in right after the storm, bringing loss notices, proof-of-loss forms, drafts, pads, pencils, flashlights, food, clothes — even special Cat Team hats to facilitate passage through military and police blockades.

Your Cat Team is among the first on the scene. You've got to inspect losses at several hundred households and businesses. By pre-arrangement with reliable local contractors

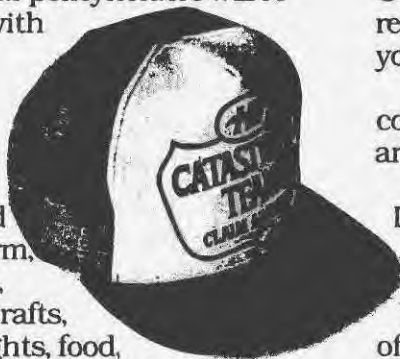
you are able to provide immediate repair work.

If you can't get to the scene right away, competition for contractors and suppliers becomes intense. Prices escalate. Cases stretch out. Additional living expense increases. Policyholders, in deep trouble, become irate. That's when people in desperation turn to legal help, the State Insurance Commissioner and the news media. As a result, your claim costs will escalate and your company's reputation will suffer.

With a Catastrophe Plan, your company completes the job and gets out while others are still getting organized.

Consider a business interruption loss. If you can get a company back in business — even partially or under temporary shelter — you help them keep their customers. Your prompt action will reduce the cost of your business interruption claims substantially.

You've helped your policyholders. You've saved money. But even more important, you've enhanced your company's reputation. In fact, you could gain many new policyholders because of your fast and efficient claim handling.



AMERICAN REDEFI

Continued from facing page
Fenchurch Group Brokers Ltd.,
Willis Faber P.L.C. and Hogg Ro-
binson Group P.L.C.

Swett is especially strong as a marketer of insurance programs for directors and officers liability, political risks, environmental impairment liability, builders' risks, operators extra-expense for large oil and gas companies and oil patch excess liability.

About \$50 million of the broker's premium volume is generated through miscellaneous hard-to-place excess property and casualty risks.

Cost of well control, seepage and pollution and cost of redrilling insurance are combined into a single policy in the broker's extra-expense program for oil and gas operators.

The oil patch program enables large oil companies to buy excess liability insurance for combined ma-

rine and non-marine risks.

Nearly 40% of Swett's premium volume last year was placed with its sister companies—Harbor, Pacific and Swett & Crawford Management. Other major markets and their percentage of Swett's business were: Lloyd's of London 15%; Bacala & Shoop Insurance Services of Newport Beach, Calif., 11%; Allianz Insurance Co. in Los Angeles, 5%; and Cameron & Colby Co. Inc. in Boston, 3%.

St. Paul Surplus Lines Insurance Co. has been a minor market for Swett up until now, underwriting slightly more than \$1 million in business submitted by the broker last year. Mr. Henderson doesn't expect Swett's new parent to make big demands on its premium volume, although he says a target level has been set.

"We might be doing something in the vicinity of \$10 million with the St. Paul in a couple of years from now," he speculates. But, St. Paul

has to gear up for this new business, he says. "They have to tell us what kind of business they want; we don't know yet."

Swett's first responsibility will continue to be to the retail broker that needs help in marketing a piece of business, he emphasizes. "We can never become a captive of an insurance company, and the St. Paul understands this."

Therefore, he explains, Swett & Crawford's ability to place business with its new parent will depend upon the extent to which the insurer offers facilities compatible with the needs of Swett's customers.

Swett will continue to enjoy the exclusive use of Harbor and Pacific for its D&O, operators extra-expense and environmental impairment liability programs through 1984, with protection of its renewals extended through 1985, Mr. Henderson says.

'We've lost some outstanding people, but we've got a lot left,' Mr. Henderson says.

This guarantee, contained in the letter of intent that St. Paul signed with the Continental, gives Swett time to substitute St. Paul or other insurers behind its key programs.

"I would anticipate that, if the Harbor remains as a surplus lines market, we will continue to do a substantial volume of business with the company," he adds.

Although Mr. Henderson says he does not know what plans Continental may have for the Harbor, he points out that it takes time to change a company's underwriting direction.

During the past several years, Swett has suffered from the reluctance of its major market to aggressively compete in the price-cutting battles waged throughout the industry. Swett ideally would have liked to place about 50% of its business with Harbor.

There is some possibility down the line that Swett & Crawford Management Ltd. may be licensed as an insurance company and become an underwriting facility for the brokerage company. And Swett may scout out other markets willing to let it underwrite for their account in certain geographical or class areas.

This would mark a definite departure from Swett's past operating style as a "pure" surplus lines broker without binding authority for any markets.

It also would be consistent with the trend in the specialty and wholesale marketing business for brokers to acquire in-house underwriting facilities. In fact, Swett is the only major wholesaler left that does not wield the pen for at least one of its markets.

During the next few years Swett must rethink many of its specialty programs to decide whether certain functions will continue to be performed by Continental affiliates. The broker's environmental protection liability program illustrates the complexities of this process.

The coverage has been underwritten by Swett & Crawford Management Co. Ltd., whose future is uncertain. It has been insured through Pacific Insurance Co., a wholly owned subsidiary of Harbor, which is not part of the sale. And, Continental Technical Services, never a part of Swett & Crawford, has been performing the risk assessment surveys required by the underwriters.

In the shorter run, St. Paul, Continental and Swett & Crawford must allocate the resources of the large marble building on Wilshire Boulevard that has served as corporate headquarters for Foremark and Swett & Crawford. The broker will soon be looking for new space in Los Angeles to relocate its corporate and Los Angeles branch offices.

"I would like to be set to move into new offices by the first of the year," says Mr. Henderson.

"We will be moving people from Foremark into Swett & Crawford, so that we will probably increase to about 220 from our present 192," says Mr. Henderson. Sixty employees will be based in Los Angeles.

There are areas of potential integration with St. Paul that could reduce expenses for Swett. For example, there are about seven U.S. cities where both NIW and Swett & Crawford maintain offices.

"I would think there is some possibility of doing some combining," said Mr. Henderson.

"Bearing in mind that the cost of business keeps going up, you have to constantly keep your eyes open for ways to increase production and at the same time to cut expenses," he says.

Last year, Swett opened new offices in Philadelphia and Tarzana, Calif., located in the San Fernando Valley north of Los Angeles.

Swett & Crawford's 17 other offices are in Los Angeles; Atlanta; Boston, Chicago, Columbus, Ohio; Dallas; Denver; Greensboro, N.C.; Hartford, Conn.; Houston; New Orleans; New York; Newport Beach, Calif.; Portland, Ore.; San Diego; San Francisco; and Seattle.

Besides Mr. Henderson, principal officers include P. Kenneth Nitz, Donald Tarrance and Peter A. Wilkens, senior vps and regional managers; and John Muldoon, vp and regional manager.

Swett & Crawford, founded in 1926, is a member of NAPSLO.

—By Rhonda L. Rundle

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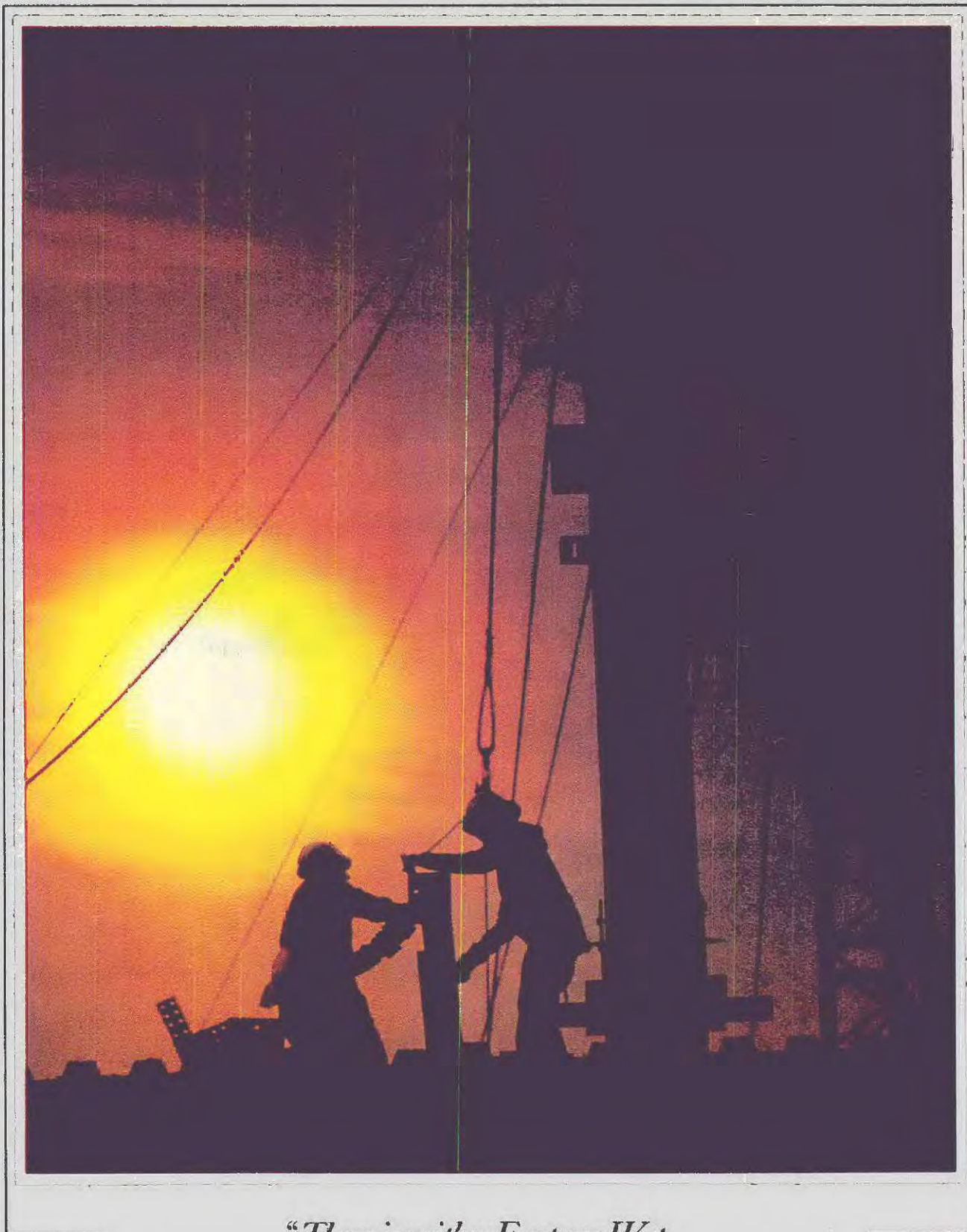
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TRACING SURPLUS LINES

How two markets are starting to intertwine

By Richard E. Stewart

THE QUESTION OF how to regulate unlicensed, non-admitted surplus lines insurers is as old as insurance regulation itself. It is very much alive today in many forums.

In the United States, business and regulatory forces are drawing the admitted and non-admitted markets together. Some of the forces changing these markets are cyclical but others are structural and lasting.

There is concern about the solidity of the large number of unlicensed insurers that have been attracted into insurance markets around the world.

In Europe, the communities are taking up the questions of freedom of service and freedom of establishment in one member country for insurers domiciled in another.

Everywhere there is concern about the solidity of the large number of unlicensed insurers that has been attracted into insurance markets around the world by the high returns obtainable in recent years.

The non-admitted market has a long history in the United States and is significant in the primary market, the subject of this article, as well as in reinsurance. Unlicensed insurers write some \$2.1 billion of annual direct premiums here, according to statistics gathered by *Business Insurance* (see chart, page 11). American companies, often licensed only in their state of domicile, are important participants, as are Lloyd's and insurers domiciled in other countries.

This is an opportune time to look at the American experience with non-admitted insurers, at the origin and development of the state rules on the subject and at the prospects for both the non-admitted market and the rules governing it.

In the early part of the 19th century, before there was any regulation of insurance here, several large cities (including Boston and New York) were devastated by fire. With the local concentrations of insured property values and the rudimentary reinsurance typical of that era, the fires took many insurance companies with them.

Just after the Civil War, states began to enact laws requiring licensure, after proof of satisfactory financial shape, as a condition to letting an insurance company do business within their

borders. Under those laws, the usual way of doing business in a state was to have a license from the state and either an office or a managing general agent there.

The underlying idea was that requiring an insurer to obtain a license from the state, subject to annual renewal, gave the state the opportunity to review the insurer's financial condition and general fitness on a continuing basis. It also gave the state all the regulatory leverage implicit in the power to refuse to issue a license, to refuse to renew it or to cancel it during its term.

Throughout the history of American insurance regulation, licensure has been easy, particularly compared to the rules governing entry to other regulated businesses in this country. The legal steps are simple; no test of public necessity has to be met; existing competitors have no standing to object; and initial capital requirements are modest. Yet from the beginning,

insurance has also been written in every state by insurers not licensed to do business there.

At the very time the licensure requirement developed, the United States was building its physical capital more rapidly than the financial capital available to insure it. Owners were often unable to buy enough insurance to fully cover their properties.

So owners had to turn elsewhere for the remainder of their insurance needs, for the excess or surplus coverage.

In those situations, licensed insurers had all of an owner's business they could handle and yet the owner wanted more. Hence, licensed insurers were unlikely to object if the owner got additional coverage from an agent not licensed in the state.

The owner presumably had made the arrangement with eyes open and could hardly complain if the non-admitted insurer refused or was financially unable to pay the losses. The state was not in a position to help, either with financial surveillance or with judicial process, but the owner had not made arrangements relying on help from the state.

The key seems to have been that no one, such as a competitor, broker or insured, was disposed to complain or was in any equitable position to do so.

That did not remain the case for long. Shortly after the imposition of licensing requirements and the first use of unlicensed insurers to fill out capacity needs, another kind of non-admitted insurer turned up. It was the company that sold to people who were unable to get insurance at all in the voluntary, admitted market.

Upon the presentation of claims, some of those companies refused to pay, while

staying safely out of the state's jurisdiction, or else turned out to be insolvent. Their behavior was early recognized as an appropriate subject of regulatory concern.

By 1890, New York had a statute, which became a model for other states, setting two prerequisites for placing a risk situated in the state with an unlicensed insurer. First, the risk had to be placed by a local agent or broker who had a special surplus lines license. Second, the risk had to be incapable of placement in the admitted market, as evidenced by written rejections by licensed insurers.

In an era when the rationale for allowing the unlicensed provision of insurance was the shortage of admitted capacity, those two rules were intended to confirm that, in each case, admitted capacity was indeed not available.

Subsequently, a third prerequisite developed in New York and other states: That the unlicensed insurer not have been specifically debarred by the insurance department or, alternatively, that it had been specifically approved. The rule was an attempt to keep out of the state's market, regardless of the capacity situation, insurers with bad behavior records.

While those three requirements have been supplemented over the years, they remain the main rules for the non-admitted market.

The American regulatory system relies heavily on licensure and physical presence, for reasons of orderliness, disclosure and regulatory leverage. But it also acknowledges the desirability of making insurance available, even where the admitted market cannot or will not provide it.

THE PRESENT SYSTEM is a compromise. The states could have left their marketplaces wide open, as they were in the early 19th century. Or they could have closed them entirely to unlicensed insurers, as many have done with primary automobile insurance and workers compensation. They did neither.

The states went to the compromise position because they were pulled in opposite directions by two powerful forces—the need for regulation based on licensure in order to protect the public and the need for outside capital to insure the developing country. If those forces were not enough to make a compromise inevitable, they were reinforced by the central role and by the needs and limitations of the fire insurance cartel.

At the time the surplus lines rules were developing, a far more serious debate was going on about the most desirable system of setting insurance prices. In that debate the alternatives were antitrust and the regulated cartel.

Different states went different ways for different lines of insurance, but the regulated cartel was the wider choice. The largest line at the time was fire, and the memory of the effect of devastating fires on insurer solvency had just been refreshed by the San Francisco earthquake and fire. Price competition was generally regarded as a drain on surplus and hence on the ability to respond to disasters and survive.

Having a single set of prices in a market requires a single effective pricing point, standardized products, market participation restricted to those who obey the rules and effective enforcement. In insurance, that meant a rating bureau to make rates and forms, subject to state approval, controlled admission to the market and policing of the market by both the rating bureau and the state. It meant, in short, a lot of standardization by the state.

After the widespread affirmations of the cartel, starting about 1910, the American economy continued to outrun the accumulation of finance capital to insure it.

There still seemed no reason not to let people, who wanted more or different insurance than the admitted market offered, go to unlicensed insurers. Indeed, the uniformity and rigidity of the admitted marketplace probably increased the need for a resource outside the system if the demand for insurance were to be fully met.

About that time one first encounters a new rationale for the non-admitted market besides capacity—flexibility of rates and forms. Thereafter, whenever the cartel system was strengthened, the call for free access to the more flexible surplus lines market was not far behind.

In 1944, in the Southeastern Underwriters case, the Supreme Court held insurance, for the first time, to be subject to the federal antitrust laws. The following year, Congress passed the McCarran-Ferguson Act granting the insurance business an antitrust exemption conditioned on its being regulated by the states.

The condition was widely interpreted as requiring "affirmative" state regulation, especially of rates and policy forms. To preserve their jurisdiction, most states enacted laws requiring prior state approval of changes in rates and forms. The effect, ironic in the aftermath of a price conspiracy case, was to put the power of the state more squarely than ever behind the cartel.

Predictably, one consequence of the Southeastern Underwriters episode was increased use of the surplus lines for the capacity and flexibility unavailable in the admitted market cartel.

Starting in the 1940s, the insurance marketplace began to feel the presence of companies that processed and distributed personal automobile insurance at a lower

Continued on next page

Two insurance markets begin to intertwine

Continued from previous page

cost than the average company. A lower cost does not have to be passed along as a lower price. But the lower-cost companies were relative newcomers to the market and outsiders to the cartel world and mentality, and the coverage involved was rather routine. Passing the savings along in price was only competitive behavior.

After years of fighting in the courts in the 1950s, the insurance departments of some large states succeeded in allowing those savings to be passed along. The attack of the direct writers, first on the personal automobile market and later on the personal lines market, really began.

That development made rating bureaus less effective for price maintenance, an erosion of their cartel role continued up to now through enactment of open competition laws. The change is not yet fully accomplished, and the American insurance business has been fortunate in the gradualness of so great a change, but each year there is some movement.

Rating bureaus remain important in their statistical and actuarial role in analyzing losses and developing rates but, except in a very few states, they no longer have a role in enforcing adherence to rates. That change has made it easier for the admitted markets to respond to the need for capacity and flexibility in coverage and price. The original reasons that gave rise to the surplus lines market are declining in importance.

From its earliest days, the surplus lines market has also served risks that were not acceptable in the admitted market for reasons other than financial capacity or flexibility of rate and form. Today this insurance world of beauty parlors, truckers, window washers, guard services, motorcycles and demolition contractors—the specialty market—is a very important part of the world of surplus lines.

Its characteristic is not that the standard companies do not have the financial capacity or legal latitude to write the risks. It is that the standard companies do not want to write them or are not able to reach them on an economical scale.

At first, the specialty market was synonymous with the non-admitted market, for only on that legal basis could an insurer charge the rates and impose the conditions that made the risks insurable at all. But as the cartel has declined and rate and form freedom has increased, it has become possible, though not yet always as economical or convenient, to write them on an admitted as well as a non-admitted basis. More and more specialty organizations seem to be doing business both ways.

In the early days of scarce capital and rigid price control, a distinct market for extra capacity and flexibility had, almost by definition, to have a distinct legal status. That is not as true of a market that

is identified by its willingness to insure. It becomes possible to push that market toward admitted status without destroying it.

The shift in rationale is one key to the market's changing fortunes. There are others, both cyclical and structural.

Over the years, the business and regulatory fortunes of the unlicensed or surplus lines market in the United States have varied with changes in admitted capacity.

When markets are tight, admitted insurers have all the business they want and needs are still unmet. For the last hundred years, that has been a situation in which recourse to the non-admitted market has not posed problems for admitted insurers or for regulatory officials.

When, as today, markets are competitive and insurers want all the business they can get, admitted insurers

for efficient access to the fiercely competitive world reinsurance markets. To the extent it is so used, the surplus lines market is doing something that could be done as well on an admitted basis.

Similarly, the specialty market, lacking the logical necessity of separate legal status, is being assimilated to the admitted or standard market both in what it writes and in how it is organized.

More and more standard companies, seeing the superior profitability of the specialty writers, are moving into the business directly and through new affiliations. The 10-largest specialty market intermediaries and managers are now affiliated with major insurance companies or brokers (see chart, page 3).

The regulatory effect of the structural changes in the market is the same as the effect of the changes in its rationale from capacity and flexibility to specialty risks.

coming together of the two markets because they are now occupying positions somewhere between them.

The third development is that American regulators are wrestling with the significance of public policy on the rapid growth of captive insurers and other methods of funding risk outside the established insurance mechanism. Many times they involve unlicensed insurers.

Regulation of admitted markets in the United States is far more open, with far more scope for diversity and far more reliance on competition as an instrument of social control, than it was 30 or 40 years ago. The specialty and surplus lines markets are functioning far more like the admitted market than they once did and are structurally more integrated with it.

So as the markets come together, it is easy to predict the legal basis on which they will generally do so.

More regulators more times will make more of an effort to get at the non-admitted market, to make it less accessible, to hold some admitted entity responsible for the non-admitted insurance transaction and, most important, to get business into admitted markets.

Every regulator knows that an admitted market is easier to regulate than a non-admitted or a mixed one. Every regulator knows that as among states and countries, the content and quality of regulation are most uneven. The regulator knows that the insurance department of another state or another country cannot always be counted on to protect policyholders against the depredations of an insurer domiciled there.

Every regulator also knows that getting licensed by your state is pretty easy, and it is in the nature of the regulatory perspective to believe that one's own regulations are rather reasonable.

Our system is a practical compromise, quite lacking in conceptual elegance. Practical considerations now create a tendency both to liberalize admitted market regulation for commercial lines and to bring specialty and surplus market activities more onto the same footing as the admitted market.

Circumstances permitting, and now they do more than before, the natural regulatory direction is to close a market, any market, in order to regulate it better.

The admitted and non-admitted markets are being drawn together. Their insuring appetites overlap. Their organizations are integrating with one another. Their legal positions are being assimilated into one another.

As the two markets become more alike, regulators will tend to treat them more alike. They will loosen the rules for the licensed market and will tighten the rules for the unlicensed market. The distinctive legal status of being unlicensed will matter, in law and business practice, less in the future than in the past.

When markets are competitive and admitted insurers want all the business they can get, they see the non-admitted competition as unfair because it is not subject to equal regulatory burdens.

see the non-admitted competition as unfair because it is not subject to equal legal and regulatory burdens. Regulators see it as unnecessary because the non-admitted market is not supplying anything admitted insurers would not supply.

Those shifts in attitude have occurred repeatedly in the past.

Around the turn of the century, when markets were tight and pure capacity was the usual reason for going to the non-admitted market, the system seems to have worked without incident. That is also true of its role as a flexible supplement to the rigid fire insurance market.

In the 1920s, however, insurance markets were highly competitive and sometimes irresponsible, and state regulators and legislators called for a crackdown on "wildcat" insurance.

And so on. Most recently, the capacity crunch in the standard markets in the mid-1970s led to several years of remarkable growth and profit for the surplus lines, with scarcely a complaint from admitted insurers or regulators. Only at the end of the decade, with capacity abundant, did the non-admitted market stop growing and concerns begin to be heard from all sides.

In short, concern over the surplus lines market has been cyclical. The more willing the admitted market to provide capacity and to write theretofore unattractive specialty risks, the more concern about the unregulated provider. But neither the competitive nor the regulatory behavior is simply cyclical.

In a competitive market like the present one, the use of the non-admitted market for capacity and flexibility becomes almost impossible to distinguish from using it for price competition and

It is the same as the effect of the current competitive cycle. It is the same, for that matter, as the eventual regulatory effect of the postwar loosening of regulatory control over commercial lines rates, forms and underwriting. The effect is to push the admitted and non-admitted markets closer together.

The coming together of the standard and the surplus lines markets, for legal and regulatory purposes, is evident from the way public officials are treating three current issues.

First, in today's highly competitive commercial insurance markets, many people are complaining that the prerequisites for access to non-admitted markets, chiefly the requirement of prior refusal by licensed insurers, are met more in form than in substance.

Some regulators have taken the position that unlicensed insurers are, therefore, unfairly free to compete for desirable business with licensed insurers that are subject to heavier regulatory obligations.

So they are trying to force through the admitted market transactions that used to go straight to the non-admitted market and to take jurisdiction of someone in every insurance chain.

The second current development is that several states have set up new facilities with some admitted, some non-admitted and some novel characteristics. New York, Illinois and Florida have set up exchanges. Colorado, Tennessee and Vermont have created captive havens. Other states have created filing exemptions and other facilities.

They are all attractions to keep business in the state and country that would otherwise have moved into non-admitted markets here and abroad.

The new institutions symbolize the



Richard E. Stewart is chairman of Stewart Economics Inc., a New York consulting firm specializing in property/casualty insurance.

The Perspective section, which is a forum for readers' opinions, is compiled and edited by Assistant Copy Editor Claudette Dampier. She can be reached at 312-649-5282.

Montgomery & Collins Inc.

3700 Wilshire Blvd., Suite 400, Los Angeles, Calif. 90010; 213-384-2101

	1982	1981
Premium volume	\$105,700,000	\$94,100,000
Gross rev.	\$10,400,000	\$9,700,000
Employees	160	156
Commercial lines	100%	100%

Montgomery & Collins Inc. still sees itself as a small company despite steady growth since 1978 that pushed it over the \$100-million mark in premium volume last year.

This perception of smallness by a company that ranks as the nation's No. 3 wholesale broker hints at how far the Los Angeles-based unit of CIGNA Corp. still has to go to get to where it wants to be.

M&C President Robert P. Keul has made no secret of his goal to pilot M&C to the top of the nation's wholesale brokerage business. He thinks he can get there with broad in-house underwriting facilities, aggressive producers and CIGNA's financial muscle behind him.

This combination last year generated premium volume of \$105.7 million, a 12.3% increase over 1981. Gross revenues rose at a slower rate of 7.2% to \$10.4 million from \$9.7 million a year ago. And M&C's expenses rose more slowly than its revenues.

"Overall, I am really impressed with the results," says Mr. Keul. "I have a lot of very enthusiastic people working here—who deliver."

Mr. Keul believes that when it comes to winning new customers, there is no substitute for getting out of the office and meeting the retail brokers. The trick is to juggle calls on potential customers with prompt, quality service to exist-



Mr. Keul

ing accounts.

M&C has traditionally looked for its customers among the medium-sized regional and local brokers in the markets where it does business. However, as the company has grown and its presence has spread to more major U.S. commercial centers, so has its business with the national retailers.

"When a medium-sized (retail) broker takes a big account away from a national broker (because of a wholesaler's marketing efforts), your facilities really get known," observes Mr. Keul. "Then you'll find the alphabet broker at your door."

The retail broker wants to use the wholesaler that can protect his or her relationship with the insurance buyer. The alphabet broker will use an unaffiliated wholesaler—rather than the retailer's own in-house wholesaler—if it's in the best interests of the client relationship, says Mr. Keul.

The retailer's penalty for ignoring this consideration will ultimately be loss of the account to a competing broker.

Occasionally, on a very sophisticated account, M&C producers meet with both the retail broker and the corporate risk manager. This happens most often in M&C's international division, where there is a heavier emphasis placed on obtaining engineering information.

M&C also has worked hard in recent years to develop a professional staff with an ability to handle almost any kind of problem risk. This means that a M&C producer may be able to increase placements for a retail broker that previously had shown M&C only certain classes of business.

Since its founding in 1935, M&C

has earned a strong reputation as a market for excess casualty and umbrella coverages, for example. But now, retail brokers that bring M&C their tough casualty risks are urged to let the wholesaler make a bid on property placements as well.

"It's not an easy thing to accomplish because you need true specialists to handle the business properly," points out Mr. Keul. "You can't take someone who spent a career on the casualty side of the business and ask him as of next Monday to start bringing you property business."

During the course of the past three years, however, Montgomery & Collins has upped its percentage of property business to about 45% from less than 15%. Barring a change in the insurance markets that might return wider profit margins to casualty placements, M&C expects its book to be about evenly divided between property

and casualty this year.

"We're generalists by nature," sums up Mr. Keul.

The typical M&C branch office is set up to handle a broad spectrum of property/casualty risks although some locations have producers who have carved out areas of expertise. There also are pockets of specialization within the company, including M&C International, which focus on heavy overseas construction risks.

A substantial portion of M&C's premium volume is placed for hospitals, municipalities, short-line railroads and general construction contractors. During the past couple of years, M&C has been withdrawing gradually from the trucking business and expects to completely curtail its placements of those risks this year.

"Our results were poor, and we've lost some of our expertise in that class of business," says Mr.

Continued on facing page

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Continued from preceding page
Keul. He also blames the U.S. economic recession for a drop-off in available premium volume from trucking, which is very costly for insurers to handle.

Containing expenses has been a priority at M&C ever since Mr. Keul assumed the top post three years ago. The company's growth last year was achieved with only a very slight increase in staff. And, the drive for efficiency is forcing M&C to reduce the number of markets it uses to place business.

Last year, the broker started concentrating its volume in 20 to 25 markets instead of "shotgunning the business all over the place," reports Mr. Keul. Ninety percent of its premium volume was placed in 20 companies. Besides being efficient, the approach creates more leverage and buying power with the broker's key markets.

About 58% of M&C's premium volume is brokered, 41% is placed with markets for which the company acts as managing general agent and 1% is written with Royale Belge I.R., a Belgian company for which M&C acts as U.S. underwriting manager.

Roughly 37% of M&C's premium volume is placed with Pacific Employers Insurance Co. and 15% with California Union Insurance Co., two other CIGNA units in Los Angeles.

Other major markets for which M&C brokers business include Admiral Insurance Co. in Eaddonfield, N.J.; Allianz Insurance Co. in Los Angeles; L.W. Biegler Inc. in Chicago; Cameron & Coloy Co. in New York; Shand, Morahan & Co. Inc. in Evanston, Ill.; Transport Indemnity Co. in Los Angeles; and Lloyd's of London.

M&C holds binding authority for Western World Insurance Co. Inc.

'I have a lot of very enthusiastic people working here—who deliver,' Mr. Keul explains.

in Ramsey, N.J.; Great Southwest Fire Insurance Co. in Scottsdale, Ariz.; and Guaranty National Insurance Co. in Englewood, Colo.

And, the company's underwriting arrangement with Pacific Indemnity (which Mr. Keul describes as less restrictive than binding authority) permits it to take a small participation by the insurer into the facultative reinsurance market and build up very high limits in the issuing policy.

This capability makes M&C a very attractive market to retail brokers because "risk managers are demanding very high limits—in one policy," explains Mr. Keul.

An account that required \$15 million in casualty coverage a few years ago might have been placed with five insurers. The same account today may be buying limits of \$50 million—or \$100 million—and demanding a single policy.

M&C's ability to shop the facultative reinsurance markets for coverage to place behind a Pacific Employer's policy has been a key element in M&C's growth. Mr. Keul describes the insurer as a "360-degree market," which accepts a broad spectrum of property/casualty, professional liability and other risks.

Pacific Employers is an exclusive M&C market for both umbrella and excess casualty coverage.

"Pacific Employers has a lot of capacity both domestically and internationally and is very eager to write business and, therefore, can give us competitive terms," notes Mr. Keul.

Cal Union handles excess casualty and property risks on an exclusive basis to M&C in California only. In other states, M&C is just another source of business to the insurer. Cal Union accepts property risks that run the gamut from Main Street-type commercial buildings to really tough civil-engineered bridges, tunnels and dams.

Admiral is an excess casualty umbrella and specialty errors and omissions facility that is receptive to handling unusual new exposures, says Mr. Keul.

M&C uses Allianz primarily for property risks and Lloyd's of London for excess casualty and property coverages. A significant portion of M&C's increased property business has found its way to London, helping to create a \$500,000 increase in non-admitted business written by the broker in California.

L.W. Biegler is used by M&C for general liability, errors and omissions and other professional liability placements. "They are very good on small accounts—very responsive," notes Mr. Keul.

Shand, Morahan, as underwriting manager for Evanston Insurance Co., is used by M&C for both professional liability and excess casualty risks.

The combined loss and expense ratios on business bound by M&C is "very, very good—less than 100% for all companies," reports Mr. Keul. "But, some of it is long-tail business," he points out. For the brokerage business it generates, M&C doesn't get regular reports.

Good underwriting begins with the caliber of business, notes Mr. Keul. But, it also begins with the submission itself and what's in it. When an underwriter reviews a professionally prepared submission, it is a lot easier to spot the risk that "could ultimately come around the corner and bite it."

So, one of the emphases at M&C last year was implementing revised

brokerage procedures at each branch to insure professional handling of the business from the moment it comes through the door. The procedures outline proper handling of policy issuance and maintenance of files.

"The idea was not to make everyone march in the same battalion but to eliminate any aspect of account handling that is less than truly professional," explains Mr. Keul.

All in all, last year was not a period of tremendous change for M&C. Rates continued to deteriorate, putting pressure on each producer to bring in new business just to equal 1981 performances.

During the next three to five years, Mr. Keul expects M&C to grow at a 10% annual rate, a slight slowdown from 1982. He expects most of this growth to come through increased penetration in existing markets rather than through additional offices. "We are still very, very small and there's so much we are not getting near yet."

Besides growth in its property placements, M&C is planning more activity in the professional liability area. Also, the company is developing in-house facilities for environmental impairment risks.

Although M&C's non-admitted business grew slightly in California last year, the broker's trend toward placement of risks with admitted markets continues. For each of the past three years, M&C's percentage of premium volume written through non-admitted markets has slipped about 5% to just 25% in 1982.

This trend will continue until the standard markets, which have been writing specialty and excess lines in recent years, react to their scary combined loss and expense ratios, says Mr. Keul. When that happens, they will retract their underwriting tentacles and leave more business for the non-admitted markets, he adds.

Lack of business—not just for M&C but for wholesalers as a group—caused the company to close its doors in Portland, Ore., and Seattle last year, says Mr. Keul. M&C's office in Atlanta also was shut down.

"After five years of considerable effort in those areas, we did not see enough potential there," says Mr. Keul.

In Seattle and Portland, the risk base is very narrow—lumbering, aerospace and a little ocean marine, he adds. The wood products industry that is so vital to the entire Northwest has been hit hard by the economic recession. And M&C is not strong in the ocean marine market.

"If the market changes, we may reappear in some of these places. Nothing is forever," observes Mr. Keul.

Before the end of the year, M&C expects to add an office in San Diego that would handle accounts north into Orange County. The office will open with a manager/producer and an assistant and will grow with the business.

Next month M&C expects to move its Los Angeles offices one block east to 3700 Wilshire Boulevard. Other offices are located in Boston; Buffalo, N.Y.; Charlotte, N.C.; Chicago; Columbus, Ohio; Dallas; Denver; Detroit; Hartford, Conn.; Honolulu; Houston; Indianapolis; Kansas City, Mo.; New Orleans; New York City; Philadelphia; Sacramento, Calif.; San Francisco; San Jose, Calif.; and Tampa, Fla.

In addition, Montgomery & Collins International is located in Los Angeles.

Principal officers of M&C besides Mr. Keul are: Gus Doering Jr., Robert B. Angle and Warren D. Miller, regional vps; and William D. Long, underwriting vp.

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—By Rhonda L. Rundle

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	1982	1981
Gross premiums...	\$279,897,665	\$268,824,000
Net premiums...	\$10,825,806	\$10,804,000
Paid-in capital...	\$1,500,000	\$1,500,000
Capital & surplus...	\$35,894,000	\$30,839,155
Employees.....	199	184
Combined ratio...	-33.2%	-38.2%

Lexington Insurance Co. managed a modest 4.2% growth in gross premium volume in 1982, thanks mainly to a near-doubling of its assumed reinsurance.

While direct written premiums rose by just under 1% to \$259.4 million from \$257.4 million in 1981, reinsurance assumed jumped 80% to \$20.6 million from \$11.5 million the previous year.

The combination was enough to boost gross premiums for the largest U.S. surplus lines insurer in the *Business Insurance* rankings to \$280 million in 1982 from \$268.8 million the year before.

Executives of Lexington, a subsidiary of American International Group Inc., refused to be interviewed for this profile, but did answer a few questions from an extensive written list submitted by *Business Insurance*.

Much of the information included in this profile is taken from the company's 1982 annual statement filed with the Delaware Insurance Department, which offers some insights into its performance.

Despite Lexington's large jump in reinsurance assumed in 1982, the key to Lexington's success last year and in the past has not been assumed reinsurance but ceded reinsurance.

Huge ceding commissions picked up as the company reduces its net line have once again made Lexington profitable where incurred losses and adjustment expenses might otherwise have left it awash in red ink.

Lexington's net written premiums amounted to only \$10 million in 1982, a decline from 1981's net line of \$10.8 million. This means that the company reinsured all but 3.9% of its direct written business, a further decline from 1981, when it kept 4.2%.

That ceded reinsurance produced a whopping \$64.3 million in ceding commissions for Lexington, which more than offset the insurer's underwriting expenses and resulted in an expense ratio of -167%.

This was an improvement over the -139.8% expense ratio chalked up in 1981.

The gains on the expense side were needed to make up for deteriorating loss experience, though.

While Lexington suffered incurred losses and loss adjustment expenses of \$10.5 million in 1981, these swelled to about \$13.9 million last year.

On earned premiums of \$10.4 million, this translated to a pure loss ratio of 133.9% in 1982, up from 101.6% the previous year.

Although loss ratios of that magnitude might make some underwriters cringe, Lexington didn't manage too badly, ending the year with a -33.2% combined ratio, up slightly from 1981's -38.2%.

Lexington says its casualty, international, special accident and program departments showed good loss ratios. In the property area, Lexington officials said they are responding to the soft market by improving their products and letting "others write the property accounts that have historical poor loss ratios or are written at unacceptable levels."

Underwriting income declined 12.1% to \$13.1 million from \$14.9 million in 1981, and net investment income plummeted 27% to \$4.2 million from \$5.7 million.

Along with ceding commissions, Lexington draws some of its profits from investing the premiums it collects before passing them on to reinsurers. One indication of the results of this practice is that Lexington's 1982 investment income amounted to 45% of its net written premiums, compared with an average 12% among other property/casualty stock companies, according to Robert Brokaw, an analyst with the New York firm of Miller, Tabak, Hirsch & Co.

"They make a good deal of money on the float," Mr. Brokaw observed.

Continued on next page

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Continued from previous page

As might be expected, the list of Lexington's reinsurers is extensive, though the company relies more on domestic than on foreign reinsurers, and more on AIG affiliates than on outside companies.

According to Lexington's 1982 Schedule F filed with its annual statement, the company ceded business to 254 domestic and foreign reinsurance companies and syndicates last year.

Fifteen AIG affiliates took the lion's share of the business, accounting for \$131.6 million, or 53%, of the total \$248.1 million of reinsurance premiums in force as of Dec. 31, 1982.

The affiliates also account for 49%, or \$82.9 million, of the total \$167.5 million in reinsurance recoverable on paid and unpaid losses as of the end of the year.

Among the most significant affiliated reinsurers are American International Underwriters Assn. (\$8.5 million recoverable on paid and unpaid losses); Insurance Co. of the State of Pennsylvania (\$12.3 million); Transatlantic Reinsurance Co. (\$21.1 million); and American International Reinsurance Co. (\$34.2 million).

The remaining ceded reinsurance is divided among 115 domestic companies and syndicates, from which \$60 million was recoverable at the end of the year, and 124 foreign companies, from which \$24.6 million was recoverable.

Significant non-affiliated domestic reinsurers include American

Reinsurance Co. (\$2.8 million recoverable); Gerling Global Reinsurance Corp. (\$3.7 million); Munich Reinsurance (\$3.7 million); and Skandia American Reinsurance Corp. (\$5.2 million). Excess & Casualty Reinsurance Corp. of New York, the largest of the four pools, associations and syndicates Lexington cedes to, accounted for \$4.4 million in reinsurance recoverable at the end of the year.

The more notable non-affiliated foreign reinsurers include Abeille Paix Reassurances of Paris (\$1.3 million recoverable); Safe Step Reinsurance Ltd. of Hamilton, Bermuda (\$709,361); underwriters at Lloyd's (\$3.1 million); and Victoria Ruckversicherungs AG of Dusseldorf, West Germany (\$627,879).

Lexington assumes reinsurance from 16 AIG affiliates and 14 non-affiliates. The company's Schedule F shows reinsurance payable on unpaid losses totaling \$4.1 million for the affiliates and \$2.2 million for the non-affiliates.

While Lexington's habit of reinsuring most of its business did not change in 1982, the composition of its book did.

The biggest change was in the ocean marine class, where direct written premiums fell 61% to \$6.9 million from \$17.7 million in 1981. Industry experts have pointed out that blue-water hull and cargo underwriting slowed last year with declines in international shipping.

Although writing less ocean marine business, Lexington is keeping a larger share of what it does write. Net written premiums declined only 16% from 1981 to 1982, and the company retained 3.7% of direct writings last year as opposed to only 1.7% in 1981.

Ocean marine remains Lexington's fourth-largest class.

One of the company's growth areas was miscellaneous liability, its second-largest class, where direct premiums rose 26% to \$74.4 million from \$59.2 million in 1981.

Lexington underwrites a number of liability coverages, including errors and omissions, specialty coverages for contractors and various product liability lines.

One line that received special attention, particularly after the October 1982 Tylenol poisonings was Lexington's product integrity impairment coverage. Although first written in 1981, the coverage was refined last year into four basic policies (BI, April 11, 1983).

The forms range in scope from one covering only the expenses of recalling a product that threatens bodily injury due to "error or inadvertent omission" by the manufacturer to a broader form that covers recall expenses and lost profits resulting from actual bodily injury, the discovery by the insured of the threat of injury or the fear of injury on the part of the general public, regardless of whether the product has actually been tampered with.

Lexington can write an aggregate limit of \$10 million to \$15 million over retentions ranging from zero to \$10 million.

Competitors in the line report declining interest in the coverage and continued difficulty in arranging reinsurance of high limits. Lexington, though, has said that while reinsurance is limited, it has been able to find backing for its policies.

While declining to elaborate, Lexington says it will be making "further enhancements" to its product integrity coverage.

While Lexington's direct writings in the liability area increased 26%, its net writings rose only 16% last year, meaning that the company retained only 3.8% of its liability business rather than the 4.1% it kept in 1981.

Other classes showing growth included group accident and health insurance, where direct writings rose 24% to \$6.6 million from \$5.3 million in 1981, and other accident and health lines, where direct busi-

ness rose 30% to \$3.3 million from \$2.5 million.

In the group area, Lexington offers experience-rated and manually rated stop-loss insurance programs for self-insurers of employee accident and health benefits.

Lexington's net declined as a percentage of direct writings in both classes, to 15.2% from 18.1% in 1981 for group accident and health, and to 9.9% from 10.3% in 1981 for other accident and health.

Inland marine, the company's biggest class, grew by a modest 1.5% last year, with direct writings rising to \$124.9 million from \$123.1 million in 1981. The net line, though, dropped 12% to \$4.3 million from \$4.9 million in 1981. Translated, this means that the company kept only 3.4% of its writings in the class last year, compared with 4% in 1981.

Inland marine includes the satellite insurance line, where Lexington is an established market.

Lexington's specialties include insurance programs for municipal transit systems and railroads, where competitors say the company is especially interested in short-line carriers.

Property risks underwritten include physical damage, business interruption and extra expenses for industry groups such as oil and gas drilling. (Lexington's biggest losses as a reinsurer involve AIG Oil Rig, Inc., an affiliated managing general agent specializing in the oil and gas business. Lexington's Schedule F shows \$2.4 million in reinsurance payable on unpaid losses to AIG Oil Rig as of last Dec. 31, by far the largest amount payable to any ceding company.)

In response to inquiries about new products, Lexington officials wrote back to *Business Insurance* that the company continues "to commit more resources to research and development. We continue to see good activity within the new products offered through our space technology, special accident, international and casualty departments. The casualty department will be offering two new products aimed at the emerging high-tech market during the second half of 1983.

"In addition we will be making further enhancements to our products integrity/recall and comprehensive umbrella products. Our SMP department will be introducing a combined asset protection program for medium-sized accounts during the second half of 1983 and we are introducing a financial guarantee product geared to the municipal leasing market."

Early this year, Lexington restructured its property division "to improve performance," it said.

Walter Mooney has been appointed senior vp of property underwriting. He formerly worked for INA Special Risk, Crum & Forster and American Insurance Co., a subsidiary of Fireman's Fund Insurance Cos.

Several changes in Lexington's top management occurred in 1982, including the departure of John S. Gibson, president, to become president and chief executive officer of Allianz Underwriters Inc. of Los Angeles. Other departures included Senior Vp Vaughan C. Gerrish and Senior Vp Thomas J. Seippel, who has been named vp and deputy comptroller for foreign general insurance for AIG.

Top officers include Francis S. Oleskiewicz, president and chairman; Edward E. Matthews, senior vps; Gerd Haerberer and Robert V. Jeal, vps-property; and Kevin H. Kelley, senior vp-casualty.

Lexington is licensed in Delaware only and operates in Great Britain and as an excess/surplus lines insurer in 49 states and the District of Columbia.

Founded in 1965, it carries Best's rating of A+, Class XII.

—By Douglas P.

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	1982	1981
Gross premiums...	\$209,898,000	\$207,968,000
Net premiums...	\$22,573,000	\$23,973,000
Paid-in capital...	\$5,000,000	\$5,000,000
Capital & surplus...	\$81,908,000	\$79,323,057
Employees...	207	200
Combined ratio...	100.3%	98.7%

Starting this year, First State Insurance Co. will retain more of its property premiums than it has in the past.

The reason, says Chairman Richard E. Willey, is that the insurer foresees a turn in the property underwriting cycle that may bring the latest round of price wars to an end.

As prices firm, First State plans to take a larger piece of the premium pie for property risks, which generate about 35% of its gross premiums.

"We're anticipating that we will be coming into the period of time when rate increases will start to take hold," he explained.

First State is already tightening its own book in some ways, company executives report. Last year, it discontinued writing jewelers block business, which generated about \$2 million a year in premiums and at least double that in losses.

"It was our Vietnam," said Graves D. Hewitt, chief executive officer of First State and its underwriting manager, Cameron & Colby Co. Inc., which also manages New England Reinsurance Co. All are subsidiaries of Hartford Insurance Group.

First State is also raising rates on a narrow range of property business, including coverage for grain elevators, poultry farms and supermarkets, according to Executive Vp Ralph J. Palmieri.

Having taken these preliminary steps, the company hopes that by 1984 it will be able to stiffen its underwriting standards and raise premiums in a broader range of property/casualty lines.

The soft market, Mr. Hewitt indicates, has tested the limits of First State's endurance in competitive pricing, and the insurer is preparing to draw some lines.

"The house rule is that you can't do business with people you can't do business with. The second rule is that there is no price at which you can do business with those people," Mr. Hewitt observed.

"If the people aren't people that you ought to do business with—if they can't pass that test—then there is no price that overrides that question, because they will ultimately beat you," he explained.

"But we're like everybody else. We have more trouble living with the first rule than the second one. If they make the price tag big enough, your good judgment goes right out the window with the price tag.

"I would say in the last year we've become wiser in many ways," Mr. Hewitt said. "We have grown tremendously in our ability to determine what the price that we are charging today will mean to us at the end of the road when all the losses are in."

What has led to this new wisdom?

"Adversity is one of the great trainers of life," Mr. Hewitt notes.

Adversity continued to be the story of 1982, a year in which the insurer managed only a modest 1% increase in gross premiums while suffering its worst combined ratio in at least five years.

First State saw its gross premiums climb last year to \$209.9 million from \$207.9 million in 1981. Gross premiums had fallen 5% in 1981 from \$219.7 million in 1980.

Meanwhile, the company's combined ratio hit 100.3%, up from 98.7% in 1981 and 74% in 1980. First State's pure loss ratio actually declined to 75.5% last year from 77.5% in 1981, but its expense ratio grew to 24.8% from 21.2% in 1981.

It was the first time in at least six years that First State's combined ratio has passed the 100% mark, and the company doesn't expect to see it drop below 100% until the market turns, according to Chester A. Abbey, senior executive vp.

"I don't think you'll see it below the current level," Mr. Abbey said. "It's not going to go down until some sense is made of the rating situation."

Underwriting income plummeted 90% to \$83,000 in 1982 from \$834,000 in 1981. Investment income rose 4.8% to \$12.5 million from \$11.9 million.

First State's direct written premiums in 1982 rose 9% to \$154.4 million from \$141.6 million in 1981,

while assumed reinsurance dropped 16% to \$55.5 million from \$66.4 million.

In 1981, a 40% jump in assumed reinsurance from \$47.4 million was the major factor in containing the erosion of direct premiums. No such containment effort was required last year, and executives give credit for the slight gain in direct premiums to First State's Los Angeles office, opened in 1981 after the company was licensed by California as an admitted insurer.

Before 1981, First State was an admitted market in only two states, Delaware and Massachusetts. The addition of California has boosted the amount of business it writes as an admitted insurer from

only 5% of direct premiums to about 20%.

First State's decision to become licensed in California was prompted by the fact that many of its competitors were licensed, as well as by the relatively relaxed rate and form regulation in that state.

"If the other 49 states operated as California did, we would be licensed everywhere," Mr. Hewitt said.

He adds that the company has greater control over details that are closely watched by regulators, such as premium taxes.

"The structure of the licensed operation is more satisfying to us because the reporting requirements are all the responsibility of the insurance company," he explained.

"In states where we are not licensed, the responsibility for the premium tax falls upon the surplus lines producer, over whom we have no real control. We can't force him

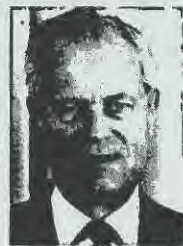
to do the premium tax as we might do it. We end up having discussions with various state insurance departments as to why this policy or that policy was written and the premium tax not paid."

Part of the increased business in the Los Angeles office is attributable to a transfer to First State of risks that had previously been written by New England Re, which has been licensed in California for some time.

Another part of the new business has come out of a newly formed transportation unit, which now underwrites primary and excess property and liability insurance for railroads and metropolitan transit systems. First State's capacity on railroad risks can range up to \$10 million, of which \$5 million can be kept in-house, according to Mr. Hewitt.

Although direct premiums rose in 1982, net premiums fell to \$22.6 million from \$27.6 million in 1981.

Continued on next page



Mr. Willey



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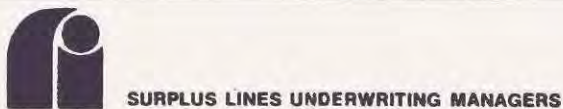
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Continued from previous page
 million from about \$24 million in 1981.

First State thus kept only 15% of its direct premiums last year, compared with 17% in 1981. In 1980, the company's net line was \$37.4 million, or 22% of direct premiums.

The reason for the decline this year is the same as it was last year, Mr. Hewitt says: First State's property business grew slightly while its casualty business, representing 65% of its book, continued to weaken. Since First State retains a smaller portion of property risk premiums than it does on casualty risks, the growth of property business and decline of casualty results in a smaller net line.

"The competition on the casualty side was much greater last year and we just didn't follow all the others in trying to compete," Mr. Willey said.

"And on the property side I think the response time and the ability of our underwriters enabled us to be creative and perform for these people," he added.

The gradual decline in First State's net line will reverse in 1983 as the company increases its retention on property risks, and the ratio of net to direct premiums may go up "a few percentage points," Mr. Willey added. First State doesn't plan to change its net line on the casualty side, he said.

Most of the property insurance underwritten by First State is primary coverage, Mr. Willey said,

and about half of the book consists of all-risk insurance on real and personal property, including difference-in-conditions coverage.

About 20% of the book is straight fire insurance, 10% is all-risk builders' risk insurance and another 20% is inland marine and various specialty lines including cancellation, rainout and kidnap/ransom insurance.

First State's maximum capacity on individual property risks is about \$34 million, including reinsurance, according to Mr. Palmieri.

On the casualty side, where First State has a capacity of \$25 million per risk, the bulk of the company's book—about 85%—comprises various excess liability products, including primary and excess umbrellas and straight, form-following excess liability insurance, Mr. Willey said.

First State also offers such products as buffer liability/gap programs and excess of self-insured retention programs.

Another 10% of the casualty book consists of various primary and excess professional liability products ranging from actuaries', pension consultants' and administrators' liability to public officials' errors and omissions insurance.

First State offers directors and officers liability insurance to corporations, financial institutions and insurance companies on both a primary and excess basis.

The final 5% of First State's casualty book is composed of primary general liability insurance, Mr. Willey said.

In addition to the railroad property and liability programs developed by First State's transportation unit, the insurer offered two new insurance products in 1982 and formed a new division to handle high-technology risks.

The new division, which has been dubbed FIRSTTECH, was organized early this year to underwrite traditional property/casualty coverages for such developing industries as microelectronics satellite components and robotics manufacture, hydroelectric power generation and oil and gas drilling operations.

While the insurance coverages offered through FIRSTTECH are not new, the exposures themselves are, and many require a technical knowledge on the part of the underwriter not required by more traditional risks, Mr. Hewitt points out.

Underwriters today must evaluate entirely new types of exposure and in many cases, such as the complex and expensive microelectronics area, "There is a concentration of exposure beyond anything we have known before," he said.

"Every risk is a prototype," Mr. Hewitt explained, adding that many of FIRSTTECH's underwriters have extensive engineering backgrounds.

New products added to First State's list last year included:

- Product integrity impairment coverage designed to reimburse policyholders for lost net profits and continuing extra expenses incurred because of actual or threatened malicious contamination of a product.

First State has written only a small amount of this business so far on a primary or pro rata basis, mainly for food processing companies, Mr. Palmieri said.

The insurer's maximum capacity on such a risk is \$5 million, he said.

- Lawyers errors and omissions coverage written for bar associations rather than individual law

firms. Limits ranging between \$1 million and \$5 million are available depending on the requirements of the given state association, Mr. Willey said.

First State has written lawyers errors & omission coverage for single firms for some time, but finds it has a better spread of risk and greater ability to implement loss-control and education programs when dealing with an association, Mr. Abbey points out.

In mid-1982, First State also started using a newly formed New York Insurance Exchange facility, First State Syndicate Inc. The syndicate is actually a subsidiary of New England Re, Mr. Abbey says, but First State uses it as a market for direct insurance (principally excess) and for treaty and facultative reinsurance.

First State hasn't pulled out of any lines other than jewelers block, preferring to make other adjustments in lines where loss experience is bad, according to Mr. Abbey. For example, instead of providing coverage in excess of \$500,000, the company might decide to provide it in excess of \$1 million on a troublesome line, he explained.

He added that he couldn't think of any lines in which First State made such a move last year.

"We tend not to pull out of business or stop writing business as a general practice, but rather find ways of correcting the situation and writing it," Mr. Willey said.

First State's goals for growth in the current year are "modest," according to Mr. Willey, who says the company is hoping only for a 5% increase in gross premiums for 1983.

Much of any increase in business is expected to come from the penetration of new markets with new products, such as the railroad coverages offered through First State's Los Angeles office, Mr. Willey pointed out.

In established classes, the company doesn't plan to try to achieve growth by writing more new business at lower rates, he added.

Instead, First State hopes to improve its results by selecting risks more carefully and by raising premiums.

Another concern prompted by the highly competitive property/casualty insurance market is the financial health of reinsurers, and Mr. Hewitt reports that First State formed a security review committee late last year to keep an eye on the quality of the company's reinsurance. The committee looks not only at a reinsurer's ability to pay losses when called upon, but also its willingness to pay and its speed in paying, based on past performance.

First State has dropped some reinsurers as a result of this review, but none of significance, according to Mr. Willey, who would not name any of the reinsurers.

Mr. Hewitt added that many of First State's policyholders have also begun to ask about the company's reinsurance. In answering them, Mr. Hewitt says, he always points out that when First State accepts a risk, it takes on the obligation to pay out the policy limits if need be, regardless of its ability to collect on its own reinsurance.

Along with Messrs. Hewitt, Willey, Abbey and Palmieri, the top management of First State and Cameron & Colby includes Richard E. Stone, president of both companies.

First State carries a Best's rating of A+, Class XIV.

—By Douglas McLeod

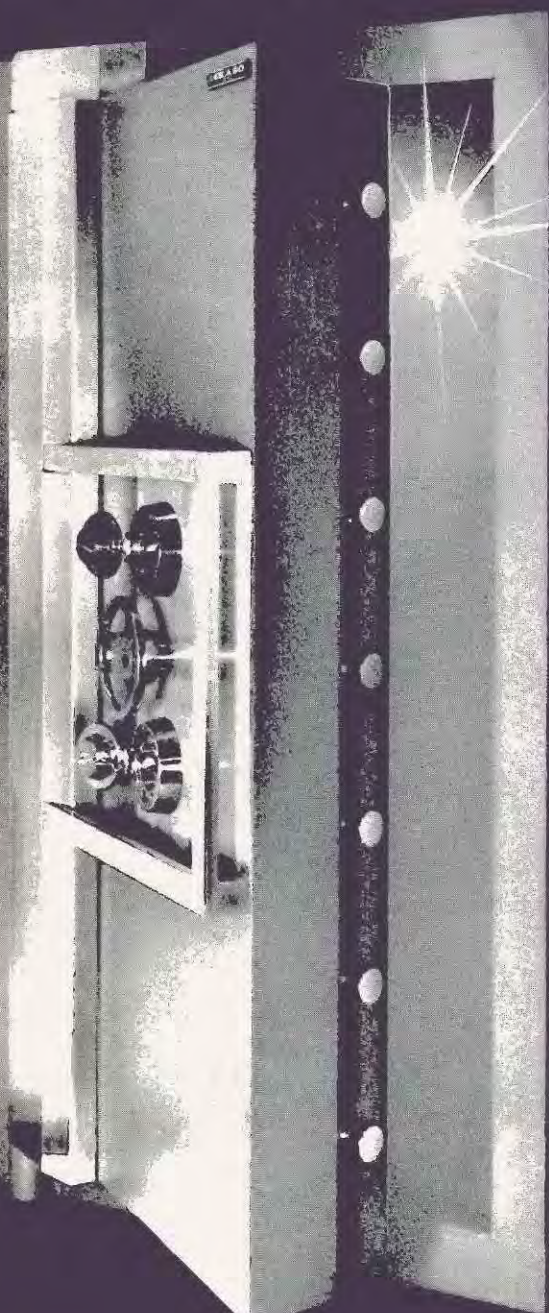


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	1982	1981
Gross premiums...	\$104,433,712	\$157,910,898
Net premiums...	\$14,840,268	\$20,197,219
Paid-in capital...	\$36,000,000	\$36,000,000
Capital & surplus...	\$77,435,000	\$74,260,891
Employees...	154	148
Combined ratio...	157.5%	118.5%

Northbrook Excess & Surplus Insurance Co. is changing.

Responding to a poor year in 1982, the third-largest U.S. surplus lines insurer plans to reduce its emphasis on umbrella liability and excess property insurance—its traditional bread-and-butter business—and move more into other specialty lines.

The Northbrook, Ill.,-based insurer also has reduced its capacity per casualty risk to \$15 million from \$25 million and restructured its reinsurance treaties.

Part of this transformation will include the underwriting of some specialty risks in the admitted market by sister company Northbrook Indemnity Co. Northbrook Indemnity, which is an admitted insurer in 45 states, has the same underwriters and staff as NESCO and NESCO premium volume will also reflect the experience of Northbrook Indemnity.

Both companies are subsidiaries of Allstate Insurance Co.

NESCO's President Robert L. Agnew is confident that these changes—and better underwriting—will help the company rebound.

For the immediate future, however, things won't be looking up. "1982 was not good and 1983 will not be any better for our company," Mr. Agnew says, blaming declining umbrella insurance prices and cut-throat competition.

Financial results from 1982 illustrate just how bad a year it was for NESCO. Gross premiums plunged to \$104 million from \$158 million in 1981 and net premiums dropped to \$14 million from \$20 million.

The company's combined ratio, meanwhile, zoomed to 157.5%, compared with 118.5% in 1981.

"It's really a factor of the tail on the business written prior to 1978," says Mr. Agnew of the high combined ratio.

In addition, he says, some case losses for those years are being reported today because the aggregate limits of underlying policies have been exhausted and claims are not reaching into the Northbrook layers. "It's hard to time when the underlying breaches will occur," he says.

But this won't be the company's experience in the future because NESCO has made the necessary reserves for prior years and is selecting better risks and rating them better now, Mr. Agnew emphasizes.

Some of the losses that have hurt NESCO most severely have sprung from asbestos litigation, Mr. Agnew says.

He declined to say how much liability NESCO has in the asbestos area, but indicated NESCO has written a significant amount of insurance for some major asbestos defendants.

Because new asbestos manufacturers or users are continually being added to the long list of defendants named in asbestos lawsuits, proper reserving for losses is a difficult task, Mr. Agnew says.

"It's kind of difficult to specifically identify those that have an involvement," he says. "We think from our assureds that we have identified known or possible (asbestos companies) that would be involved and have reserved accordingly."

While some have predicted that toxic tort litigation could lead to the bankruptcy of some insurance companies, Mr. Agnew says NESCO is not in danger.

"We have analyzed our involvement and made very serious projections and we have reserved for that. We're not vulnerable at this point."

Despite the significant increase in NESCO's combined ratio, Mr. Agnew also says that there will not be a change in the company's Best's rating of A+. Rating is based on several factors, not only on loss ratio, Mr. Agnew points out.

And, NESCO management now thinks it is writing better business.

"We're thoroughly confident that business we are putting on at the moment is going to be profitable," he says. "We know that because we have in the past two years upgraded our whole underwriting and claims staff. We know we're

Continued on next page

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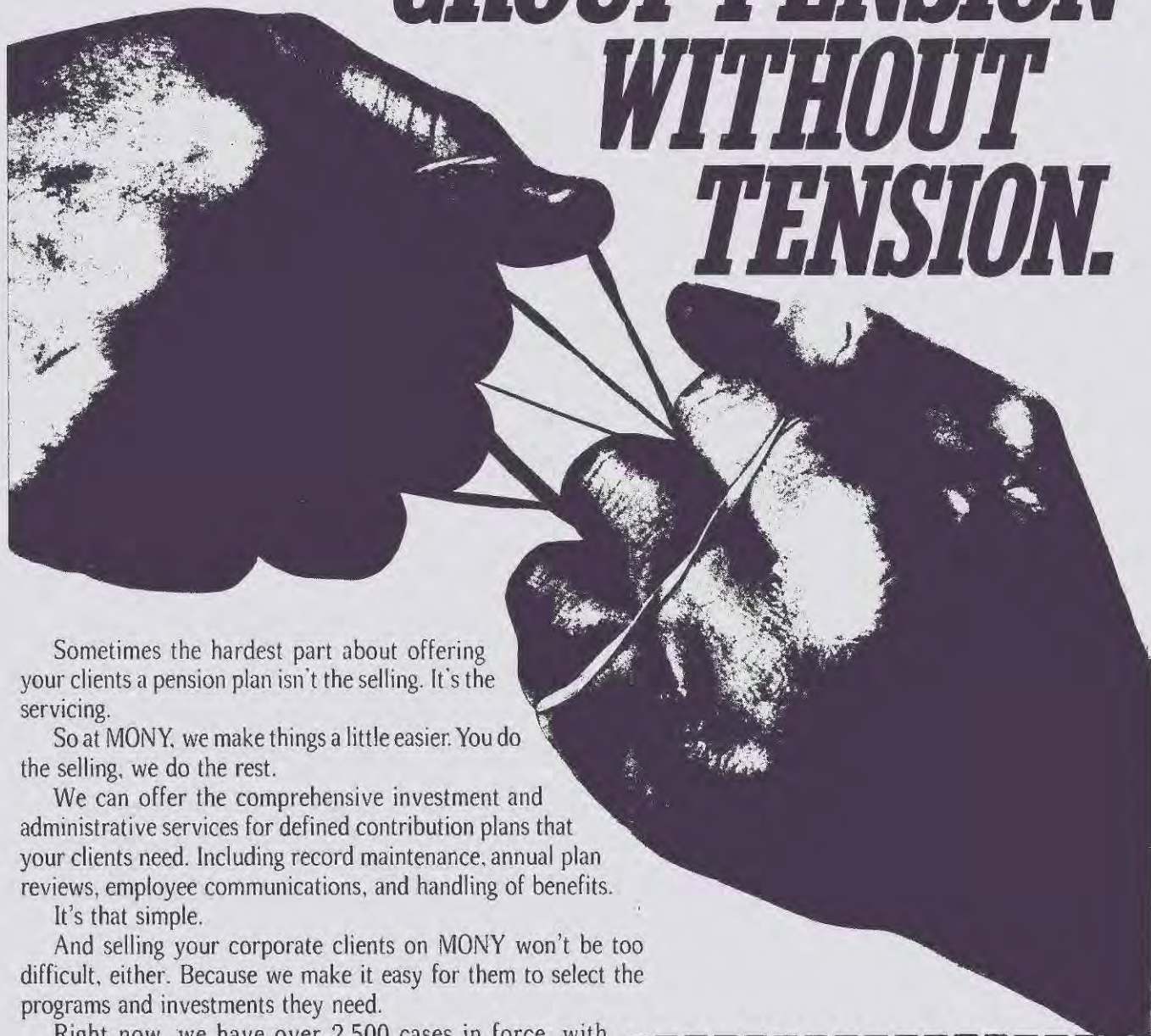
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Continued from previous page with marked improvement coming in the third and fourth quarter.

"To hasten this improvement, we have re-underwritten a large portion of the business and we have also canceled business in states with the most adverse experience and the most severe rate competition."

Rate changes were not the only steps the corporation took to begin its return to profitability. The corporation began to switch underwriting authority back to the Colorado home office, limiting the ability of branch offices and its 98 general agencies to accept big risks.

Guaranty National Corp. is represented by several of the largest managing general agencies, including Montgomery & Collins Inc., American National General Agencies, John H. Crowther Inc. and McAlear & Associates. It began terminating and rehabilitating smaller general agencies that had been underwriting unprofitable business for the corporation.

"We isolated the fact that 29% of the premium volume generated by general agencies was giving us 50% of our losses," Mr. Dick explains. "And that premium volume was generated by about 50 general agencies. It was clear to us that we had to start cutting out some lines and restricting some authority."

"If the agencies are sick, we give them chicken soup. If their business is sick, we will have to eliminate their business," Mr. Berenbeim said.

"Since the end of 1982, we have terminated 15 general agencies and 17 territorial agreements and cut out a number of lines.

"In some areas, we have reinstated underwriting authorities with a new set of instructions to our agencies."

One of the new instructions involves promoting private passenger automobile insurance, a coverage area that contributed about 18% of Guaranty National's premium volume in 1982.

Recently put on a computerized direct-bill system and sold by about 3,000 independent agents, the private passenger auto business jumped 94.6% in the first quarter of 1983, generating \$5.3 million in gross written premium.

According to executives, the business was profitable, generating a pure loss ratio of only 57.6%.

Guaranty National's new philosophy is survival and slow growth, executives say, and the key to survival will be finding products that can be underwritten for a profit while eliminating unprofitable risks. Since the non-standard private passenger insurance fits that criteria, it will continue to be promoted.

As the commercial marketplace cools, the corporation expects to return to serious surplus lines underwriting.

"The secret of the surplus lines business is when it gets hot, get off, and that's what we are doing," Mr. Berenbeim says. "We may not grow as fast, but we will have solid, directed growth. We would like to operate at a combined ratio of 125% for the rest of the year and return to solid profitability in 1984."

Guaranty National would also like to find a new president and chief executive officer to replace Mr. Schallert and help lead the corporation through these tough times, Mr. Berenbeim says.

"We have gone to the best executive search firm we know and given it carte blanche. We want the best man or woman in the field, someone with financial management expertise and a solid understanding of surplus lines claims handling. If we can get the kind of person we are seeking, our return to profitability will be greatly hastened."

Mr. Berenbeim also believes that a shift in commercial insurance pricing will be coming soon, following the termination of agents by some of the large insurance groups.

"One good sign is that there have been some terrific terminations by the large insurers and much more attention being paid to the bottom line. Many of our competitors are running at combined ratios of 135% to 145% and can't sustain the pace. Something will have to change soon," he says.

Guaranty National Insurance Co. is an admitted insurer in 19 states and territories, including Arkansas, Arizona, Colorado, Idaho, Iowa, Kansas, Kentucky, Minnesota, Montana, Nebraska, New Mexico, New York, North Dakota, Ohio, Utah, Washington and Wyoming and the U.S. Virgin Islands. It is a non-admitted insurer in the remainder of the 50 states and the District of Columbia.

Landmark Insurance Co. is an admitted insurer in Alaska, Indiana, Oklahoma, Tennessee and Texas. It is non-admitted in Arizona, Kansas, Nebraska, New York, Ohio, Washington and Wyoming.

Principal officers in addition to Messrs. Berenbeim and Dick include Vp Richard D. Rock.

—By Len Strazewski

California Union Insurance Co.

3807 Wilshire Blvd., Los Angeles, Calif. 90010; 213-480-4700

	1982	1981
Gross premiums...	\$74,364,000	\$83,495,000
Net premiums...	\$12,678,481	\$17,419,000
Paid-in capital...	\$1,800,000	\$1,800,000
Capital & surplus...	\$21,680,000	\$20,287,000
Employees...	65	62
Combined ratio...	97.4%	100.2%

California Union Insurance Co. is determined to remain a strong force in a cutthroat underwriting cycle by writing new types of business and modifying internal operations.

"It's a tough time to write new business in any area, but we are continuing with the philosophy that we can do a better job on writing the larger, more complicated accounts," says Cal Union President Kenneth W. Woods.

And, despite the competition, the company will remain committed to underwriting for a profit. Surplus lines brokers "know we're consistent in what we do, and not to come to us if they need a really cheap price," he says.

Cal Union's commitment to underwriting at a profit "puts us in a different class than many of our competitors," agrees Nicolas Yuschenkoff, vp and secretary. An underwriting profit "is a sign of integrity and stability. They (brokers) know we'll be around in 10 years."

The philosophy held by the

CIGNA Corp. affiliate is reflected in last year's results. Gross premium volume declined about 11% last year to \$74.4 million from \$83.5 million in 1981. But the selective underwriting strategy allowed the fifth-largest specialty lines insurer to lower its combined ratio to 97.4% from 100.2%.

"We just wrote a lot less business and didn't chase the premiums," Mr. Woods sums up.

He attributes the improvement in combined ratio to selective underwriting, conservative reserving and perhaps most importantly the company's policy of accepting business only from a select, limited number of brokers.

Cal Union accepts risks from a carefully chosen group of providers that are all licensed surplus lines brokers and members of the National Assn. of Professional Surplus Lines Offices.

Brokers are reviewed at least once, often twice, a year to assure that the company is using only the most professional producers possible, Mr. Yuschenkoff says.

The insurer wrote more surcharged property risks last year than any other line, and serves as a lead underwriter for many major heavy construction projects. Railroad risks, oil and gas risks and municipality risks constitute a major portion of the company's business.

Specialty coverages available through Cal Union include recall insurance for food canners, insurance for private dam owners and protection for alarm manufacturers and installers.

New products offered by the Los Angeles-based insurer include surcharged habitational property protection and warranty-related coverages.

Cal Union has offered the habitational coverage for more than a year and has so far produced about \$1 million in premium volume on about 1,000 risks. The insurer describes the venture as "very suc-

Continued on facing page

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Mr. Woods

Continued from facing page
cessful."

Savings and loan institutions often purchase this coverage for repossessed single-family dwellings that are uninsured. Cal Union provides extended property coverage, including coverage for fire and vandalism.

Vacant homes make up about 90% of the risks, while about 10% comes from occupied property. Financial institutions buy insurance for occupied homes on which it carries mortgages until the homeowner can provide proof that he has purchased his own coverage.

Coverage for vacant dwellings costs about \$3 annually per \$100 of insured value, though most institutions only purchase the coverage for three or six months, as long as the home remains unoccupied. Rates for occupied dwellings run about 70 cents per \$100 of insured value.

These risks are produced by Crown Valley Insurance Agency through an exclusive contract with Cal Union. The broker has offices in Orange, Calif., and Miami, so most of the insured structures are in California and Florida, although the product is available nationwide.

The insurer's biggest competitor in this line is Insurance Co. of North America, another CIGNA affiliate.

The warranty-related coverages Cal Union underwrites are generally designed for the construction industry, covering the contractor or property owner in case a completed project doesn't meet quantitative or qualitative performance standards.

"In the old days, it was considered a business risk, non-insurable," Mr. Woods says of warranty-related coverages. "Today it's considered an insurable risk, and a lot of people are writing it at very cheap prices."

Last year, the company saw one or two requests for this coverage a month, he estimates, and wrote only about one of every 10 it saw. This year, Cal Union sees approximately one every week and quotes about one out of four.

"There's not enough of them to get a good spread, so every one of them that you write is pretty much going to have to stand on its own. And it's very difficult to lower your pricing too much (because) it's a pretty intuitive rating situation anyway—there's no (pricing) basis for it."

"I think we have to look at any class of business we can write, so we're going to keep looking at it," he says of the warranty risks, though he acknowledges that this line will never become a major source of business for the company.

The advantage of underwriting these risks, he notes, is that they usually carry large premiums.

"I don't think I've seen any less than \$100,000. We wouldn't even quote if they were less than \$250,000. We couldn't take the time to research it," he explains.

Mr. Woods says that although Cal Union used to be primarily a liability insurer, property lines are being written more frequently. In two or three years, the percentage of casualty risks the company writes has dropped from 65% to about 50% "and what we wrote, we wrote for a cheaper price, unfortunately," he says.

The decline in casualty business was not unexpected, he adds. "We just can't get any business there because we're not cheap enough."

Mr. Yuschenkoff attributes the decline in casualty business to "pricing by the standard carriers. They're coming into the regular

casualty umbrellas, writing it for nothing."

The insurer's casualty pricing in the past year has decreased about 5% to 10%, Mr. Yuschenkoff adds, while its property rates have been stable.

Extremely high loss ratios experienced by other insurers have kept Cal Union away from specialty liability coverages, like errors and omissions and professional liability insurance.

The insurer has had a tough time during the past several years keeping its gas and electric utility liability business, and because of tremendous competition, has lost much of it to Aegis Insurance Co. Ltd., a Bermuda captive of International Nickel Co.

But regular casualty business, generally umbrellas and excess policies, were the accounts the company had the most difficult time retaining last year.

Continued on next page

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Mr. Yuschenkoff

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Continued from previous page

Low rates have also deterred Cal Union from offering product impairment liability coverage, Mr. Yuschenkoff says.

"After the Tylenol case there was a big demand for that type of coverage," he notes, "but the pricing has deteriorated so fast over the past few months that there are very few accounts to write at a decent price, so we haven't written any."

"We've looked at many, many new products, but by the time you're ready to charge the correct price, there are so many new entrants in it that they depress the price and so you start writing very little. Competition is very severe," Mr. Yuschenkoff says.

Cal Union hopes to reduce the time it spends quoting a price by computerization. It's now installing a system to allow for more efficient operations and lower business costs. "Hopefully, we'll have a faster response to our producer clients," Mr. Yuschenkoff suggests.

"I think the management information (provided by the new system) may give us a better handle on our book," Mr. Woods adds. "It gives a better analysis on our book of business, and better timing on our reinsurance recoverables."

The company's business philosophy includes giving consideration to "anything that comes along that clients express a need for," Mr. Woods says.

"We also try to coordinate with other entities in the CIGNA group, within the regulations of the various states, so that if there are certain products that they cannot handle or choose not to handle, we can pursue them," he says.

For example, Cravens, Dargan & Co., Pacific Coast, a CIGNA wholesale brokerage unit (see story, page 30), frequently asks Cal Union to underwrite excess capacity, and sometimes receives primary layers of marine and aviation risks back from Cal Union for placement.

"Sometimes we refer business to (Cravens, Dargan), sometimes we refer it to INA and sometimes we refer it to both of them and let them work it out," Mr. Woods says.

"Once a week, I get a call from an agent at INA, asking if we write (a particular kind of risk)," Mr. Yus-

chenkoff adds. "In many cases, if we don't write it, we'll refer it to one of our sister company's brokerage operations."

Probably the biggest clue to Cal Union's reduced combined ratio lies in the relationship it shares with the brokers that provide the bulk of the company's business volume.

"We try to keep a limited number of producers we feel we can give good service to," Mr. Yuschenkoff says.

"If at some point, we feel that we're not one of the top five (insurers) they offer business to, we will pull out," he says. "If we are not given a look at their new business, and they only come to us as a last resort, then we don't need them."

"Generally speaking," Mr. Woods says, "we try to judge the volume of the flow of submissions, the quality of the submissions, the loss ratios and how quickly they pay their bills. That really makes a difference."

"We've cut producers off for slow pay—absolutely and unequivocally. And we don't use some reinsurers because they don't pay quickly," he adds.

Cal Union reports an annual 10% to 12% turnover rate among its brokers. Although the makeup of the group changes slightly each year, its size remains consistent: about 100. In 1981, for instance, the insurer received business from 91 producers with 191 locations; last year, accounts were generated from 92 producers with 204 locations.

The company also requires certain premium quotas of its brokers. "We're asking the non-metropolitan producers to give us \$50,000 a year or more," Mr. Woods explains. "One hundred (thousand dollars) was our target, but we were happy when they got to 50. It depends on the loss ratios, too. If a guy is giving us \$40,000 a year with no losses, we tend to bend our rules."

For brokers in metropolitan areas, Cal Union asks for an annual premium volume of at least \$250,000. "But again, when we weed them out," Mr. Woods adds, "it's as much a function of the loss ratio as it is the premium."

These figures sharply reflect the degree to which excess insurers have been affected by poor market

conditions: last year, Cal Union required at least \$100,000 in premium from non-metropolitan brokers and \$500,000 from metropolitan providers.

"We don't just do business with anybody in a major city who gives us a quarter of a million dollars or so, because we'd lose our exclusive posture with them as a market. If you do business with the six biggest surplus lines brokers in the city, then you're not really a good market for any of the six, because any of their competitors can get to you," Mr. Woods explains.

Montgomery & Collins Inc., also a CIGNA unit, provides Cal Union with more premium volume than any other wholesaler. Last year, M&C produced \$13.9 million in premium or about 15% of Cal Union's book of business.

AVRECO Inc. gave the company its second largest amount of business, \$4.9 million. Swett & Crawford and Stewart Smith Holdings Inc. provided \$4.5 million and \$4.3 million, respectively.

Cal Union is licensed as an admitted insurer in California and as an approved non-admitted insurer in all other states.

The insurer retains between 15% to 17% of each premium dollar, marketing the remaining 83% to 85%, in relatively equal portions to facultative and treaty reinsurers.

Its major reinsurers include North American Reinsurance Co., Kemper Reinsurance Co., Allstate Insurance Co., and Munich American Reinsurance Co.

The company has a casualty capacity of \$20 million, with \$14.5 million in property capacity.

On liability risks where Cal Union does not act as the primary underwriter, it normally writes excess layers between \$10 million or \$20 million and \$100 million, Mr. Woods says. "We'll come in on some a little lower and will go higher up on some others, but the bulk of the business on the casualty side is in there."

Cal Union has a Best's rating of A, Class XV.

Principal officers besides Mr. Woods and Mr. Yuschenkoff include Michael P. Fujii, vp-finance; John P. Rugee, vp-casualty; and Robert S. Cernok, vp-property.

—By Steve Taravella

Directory lists marketers, insurers

Counting the 15 companies profiled on the previous pages, more than 160 surplus and specialty lines underwriting managers, managing general agents, brokers and insurers are profiled in the 1983 *Business Insurance* directory of the surplus and specialty lines market.

Executives from these companies supplied the information listed in the directory by filling out a questionnaire from *Business Insurance*.

The first portion of the alphabetical listing, beginning on page 57, contains underwriting managers, managing general agents and brokers. The surplus lines insurer section follows.

In some cases where gross revenues are not supplied, *Business Insurance* estimates figures for those companies. The estimates are identified in individual company listings.

The method for estimating gross revenues is based on the category and amount of business a company produces. For instance, the gross revenues of companies that are solely managing general agents or underwriting managers are calculated at 13% of premium volume. Revenues of companies that serve solely as wholesale brokers are estimated at 10% of premium volume, while revenues for companies that perform a variety of functions are estimated at between 10% and 13% of volume.

The *Business Insurance* questionnaire defined an underwriting manager as handling all affairs of the insurance company including underwriting, reinsurance and claims, with the possible exception of investment income.

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 MGA may or may not have reinsur-

ance and claims supervision authority.

A broker's duties include placing business with markets without having underwriting authority or binding authority.

Each listing contains the company's premium volume, along with gross revenues, number of employees, the year it was founded, parent company, subsidiaries, branch offices and top officers. When a company has multiple functions, the percentage of business conducted in each category is noted.

Those companies acting as underwriting managers were asked to list companies for which they have underwriting authority.

Those functioning as MGAs supplied information on companies for which they have binding authority, and those listed as brokers supplied names of companies with which they place the most business.

All companies were asked to list their specialties—any type of commercial risk they place that comprises 25% or more of their annual premium volume.

Membership in either of the two professional surplus lines organizations also is noted. NAPSLO is the National Assn. of Professional Surplus Lines Offices and AAMGA is the American Assn. of Managing General Agents. Each organization maintains membership standards that ensure the professional status of members.

The surplus lines insurers responding to the *BI* questionnaire reported their gross premium volume, net written premium volume, paid-in capital, capital and surplus, number of employees and statutory combined loss and expense ratios.

The insurers also gave details on special commercial risks they insure, the number of states in which they are approved/non-admitted and the states in which they are admitted.

BI's annual directory of wholesale marketers

A

Alexander Underwriters General Agency Inc.

Box 105051, Atlanta, Ga. 30348; 404-981-7100

	1982	1981
Premium volume.	\$22,500,969	\$25,500,960
Gross rev.	\$5,700,000	\$8,705,194
Employees	100	111
Commercial lines.	50%	50%

Year founded: 1974.

Type of business: 80% underwriting management, 12% managing general agent, 8% brokerage.

Type of markets: 80% admitted, 20% non-admitted in 1982, same as 1981.

Underwriting manager for: International Indemnity Co., Florida International Indemnity Co., Protective Indemnity Insurance Co. of Florida Inc.

MGA for: Morrison Assurance Co.; Lloyd's; Excess Insurance Co.

Broker for: Primarily Chubb Custom Insurance Co., Crum & Forster, Employers Reinsurance Corp., First State Insurance Co., Gulf Insurance Co., Ranger Insurance Co., Cherokee Insurance Co.

Principal officers: James A. Alexander, president; Farris A. Alexander, vp/secretary; C. Glenn Alexander, vp/treasurer; Joseph E. Murphy, vp-marketing; Benny Byrd Jr., vp-underwriting.

Branch offices: Orlando, Fla.; Baton Rouge, La.; Columbia, Tenn.

Subsidiaries: International Indemnity Co., Florida International Indemnity Co. (affiliates).

Membership: NAPSLO, AAMGA.

All Risks Ltd.

1001 Cromwell Bridge Road, Suite 302, Baltimore, Md. 20204; 301-828-5810

	1982	1981
Premium volume.	\$5,300,000	\$5,100,000
Gross rev.	\$610,000*	NA
Employees	18	18
Commercial lines.	85%	80%

*BI estimate.

Year founded: 1964.

Type of business: 45% brokerage, 30% underwriting manager, 25% managing general agent.

Type of markets: 20% admitted, 80% non-admitted in 1982, same as 1981.

Underwriting manager for: Western World Insurance Co. Inc.

MGA for: Northland Insurance Co., Occidental Fire & Casualty Co., Carolina Casualty Insurance Co., California Union Insurance Co., First State Insurance Co., INA Corp., S&H Insurance Co.

Broker for: First State Insurance Co. and Tudor Insurance Co.

Principal officers: W.J. Salladin, president; Doug Dumont, vp.

Membership: NAPSLO.

Allied General Agency Inc.

5670 S. Syracuse Circle, Suite 320, Englewood, Colo. 80111; 303-694-9748

	1982	1981
Premium volume.	\$22,896,000	\$19,303,000
Gross rev.	\$2,666,000	\$2,415,000
Employees	72	86
Commercial lines.	62.1%	61.8%

Parent company: McM Corp.

Year founded: 1979.

Type of business: 91% managing general agent, 5.1% brokerage, 3.9% underwriting manager.

Type of markets: 88.4% admitted, 11.6% non-admitted in 1982. In 1981 80.2% admitted, 19.8% non-admitted.

Underwriting manager for: Lloyd's.

MGA for: Ambassador Insurance Co. Inc., American Modern Home Insurance Co., American Reliable Insurance Co., Canadian Universal Insurance Co. Inc., Great Southwest Fire Insurance Co., Jefferson Insurance Co. of New York, Leader National Insurance Co., National Indemnity Co., Occidental Fire & Casualty Co., Peninsular Fire Insurance Co., Summit Home Insurance Co., Universal Underwriters Insurance Co., Wilshire Insurance Co.

Broker for: Admiral Insurance Co., Shand, Morahan & Co., L.W. Biegler Inc., Lloyd's, New York Insurance Exchange, J.P. Daley, J.H. Ferguson & Associates Inc.

Principal officers: Huck A. Tompkins, president; Ron Howard, vp/treasurer; James Reddish, secretary; Andy Wood, Mike Hoffman, Tom Davis, vps; Merian McLaughlin, president-Texas Allied General Agency.

Subsidiaries: Kenneth I. Tobey, Seattle and Portland, Ore.; Blackburn, Nickels & Smith Inc., Minneapolis; Allied General Agency Inc., Dallas; Allied General Agency Inc., Phoenix, Ariz.

Membership: AAMGA, NAPSLO.

Allied Programs Corp.

1133 Ave. of the Americas, New York, N.Y. 10036; 212-921-7600

	1982	1981
Premium volume.	\$27,000,000	\$31,200,000
Gross rev.	\$2,500,000	\$3,432,000
Employees	27	41
Commercial lines.	100%	100%

Year founded: 1975.

Type of business: 40% underwriting manager, 30% managing general agent, 30% brokerage.

Type of markets: 95% admitted, 5% non-admitted in 1982, same as 1981.

Broker for: Primarily Puritan Insurance Co., American Druggists Insurance Co., Ambassador Insurance Co., Great Atlantic Insurance Co., First State Insurance Co., Centaur Insurance Co., New England Reinsurance Corp., Fireman's Fund Insurance Cos.

Principal officers: David Lawrence, president; Jay Leipzig, executive vp; William Foy, vp.

Branch offices: Union City, N.J.

Membership: NAPSLO.

Anderson & Murison Inc.

201 S. Lake Ave., Pasadena, Calif. 91101; 213-684-3114

	1982	1981
Premium volume.	NA	NA
Gross rev.	\$1,815,799	\$1,605,415
Employees	30	23
Commercial lines.	95%	95%

Year founded: 1965.

Type of business: 70% managing general agent, 15% underwriting manager, 5% brokerage.

Type of markets: 75% admitted, 25% non-admitted in 1982, same as 1981.

MGA for: American Home Assurance Co., Ambassador Insurance Co. Inc., Bellefonte Underwriters Insurance Co., Canal Insurance Co., Coastal Casualty Co., Compass Insurance Co., Great American Surplus Lines Insurance Co., Great Falls Insurance Co., Jefferson Insurance Co. of New York, National Union Fire Insurance Co., Northland Insurance Co., Northfield Insurance Co., London contract holders, Carolina Casualty Insurance Co.

Brokers for: All the above.

Specialties: Commercial automobile, commercial casualty and property.

Principal officers: David F. Anderson, president; Horst

Lechler, senior vp.

Membership: AAMGA, NAPSLO.

Anexco Insurance Agency Inc.

60 State St., Boston, Mass. 02109; 617-227-6722

	1982	1981
Premium volume.	\$6,000,000	\$4,500,000
Gross rev.	\$629,744	\$503,267
Employees	10	7
Commercial lines.	89%	99%

Parent company: Aneco Reinsurance Co.

Year founded: 1979.

Type of business: Small percentage as underwriting manager, nearly 50% brokerage, nearly 50% managing general agent.

Type of markets: 5% admitted, 95% non-admitted in 1982, same as 1981.

Underwriting manager for: Imperial Casualty and Indemnity Co.

MGA for: Great Southwest Fire Insurance Co.; First State Insurance Co.; Illinois Employers Insurance Co. of Wausau; Lloyd's; Union Indemnity Insurance Co. of New York; Mutual Fire, Marine & Inland Insurance Co.

Principal officers: Kenneth L. Cook, president; Patrick Ciano, executive vp.

Branch offices: Anexco Brokerage of Connecticut Inc., Plainville, Conn.; Anexco Brokerage of Rhode Island Inc., Providence, R.I.

Membership: NAPSLO.

Anglo-American Ltd.

201 Bloomfield Ave., Verona, N.J. 07044; 201-239-7000

	1982	1981
Premium volume.	\$1,700,000	\$1,450,000
Gross rev.	\$170,000*	NA
Employees	6	5
Commercial lines.	95%	5%

*BI estimate.

Year founded: 1975.

Type of business: Not reported.

Type of markets: 15% admitted, 85% non-admitted in 1982. In 1981 2% admitted, 98% non-admitted.

MGA for: Lloyd's, Excess Insurance Co., United National Insurance Co., Ambassador Insurance Co. Inc., Union Indemnity Insurance Co. of New York, Public Service Mutual Insurance Co., Foremost Insurance Co.

Broker for: Lloyd's, Excess Insurance Co., United National Insurance Co., Ambassador Insurance Co. Inc., Union Indemnity Insurance Co. of New York.

Specialties: Physical damage, SMP, restaurants and taverns, OL&T.

Principal officers: Samuel Bergman, president.

Membership: NAPSLO.

Atwater McMillan Inc.

445 Minnesota St., St. Paul, Minn. 55101; 612-221-7066

	1982	1981
Premium volume.	\$44,000,000	\$14,500,000
Gross rev.	\$5,720,000*	NA
Employees	140	30
Commercial lines.	100%	100%

*BI estimate.

Parent company: St. Paul Fire & Marine Insurance Co.

Year founded: 1981.

Type of business: 100% underwriting manager.

Type of markets: 20% admitted, 80% non-admitted in 1982. In 1981 100% non-admitted.

Underwriting manager for: St. Paul Surplus Lines Insurance Co., Ramsey Insurance Co.

Principal officers: James F. Duffy, president; Jon A. Roeder, Continued on next page

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211 Perimeter Center Parkway, Atlanta, GA 30346
Tel: (404) 396-1270 Telex: 700549

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100 South Wacker Drive, Chicago, IL 60606
Tel: (312) 346-5712 Telex: 254484

Hudson Special Risk Brokers of New York, Inc.
127 John Street, New York, NY 10038
Tel: (212) 668-0370 Telex: 640820

Continued from previous page
James D. Steeves, senior vps.

Subsidiaries: St. Paul Surplus Lines Insurance Co., St. Paul Risk Services Inc., Ramsey Insurance Co.

Membership: NAPSLO.

B

J.H. Blades & Co. Inc.
2640 Fountain View, Suite 40C,
Houston, Texas 77057;
713-780-8770

	1982	1981
Premium volume	\$101,512,000	\$57,703,000
Gross rev.	\$6,667,000	\$6,376,000
Employees	119	120
Commercial lines	100%	100%

Parent company: Crum & Forster.

Year founded: 1952.

Type of business: 70% brokerage; 30% managing general agent.

Type of markets: 30% admitted, 70% non-admitted in 1982. In 1981 25% admitted, 75% non-admitted.

MGA for: U.S. Fire Insurance Co., International Insurance Co., International Surplus Lines Insurance Co., Yasuda Fire & Marine Insurance Co. of America Admiral Insurance Co., Great Southwest Fire Insurance Co., Lloyd's.

Broker for: Lloyd's, First State Insurance Co., CIGNA Corp. and other managing general agents.

Specialties: Oil and gas package policies, umbrella liability.

Principal officers: Robert P. Quinr, chairman; John N. McBeck Jr., president; Benjamin D. Wilcox, executive vp; John E. Fox, senior vp; Fred Munsen, vp-production

Branch offices: Dallas; Denver; New Orleans; Tulsa, Okla.

Membership: NAPSLO.

Bohrer, Croxdale & McAdoo Inc.

430 South Ave., Suite 400,
Springfield, Mo. 65806;
417-869-2550

	1982	1981
Premium volume	\$3,200,000	\$2,900,000
Gross rev.	\$288,000	\$256,100
Employees	11	8
Commercial lines	95%	95%

Year founded: 1977.

Type of business: 85% managing general agent.

Type of markets: 50% admitted,

50% non-admitted in 1982, same as 1981.

MGA for: Empire Insurance Cos., Ennia Insurance Co., Great Southwest Fire Insurance Co., Lloyd's, Pan American Insurance Co., Transit Casualty Co., Midwest Mutual Insurance Co.

Specialties: Trucking insurance.

Principal officers: Yvonne S. Bohrer, president; Sydney T. Croxdale, vp; Sidney M. McAdoo, secretary/treasurer.

Membership: NAPSLO, AAMGA.

Brokers' Marketplace Inc.

First Insurance Plaza, 180 Oak St.,
Buffalo, N.Y. 14203; 716-842-0502

	1982	1981
Premium volume	\$2,500,000	\$2,300,000
Gross rev.	\$700,000	\$675,000
Employees	12	10
Commercial lines	60%	55%

Year founded: 1975.

Type of business: 60% managing general agent; 30% underwriting manager; 10% brokerage.

Type of markets: 90% admitted, 10% non-admitted in 1982. In 1981 75% admitted, 25% non-admitted.

Underwriting manager for: Public Service Mutual Insurance Co., Union Indemnity Insurance Co., Dairyland Insurance Co., First Security Insurance Corp. Columbus Insurance Co., Great Global Insurance Co.

MGA for: All of the above.

Broker for: Saex Group; Raulen Agency Inc.; Shand, Morahan & Co.

Principal officers: Norman F. Ernst Jr., president.

Membership: NAPSLO.

Brown & Riding Insurance Services Inc.

500 Airport Blvd., Burlingame, Calif.
94010; 415-579-0172

	1982	1981
Premium volume	\$3,500,000	\$2,500,000
Gross rev.	\$325,000	\$250,000
Employees	7	6
Commercial lines	99%	95%

Year founded: 1980.

Type of business: 60% managing general agent, 40% brokerage.

Type of markets: 75% admitted, 25% non-admitted in 1982. In 1981 50% admitted, 50% non-admitted.

MGA for: Alliance Insurance Co., Admiral Insurance Co., Zurich American Insurance Co. of Illinois.

Broker for: Primarily Zurich American Insurance Co., Alliance Insurance Co.

Specialties: Electronics, medical.

Principal officers: B. Peter Brown, president; David F. Riding, executive vp; Richard B. Schlesinger, vp; Ramon C. Howing, assistant vp.

Membership: NAPSLO.

Geo. F. Brown & Sons Inc.

55 E. Monroe St., Chicago, Ill.
60606; 312-346-6400

	1982	1981
Premium volume	\$47,420,000	\$37,169,700
Gross rev.	\$4,502,900	\$3,646,400
Employees	NA	NA
Commercial lines	95%	95%

Parent company: Interstate National Corp.

Year founded: 1912.

Type of business: 80% brokerage; 12% underwriting manager; 8% managing general agent.

Type of markets: 40% admitted, 60% non-admitted, same as in 1981.

Underwriting manager for: CNA Insurance Cos., Illinois Liquor Liability, Lawyers Professional Liability of the Illinois Bar Assn.

MGA for: Lloyd's, Zurich American Insurance Co. of Illinois, Northbrook Excess & Surplus Insurance Co., Great Southwest Fire Insurance Co., Foremost Insurance Co., Illinois Employers Insurance Co. of Wausau.

Broker for: First State Insurance Co., International Surplus

Lines Insurance Co., Transport Indemnity Co., American International Group Inc., Illinois Employers Insurance Co. of Wausau, North Star Reinsurance Corp.

Principal officers: Donald E. Jeffers, president; John G. Graff, senior vp.

Branch offices: Atlanta; Boston; Chicago; Houston; Kansas City, Mo.; Los Angeles; Parsippany, N.J.; Philadelphia; San Francisco.

Membership: NAPSLO, AAMGA.

C

Cambridge General Agency

1825 Sacramento St., San Francisco, Calif. 94109;
415-441-8500

	1982	1981
Premium volume	\$17,000,000	\$17,154,000
Gross rev.	\$1,900,000	\$1,900,000
Employees	38	39
Commercial lines	50%	55%

Year founded: 1967.

Type of business: 80% managing general agent, 15% underwriting manager, 5% brokerage.

Type of markets: 70% admitted, 30% non-admitted in 1982. In 1981 67% admitted, 33% non-admitted.

Underwriting manager for: Ennia Insurance Co., Terra Nova Insurance Co., Excess Insurance Co.

MGA for: Great Southwest Fire Insurance Co., Empire Fire & Marine Insurance Co., Penn-America Insurance Co., Lloyd's, United National Insurance Co., Classified Insurance Corp., Scottsdale Insurance Co., Centaur Insurance Co., Dairyland Insurance Co.

Broker for: Primarily Great Southwest Fire Insurance Co., Mead Reinsurance Corp., Lloyd's, Classified Insurance Corp.

Specialties: Commercial auto, financial institutions, public entities, boats, difference-in-conditions policies.

Principal officers: A. Mason Blodgett, president; Wesley Luekens, secretary/treasurer; Ray Stocker, general manager.

Branch offices: Covina, Calif.
Membership: NAPSLO, AAMGA.

Cameron & Colby Co. Inc.

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

	1982	1981
Premium volume	\$209,800,000	\$207,900,000
Gross rev.	\$27,274,000*	NA
Employees	282	263
Commercial lines	98%	98%

*B1 estimate.

Parent company: Hartford Insurance Group.

Year founded: 1948.

Type of business: 99% underwriting manager, 1% brokerage.

Type of markets: 20% admitted, 80% non-admitted in 1982. In 1981 19% admitted, 81% non-admitted.

Underwriting manager for: First State Insurance Co., New England Reinsurance Corp.

Principal officers: Graves D. Hewitt, chief executive officer; Richard E. Wiley, chairman; Richard E. Stone, president; Chester A. Abbey, senior executive vp; Ralph J. Palmieri, executive vp.

Branch offices: Atlanta; Boston; Chicago; Los Angeles; New York; San Francisco.

Membership: NAPSLO.

Capacity Managers International Inc.

160 Water St., New York, N.Y.
10038; 212-344-5300

	1982	1981
Premium volume	\$55,200,000	\$52,700,000
Gross rev.	\$4,200,000	\$4,100,000
Employees	96	98
Commercial lines	100%	100%

Continued on facing page

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BI-S/83

Continued from facing page

Parent company: Ashford Holding Corp.

Year founded: 1975.

Type of business: 70% managing general agent, 30% brokerage.

Type of markets: 80% admitted, 20% non-admitted in 1982. In 1981 75% admitted, 25% non-admitted.

MGA for: Midland Insurance Co., Great Southwest Insurance Co., Dairyland Insurance Co., American Centennial Insurance Co.

Broker for: Primarily First State Insurance Co., Northbrook Excess & Surplus Insurance Co., Lexington Insurance Co., Transit Casualty Co.

Principal officers: Lee A. Orabona, president; George P. Dunn, John Sheeran, Samuel R. Salvo, Barry C. Yorston, vps.

Branch offices: Iselin, N.J.; Chicago; Boston.

Subsidiaries: MEGA Insurance Agency Inc. and Coverage Innovators Ltd.

Cochrane, Griffin & Co. Inc.

2663 Bel Red Road, Bellevue, Wash. 98007; 206-881-6616

	1982	1981
Premium volume	\$5,700,000	\$5,900,000
Gross rev.	\$684,000	\$808,000
Employees	14	14
Commercial lines	40%	40%

Year founded: 1959.

Type of business: 98% managing general agent, 2% brokerage.

Type of markets: 30% admitted, 70% non-admitted in 1982, same as in 1981.

MGA for: Early American Insurance Co., Western Preferred Casualty Co., Great Southwest Fire Insurance Co., Jefferson Insurance Co. of New York, Monticello Insurance Co., Bankers & Shippers Insurance Co., Puritan Insurance Co., Elite Insurance Co., Unigard Insurance Co., Canal Insurance Co.

Broker for: Shand, Morahan & Co. Inc., Hudson Insurance Co., Skandia Insurance Co., Scor Reinsurance Co.

Principal officers: Evan E. Cochrane, Tom Cochrane, L.D. Wertz, Marie Sherk, John C. Griffin.

Branch offices: Spokane, Wash.

Compass Insurance Group of Agencies

805 Fairmount Ave., Glendale, Calif. 91203; 213-507-1980

	1982	1981
Premium volume	\$2,200,000	\$1,800,000
Gross rev.	\$410,000	\$240,000
Employees	4	4
Commercial lines	60%	60%

Year founded: 1973.

Type of business: 80% managing general agent, 20% brokerage.

Type of markets: 80% admitted, 20% non-admitted in 1982, same as 1981.

MGA for: Great Southwest Fire Insurance Co., Dairyland Insurance Co., Scottsdale Insurance Co., Fremont Indemnity Co.

Broker for: Great Southwest Fire Insurance Co., Dairyland Insurance Co., Scottsdale Insurance Co., Fremont Indemnity Co.

Principal officers: Harry W. Gorst, president; Donald J. Penniall, executive vp; Phillip Rathbun, vp; Robert C. Blackwell, secretary/treasurer.

Membership: NAPSLO.

Consolidated Underwriters Inc.

650 E. North Belt, Suite 200, Houston, Texas 77060; 713-999-2846

	1982	1981
Premium volume	\$15,000,000	\$10,500,000
Gross rev.	\$1,875,000*	NA
Employees	18	4
Commercial lines	100%	100%

*BI estimate.

Year founded: 1980.

Type of business: 50% under-

writing manager, 47% managing general agent, 3% brokerage.

Type of markets: 95% admitted, 5% non-admitted in 1982, same as 1981.

Underwriting manager for: Various companies.

MGA for: American International Group Inc., Great American Insurance Co., Ahmanson Group.

Broker for: Various companies.

Specialties: Risk management, admitted and non-admitted insurers.

Principal officers: Marvin Lessmann, president; Don Robison, vp-finance; Steve Rubin, vp-underwriting; Don Cook, marketing director.

Continental Underwriters Ltd.

419 Decatur St., Suite 301, New Orleans, La. 70130; 504-581-7493

	1982	1981
Premium volume	NA	NA
Gross rev.	\$1,304,269	\$1,009,380
Employees	7	6
Commercial lines	NA	NA

Year founded: 1971.

Type of business: Underwriting manager, managing general agent, broker.

Underwriting manager for: American Fidelity Insurance Co.

MGA for: American Fidelity Insurance Co., Lloyd's.

Broker for: American Fidelity Insurance Co., Lloyd's.

Principal officers: H. Elder Brown, president; H. Elder Brown Jr., vp.

Coplen General Insurance Agency Inc.

100 N. Winchester Blvd., San Jose, Calif. 95128; 408-248-0925

	1982	1981
Premium volume	\$2,300,000	\$2,456,000
Gross rev.	\$370,000	\$376,000
Employees	8	8
Commercial lines	60%	50%

Year founded: 1964.

Type of business: 100% managing general agent.

Type of markets: 85% admitted, 15% non-admitted in 1982, same as 1981.

MGA for: Great Falls Insurance Co., Classified Insurance Co., Sutter Insurance Co., Newport Insurance Co., Great Southwest Fire Insurance Co.

Principal officers: Robert Coplen, president; Louis T. Mastos, chairman; Curtis Spradley, executive vp; Thomas Gowing, marketing vp; Susan Kane, assistant vp; Andre Beels, secretary/treasurer.

Membership: NAPLSO, AAMGA.

Corsow Special Risks Inc.

P.O. Box 60812, Houston, Texas 77205; 713-931-7660

	1982	1981
Premium volume	\$4,100,000	\$4,000,000
Gross rev.	\$471,000*	NA
Employees	8	8
Commercial lines	90%	90%

*BI estimate.

Year founded: 1974.

Type of business: 60% managing general agent, 40% brokerage.

Type of markets: 10% admitted, 90% non-admitted in 1982, same as 1981.

MGA for: NATESCO General Agency, Northbrook Excess & Surplus Insurance Co., American Risk Assurance Co., Lloyd's.

Principal officers: L.M. Corsow, president; J. Oscar Penez, vp.

Membership: NAPSLO.

Corvette General Agency Inc.

70 Fourth St. N.W., Atlanta, Ga. 30308; 404-881-0911

	1982	1981
Premium volume	\$2,322,696	\$2,337,716
Gross rev.	\$301,000*	NA
Employees	10	10
Commercial lines	NA	NA

*BI estimate.

Type of business: 100% managing general agent.

Type of markets: 100% admitted in 1982, same as 1981.

MGA for: American Modern Home Insurance Co., American Family Home Insurance Co., Foremost Insurance Co., Thomas Jefferson Insurance Co., Balboa Insurance Co., National American Insurance Co. of New York, Bankers & Shippers Insurance Co. of New York, S&H Insurance Co., Puritan Insurance Co.

Principal officers: Theo Corvette, president; Lois F. Phillips, Robert L. Kohrman, vps.

Membership: AAMGA.

Cox Insurance Group Inc.

3711 E. Southport Road, Indianapolis, Ind. 46142; 317-887-0030

	1982	1981
Premium volume	\$6,000,000	\$2,000,000
Gross rev.	\$800,000*	NA
Employees	14	10
Commercial lines	100%	100%

*BI estimate.

Year founded: 1981.

Type of business: 100% brokerage.

Type of markets: 2% admitted, 98% non-admitted in 1982. In 1981 100% admitted.

Underwriting manager for: Lloyd's.

Broker for: Lloyd's.

Principal officers: Raybon E. Cox, president.

Cravens, Dargan & Co. of Houston

P.O. Box 1660, Houston, Texas 77251; 713-525-6100

	1982	1981
Premium volume	\$70,000,000	\$68,000,000
Gross rev.	\$5,600,000*	\$5,440,000*
Employees	141	155
Commercial lines	90%	90%

*BI estimate.

Year founded: 1930.

Type of business: 80% managing general agent, 20% brokerage.

Type of markets: 80% admitted, 20% non-admitted in 1982 same as 1981.

MGA and broker for: Representing Republic Insurance Group of Dallas, leading admitted and non-admitted companies, as well as underwriters at Lloyd's.

Specialties: Oil, marine, umbrella professional, aviation.

Principal officers: Malcolm Cravens, chairman; James Cravens Jr., president; J.A. Howse, executive vp.

Branch offices: Atlanta; Denver; Dallas; San Antonio, Lubbock, El Paso, Texas.

Subsidiaries: Planned Premium Services; Cravens, Dargan, Bermuda; Cravens, Dargan International; Cravens, Dargan Insurance Co. (Bermuda).



Will Darrah & Associates Inc.

48th Ave. Executive Park, Myrtle Beach, S.C. 29577; 803-449-0411

	1982	1981
Premium volume	\$33,000,000	\$22,250,000
Gross rev.	\$3,087,000	\$1,700,000
Employees	80	60
Commercial lines	100%	100%

Year founded: 1976.

Type of business: 85% underwriting manager, 10% managing general agent, 5% brokerage.

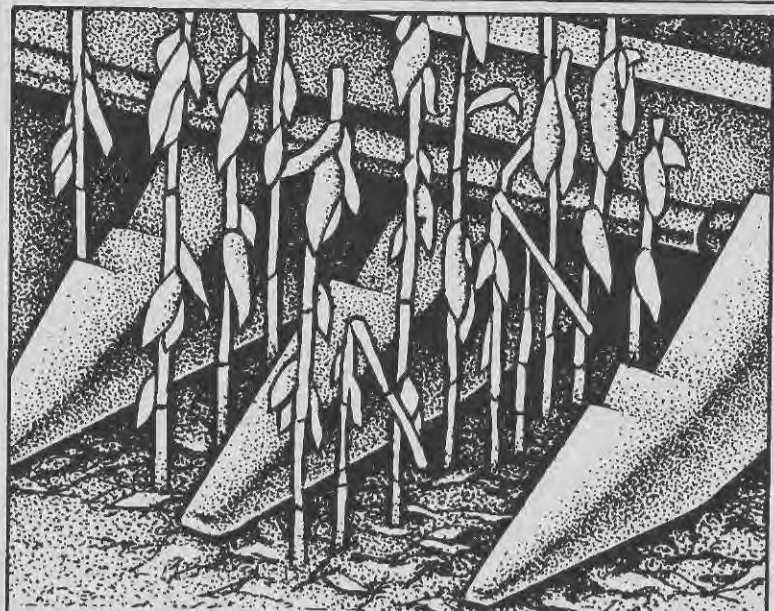
Type of markets: 67% admitted, 33% non-admitted in 1982. In 1981 20% admitted, 80% non-admitted.

Underwriting manager for: Forum Insurance Co., Lloyd's.

MGA for: North Star Reinsurance Corp.

Broker for: Primarily American Centennial Insurance Co., First State Insurance Co.

Continued on next page



The Case of the Collapsing Cornpicker

The lawsuit was unusually complex. A self-propelled threshing machine had collapsed while its corn header was being bolted on. The injuries were fatal.

Why did the machine collapse? Was the product misused? Did the manufacturer use reasonable foresight in designing the machine? Were warnings posted properly? Countrywide investigators amassed facts, secured expert testimony, and researched competitive products. They discovered all warnings and safety features had been bypassed and that the product reflected the latest technology. The case was won.

Details have been disguised to protect the confidentiality of our client. But this case typifies our claims management work for major self-insured manufacturers throughout America and abroad. Unlike insurance investigators, we are not settlement oriented. Our primary concern is to help you defend the integrity of your product.

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Bermuda (809) 295-3009/Connecticut (203) 226-8116

Continued from previous page.

Specialties: Commercial transportation, truck insurance.

Principal officers: W.H. Darrah, chairman/president; Carmine Fiore, executive vp; Tim Darrah, vp.

Branch offices: Phoenix, Ariz.; New York; Fort Dodge, Iowa; Charleston, S.C.

Subsidiaries: Gulf Stream Underwriters Inc.

Membership: NAPSLO.

Delaware Valley Underwriting Agency Ltd.

420 S. York Road, Hatboro, Pa. 19040; 215-443-3500

	1982	1981
Premium volume	\$48,200,000	\$49,900,000
Gross rev.	\$4,460,000	\$4,600,000
Employees	104	138
Commercial lines	98%	96%

Parent company: Penn Independent Associates Inc.

Year founded: 1947.

Type of business: 56% managing general agent, 44% brokerage.

Type of markets: 66% admitted, 34% non-admitted in 1982, same as 1981.

MGA for: National Indemnity Co., Western World Insurance Co., Penn American Insurance Co., Integrity Insurance Co. and Lloyd's.

Broker for: More than 60 companies.

Specialties: Umbrella, general liability, products, long-haul trucking, major property and casualty risks.

Principal officers: Irvin Saltzman, president; Charles Ellman, Robert Cohen, Charles Conway, senior vps; Leroy S. Ellman, corporate secretary/senior vp; Wade L. Hoffman, treasurer.

Branch offices: Pittsburgh; New York; West Orange, N.J.; Cleveland; Charleston, W.Va.

Subsidiaries: DVUA of New York Inc., DVUA of New Jersey Inc., DVUA of Ohio Inc., DVUA of West Virginia Inc.

Membership: NAPSLO, AAMGA.

Doran Excess Underwriters Inc.

P.O. Box 317, Mechanicsburg, Pa. 17055; 717-697-4626

	1982	1981
Premium volume	\$4,145,000	\$3,643,000
Gross rev.	\$539,000*	NA
Employees	9	10
Commercial lines	100%	100%

*BI estimate.

Parent company: Doranco Inc.

Year founded: 1975.

Type of business: Underwriting manager.

Type of markets: 100% non-admitted in 1982 same as 1981.

Underwriting manager for: United National Insurance Co., American Continental Insurance Co.

Specialties: Umbrella and excess liability.

Principal officers: William L. Doran, president; Donna DiGirolamo, president-Doranco West; Ronald Gitlitt, vp-Dorex Data Services Inc.; Yvonne Baughman, corporate secretary.

Branch offices: Oakland, Calif.

Subsidiaries: Dorex Data Services Inc.

Membership: NAPSLO.

Dryden & Co. Inc.

P.O. Box 999, 1 Main St., Chatham, N.J. 07928; 201-635-1200

	1982	1981
Premium volume	\$28,500,000	\$25,000,000
Gross rev.	\$3,000,000	\$2,500,000
Employees	65	55
Commercial lines	100%	100%

Parent company: Prudential Reinsurance Co.

Year founded: 1978.

Type of business: 100% underwriting manager.

Type of markets: 5% admitted, 95% non-admitted in 1982. In 1981 2% admitted, 98% non-admitted.

Underwriting manager for: Gibraltar Casualty Co.

Principal officers: Paul B. Ingre, president; Roger J. Consolla, vp; Freeman H. Bowers, Andy J. Szulc, assistant vps.

Branch offices: Walnut Creek, Calif.; Dallas.

Membership: NAPSLO.

E

E & S Agency of Florida Inc.

1035 S. Florida Ave., P.O. Box 2441, Lakeland, Fla. 33803; 813-688-5048

	1982	1981
Premium volume	\$1,200,000	\$850,000
Gross rev.	\$130,000	\$95,000
Employees	4	4
Commercial lines	100%	100%

Year founded: 1979.

Type of business: Managing general agent.

Type of markets: 60% admitted, 40% non-admitted in 1982, same as 1981.

Underwriting manager for: Alliance Insurance Co., Lloyd's, Lincoln Insurance Co.

MGA for: Alliance Insurance Co., Lloyd's, Lincoln Insurance Co., Excalibur Insurance Co., Fireman's Fund Insurance Cos.

Specialties: Commercial land, aviation, sea transportation.

Principal officer: Clyde J. Holiday III, president.

Membership: NAPSLO.

E & S Facilities Inc.

Building 10, Suite 102, Office Park Circle, Birmingham, Ala. 35225; 205-879-9340

	1982	1981
Premium volume	\$17,500,000	\$1,500,000
Gross rev.	\$1,600,000	\$648,542
Employees	25	12
Commercial lines	100%	100%

Year founded: 1975.

Type of business: 65% brokerage, 35% managing general agent.

Type of markets: 48% admitted, 52% non-admitted in 1982. In 1981 45% admitted, 55% non-admitted.

MGA for: Employers National Insurance Co., Admiral Insurance Co., Unigard Indemnity Co., American Special Risks Insurance Co., Canal Insurance Co., Safety Mutual Casualty Co., Balboa Insurance Co., Home Insurance Co.

Broker for: Primarily First State Insurance Co., Unigard Insurance Co., Safety Mutual Casualty Corp., Bellefonte Re Insurance Co., Central National Insurance Co., In-

urance Co. of North America, Fireman's Fund Insurance Cos., Ranger Insurance Co., Chubb Custom Insurance Co., Integrity Insurance Co.

Specialties: Excess casualty and property coverage.

Principal officers: Don J. Pate, president; Charles Garrison, executive vp.

Membership: NAPSLO.

Excess & Surplus Lines Insurance Brokers Inc.

13848 Ventura Blvd., Suite A, Sherman Oaks, Calif. 91423; 213-872-3800

	1982	1981
Premium volume	\$6,000,000	\$5,000,000
Gross rev.	\$480,000	\$398,000
Employees	10	10
Commercial lines	100%	100%

Year founded: 1975.

Type of business: 90% brokerage, 10% managing general agent.

Type of markets: 88% admitted, 22% non-admitted in 1982. In 1981, 80% admitted, 20% non-admitted.

MGA for: Great American Surplus Lines Insurance Co., Zurich-American Insurance Co. of Illinois.

Broker for: Primarily Hudson Insurance Co., Transport Indemnity Co., Lincoln Insurance Co., Associated International Insurance Co.

Specialties: Difference-in-conditions including earthquake and flood.

Principal officers: Douglas DeLano, chairman/vp/secretary; Jerry C. Boyer, president/treasurer.

Membership: NAPSLO.

F

J.H. Ferguson & Associates Inc.

500 Davis St., Evanston, Ill. 60201; 312-866-0260

	1982	1981
Premium volume	\$31,900,000	\$22,000,000
Gross rev.	\$3,000,000	\$2,860,000*
Employees	50	35
Commercial lines	75%	75%

*BI estimate.

Year founded: 1979.

Type of business: 100% underwriting manager.

Type of markets: 45% admitted, 55% non-admitted in 1982, same as 1981.

Underwriting manager for: Northbrook Excess & Surplus Insurance Co., Northbrook Indemnity Co.

Principal officers: James H. Ferguson, president; Jack Cessna, senior vp; Thomas Clark, marketing vp; William Scherr, financial vp.

Membership: NAPSLO.

Firemark International Surplus Lines Brokers

330 Washington St., Marina Del Rey, Calif. 90291; 213-822-3330

	1982	1981
Premium volume	\$1,009,000	\$992,000
Gross rev.	\$101,000	\$82,500
Employees	3	4
Commercial lines	100%	100%

Year founded: 1981.

Type of business: 65% brokerage, 35% managing general agent.

Type of markets: 65% admitted, 35% non-admitted in 1982. In 1981, 50% admitted, 50% non-admitted.

MGA for: Unigard Indemnity Co., Comstock Insurance Co., Lloyd's.

Broker for: Primarily Lloyd's; First State Insurance Co.; Chubb Custom Insurance Co.; Covenant Mutual Insurance Co.; RLI Insurance Co.; Associated International Insurance Co.; Midland Insurance Co.; Mutual Fire, Marine & Inland Insurance Co.

Continued on facing page

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Telex 794-977

Texas Production Offices:
Abilene, El Paso and San Antonio
Southern Surplus Agency
San Augustine, TX 1-800-392-6499

Southern Underwriting Managers, Inc.
Arlington, TX (817) 640-9901
Hunter & Associates of Louisiana
Harahan, LA (504) 733-4141
Hunter & Associates of Oklahoma
Oklahoma City, OK (405) 236-1432
Southern Underwriting Managers of Florida, Inc.
Boca Raton, FL 1-800-432-0843
Clearwater, FL (813) 535-0338
Northeast Risk Insurers, Inc.
Marlton, NJ (609) 596-2108

Continued from facing page

Specialties: Umbrellas, professional liability, directors and officers liability, property, products, packages.

Principal officers: Charles M. Wright, president; Debra C. Newmark, vp; Preston Zillgitt, secretary/treasurer.

First National Insurance & Reinsurance Agency

118 W. Fulton St., Celina, Ohio
45822; 419-586-1694

	1982	1981
Premium volume	\$7,200,000	\$6,800,000
Gross rev.	\$455,000	\$316,000
Employees	6	7
Commercial lines	40%	20%

Parent company: First Ohio Financial Corp.

Year founded: 1965.

Type of business: 70% underwriting manager, 20% managing general agent, 10% brokerage.

Type of markets: 60% admitted, 40% non-admitted in 1982. In 1981 40% admitted, 60% non-admitted.

Underwriting manager for: Republic Mutual Insurance Co.

MGA for: Great American Surplus Lines Insurance Co., St. Paul Surplus Lines Insurance Co., Mt. Hawley Insurance Co., Lloyd's.

Broker for: Northwestern National Insurance Co., Royal Insurance Co. of America.

Principal officers: Theodore K. Knott, president.

Branch offices: Clarksburg, W.Va.; Grand Rapids, Mich.; Indianapolis; Peoria, Ill.

Membership: NAPSLO.

First Ohio Financial Corp.

118 W. Fulton St., Celina, Ohio
45822; 419-586-5181

	1982	1981
Premium volume	\$6,800,000	\$6,200,000
Gross rev.	\$816,000*	\$806,000*
Employees	6	7
Commercial lines	40%	NA

*BI estimate

Parent company: Celina Financial Corp.

Year founded: 1978.

Type of business: 80% managing general agent, 15% brokerage, 5% underwriting manager.

Type of markets: In 1982 40% admitted, 60% non-admitted, same as 1981.

Underwriting manager for: Great American Surplus Lines Insurance Co., Republic Mutual Insurance Co., Mt. Hawley Insurance Co., St. Paul Surplus Lines Insurance Co., American Modern Home Insurance Co.

MGA for: Great American Surplus Lines Insurance Co., Republic Mutual Insurance Co., Mt. Hawley Insurance Co., St. Paul Surplus Lines Insurance Co., American Modern Home Insurance Co.

Broker for: Primarily Republic Mutual Insurance Co., Lloyd's.

Specialties: Non-standard auto, high-value property.

Principal officers: D.W. Montgomery, chairman; Theodore K. Knott, president; Larry Wagner, vp-finance/treasurer; Leon Hanni, secretary.

Branch offices: Grand Rapids, Mich.; Clarksburg, W.Va.; Indianapolis; Peoria, Ill.; Celina, Ohio.

Membership: NAPSLO.

Arnold J. Flegenheimer Inc.

125 Mineola Ave., Box 1367, Roslyn Heights, N.Y. 11577; 516-621-4115

	1982	1981
Premium volume	\$1,750,000	\$2,000,000
Gross rev.	\$200,000	\$240,000
Employees	4	4
Commercial lines	90%	90%

Year founded: 1947.

Type of business: 75% brokerage, 25% managing general agent.

Type of markets: 85% admitted, 15% non-admitted in 1982. In 1981 70% admitted, 30% non-admitted.

Underwriting manager for: United States Liability Insurance Co.

Broker for: Employers Reinsurance Corp., American Centennial Insurance Co., Mutual Fire, Marine & Inland Insurance Co.

Principal officers: Arnold J. Flegenheimer, president; Amalie M. Flegenheimer, secretary/treasurer.

Florida Risk Managers

1900 Biscayne Blvd., Miami, Fla.
33132; 305-573-1311

	1982	1981
Premium volume	\$1,473,000	\$1,274,000
Gross rev.	\$115,000	\$88,000
Employees	4	2
Commercial lines	82%	76%

Year founded: 1977.

Type of business: 72% brokerage, 28% managing general agent.

Type of markets: 29% admitted, 71% non-admitted in 1982. In 1981 17% admitted, 83% non-admitted.

MGA for: Lloyd's, Unionamerica, Terra Nova Insurance Co., Penn-America Insurance Co., Chicago Insurance Co., Interstate Fire & Casualty Co.

Broker for: Primarily Insurance Co. of North America; First State Insurance Co.; International Surplus Lines Insurance Co.; New England Reinsurance Corp.; South Carolina Insurance Co.; Fire & Casualty Insurance Co. of Conn.; Lloyd's; Shand, Morahan & Co.

Specialties: Architects & engineers professional liability, truckers coverage.

Principal officers: George Bahm, president; Lorraine Kerrigan, assistant secretary/underwriter.

Membership: NAPSLO.



Elton George & Co.

P.O. Box 28296, San Antonio, Texas
78228; 512-734-7751

	1982	1981
Premium volume	\$10,400,000	\$7,500,000
Gross rev.	\$1,300,000*	NA
Employees	57	44
Commercial lines	40%	49%

*BI estimate.

Year founded: 1973.

Type of business: 79% managing general agent, 16% underwriting manager, 5% brokerage.

Type of markets: 74% admitted, 26% non-admitted in 1982. In 1981 65% admitted, 35% non-admitted.

Underwriting manager for: Western Fire & Casualty Insurance Co. Ltd.

MGA for: Empire Fire & Marine Insurance Co., Penn-America Insurance Co., Lloyd's, Terra Nova Insurance Co., Ennia Reinsurance Co. of America, MOAC, Comstock Insurance Co., Credit General Insurance Co.

Broker for: Interstate Insurance Co., Chicago Insurance Co., First State Insurance Co., Evanston Insurance Co., International Surplus Lines Insurance Co., American Bankers Insurance Co. of Florida, Delta Lloyd's Insurance Co., Illinois Union Insurance Co.

Principal officers: Elton George, managing partner; Mike Ashner, underwriting manager; Bill Drawert, marketing manager; Linda Gray, personal lines manager; Rose Elizonda, commercial auto manager; Flora Sistos, commercial property/casualty manager; Gary Smith, claims manager.

Subsidiaries: A A M G A, NAPSLO.

Global Facilities Inc.

200 Sunrise Highway, Rockville Centre, N.Y. 11570; 516-678-5353

	1982	1981
Premium volume	\$2,650,000	\$2,200,000
Gross rev.	\$318,000*	NA
Employees	4	4
Commercial lines	98%	98%

*BI estimate.

Year founded: 1977.

Type of business: 80% managing

general agent, 20% brokerage.

Type of markets: 95% admitted, 5% non-admitted in 1982. In 1981 85% admitted, 15% non-admitted.

MGA for: Western World Insurance Co Inc., Union Indemnity Insurance Co. of New York, New York Merchant Bakers Mutual Fire Insurance Co., National Union Fire Insurance Co., Investors Insurance Co. of America, Massachusetts Plate Glass Insurance Co., Central State Insurance Co., Nassau Insurance Co.

Broker for: Interstate National Insurance Co., Mission Insurance Co., Fireman's Fund Insurance Cos., Home Insurance Co., Landmark Insurance Co., Chubb Custom Insurance Co., New England Reinsurance Corp., International Insurance Co.

Principal officers: Robert Shapiro, president; Sheldon Bagatell, vp/underwriting manager.

Global Surplus Insurance Services Inc.

3325 Wilshire Blvd., Suite 602, Los Angeles, Calif. 90010; 213-386-1200

	1982	1981
Premium volume	\$42,000,000	\$30,000,000
Gross rev.	\$5,250,000*	NA
Employees	40	18
Commercial lines	100%	100%

*BI estimate.

Continued on next page

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Continued from previous page

Type of business: 90% underwriting manager, 10% brokerage.

Type of markets: 95% admitted, 5% non-admitted in 1982. In 1981 90% admitted, 10% non-admitted.

MGA for: Protective National Insurance Co. of Omaha, Safety Mutual Insurance Co., American Special Risk Insurance Co.

Broker for: Primarily Protective National Insurance Co. of Omaha.

Branch offices: Seattle, Chicago.

Principal officers: Henry J. Assad, president; James F. McFarland, executive vp; David R. Har-toch, senior vp; Cris Rebullida, Donald R. Jacobsen, vps; Beatrice R. Best, secretary/treasurer.

Membership: NAPSLO.

Harry W. Gorst Co. Inc.

805 Fairmont Ave., Glendale, Calif. 90048; 213-507-0900

	1982	1981
Premium volume	\$11,000,000	\$8,500,000
Gross rev.	\$750,000	\$600,000
Employees	21	17
Commercial lines	20%	20%

Year founded: 1968.

Type of business: 70% underwriting manager, 20% managing general agent, 10% brokerage.

Type of markets: 15% admitted, 85% non-admitted in 1982, same as 1981.

Underwriting manager for: English & American Insurance Co. Ltd., Excess Insurance Co. Ltd., Terra Nova Insurance Co., Bishopsgate Insurance Co. Ltd., Yasuda Insurance Co., Dominion Insurance Co., Unionamerica Insurance Co., Stronghold Insurance Co., British National Life Insurance Society Ltd., St. Katherine Insurance Co., River Thames Insurance Co., Sumitomo Insurance Co.

MGA for: English & American Insurance Co. Ltd., Excess Insurance Co. Ltd., Terra Nova Insurance Co., Bishopsgate Insurance Co. Ltd., Yasuda Insurance Co., Dominion Insurance Co. Ltd., Unionamerica Insurance Co., Stronghold Insurance Co., British National Life Insurance Society Ltd., St. Katherine Insurance Co., River Thames Insurance Co., Sumitomo Insurance Co.

Broker for: Primarily English & American Insurance Co. Ltd., Excess Insurance Co. Ltd., Terra Nova Insurance Co. Ltd., Yasuda Insurance Co., Dominion Insurance Co. Ltd., Unionamerica Insurance Co., Stronghold Insurance Co., British National Life Insurance Society Ltd., St. Katherine Insurance Co., River Thames Insurance Co., Sumitomo Insurance Co.

Principal officers: Harry W. Gorst, president; Michael Heagerty, William A. Lemon, Leighton R. Cairns, vps; Robert C. Blackwell, secretary/treasurer.

Membership: NAPSLO.

Greenwich American Underwriters Inc.

Box 1463, Hendersonville, Tenn. 37075; 615-824-5063

	1982	1981
Premium volume	\$2,800,000	\$800,000
Gross rev.	\$280,000	\$80,000
Employees	10	4
Commercial lines	95%	95%

Year founded: 1981.

Parent company: Ingram Corp.
Type of business: 60% managing general agent, 20% brokerage, 20% underwriting manager.

Type of markets: 60% admitted, 40% non-admitted in 1982, same as 1981.

Underwriting manager for: Terra Nova Insurance Co., Sover-

eign Marine & General Insurance Co., English & American Insurance Co. Ltd., Lloyd's.

MGA for: Integrity Insurance Co., Alliance Insurance Co., Early American Insurance Co., Integon General Insurance Corp.

Broker for: First State Insurance Co., Lexington Insurance Co., Stonewall Insurance Co., Reliance Insurance Co., Crum & Forster, Insurance Co. of North America, Aetna Insurance Co.

Principal officers: James W. Edwards, president; Fran Birdwell, vp/operations manager; May Bell, vp.

Membership: NAPSLO.



H & W Insurance Services

6700 Fallbrook Ave., Suite 221, Canoga Park, Calif. 91307; 213-716-9300

	1982	1981
Premium volume	\$25,261,496	\$30,423,759
Gross rev.	\$5,231,726	\$5,886,097
Employees	59	65
Commercial lines	98%	99%

Parent company: The Continental Group.

Year founded: 1975.

Type of business: 80% brokerage, 20% managing general agent.

Type of markets: 40% admitted, 60% non-admitted in 1982. In 1981 25% admitted, 75% non-admitted.

MGA for: Ambassador Insurance Co., Western Employers Insurance Co.

Broker for: Admiral Insurance Co., Ambassador Insurance Co., First State Insurance Co., Interstate National Insurance Co.

Principal officers: Joseph F. Weckerle, president/chairman; John J. Francis, Paul E. McCarthy, executive vps; Donald M. Morgan, vp.

Branch offices: Encino, Santa Ana, San Francisco, Calif.; Cherry Hill, Parsippany, N.J.; Marietta, Ga.

Membership: NAPSLO.

H & W Underwriters (Agency) Inc.

8900 State Line Road, Suite 250, Leawood, Kan. 66206; 913-642-8280

	1982	1981
Premium volume	\$3,100,000	\$2,900,000
Gross rev.	\$550,000	\$510,000
Employees	8	9
Commercial lines	100%	100%

Parent company: Neil R. Poupirt Inc.

Year founded: 1958.

Type of business: 90% managing general agent, 10% brokerage.

Type of markets: 40% admitted, 60% non-admitted in 1982. In 1981 30% admitted, 70% non-admitted.

MGA for: Lloyd's.
Specialties: Association professional liability, E&O coverage, labor union E&O, taxicab liability and physical damage.

Principal officers: Neil R. Poupirt, president.

Membership: NAPSLO.

L.E. Harris Agency Inc.

1353 Holton Lane, P.O. Box 3889, Langley Park, Md.; 301-439-4700

	1982	1981
Premium volume	\$6,445,000	\$6,144,120
Gross rev.	\$509,155	\$479,458
Employees	17	19
Commercial lines	99%	99%

Year founded: 1922.

Type of business: 70% managing general agent, 20% brokerage, 10% underwriting manager.

Type of markets: 35% admitted, 65% non-admitted in 1982. In 1981 30% admitted, 70% non-admitted.

Underwriting manager for: North East Insurance Co., Lloyd's.

MGA for: Jefferson Insurance Co. of New York, National Indemnity Insurance Co., U.S. Liability Insurance Co., Penn America In-

sureance Co., Admiral Insurance Co., Paxton National Insurance Co., Alliance Insurance Co., Lloyd's.

Specialties: All types of property, commercial auto, miscellaneous E&O and D&O.

Principal officers: David A. Riffert, president; Gerard M. Roventini, underwriting vp.

Membership: NAPSLO, AAMGA.

Horan, Goldman Cos. Inc.

2 Bryn Mawr Ave., Bryn Mawr, Pa. 19010; 215-527-4400

	1982	1981
Premium volume	\$17,275,000	\$14,100,000
Gross rev.	\$2,138,000	\$1,763,000
Employees	49	40
Commercial lines	80%	85%

Year founded: 1964.

Type of business: 60% managing general agent, 30% brokerage, 10% underwriting manager.

Type of markets: 70% admitted, 30% non-admitted in 1982. In 1981 60% admitted, 40% non-admitted.

Underwriting manager for: Jefferson Insurance Co.

MGA for: Admiral Insurance Co., California Union Insurance Co., Great American Surplus Lines Insurance Co., Jefferson Insurance Co. of New York, Monticello Insurance Co., U.S. Liability Insurance Co., U.S. Underwriters Insurance Co., National Indemnity Co., National Fire & Marine Insurance Co., Rockwood Insurance Co., St. Paul Surplus Lines Insurance Co., Lloyd's, Mt. Vernon Fire Insurance Co.

Broker for: Various companies.

Principal officers: William Goldman, president; Christina M. Madden, secretary; Mary Marines, Stanley Pustilnick, John W. McCabe, Sally McCosker, Harry J. Landers, Mark Smith, vps.

Branch offices: Bryn Mawr, Pa.; Cherry Hill, N.J.; Columbia, Md.; Concord, N.H.; New York.

Subsidiaries: H.G. Managers Inc., R.C. Blumberg Inc., Blumberg & Glickman Inc.

Membership: AAMGA, NAPSLO.

Alexander Howden Insurance Services Inc.

1705 Commerce Drive N.W., Atlanta, Ga. 30318; 404-351-5880

	1982	1981
Premium volume	\$79,200,000	\$100,000,000
Gross rev.	\$9,108,000*	\$10,000,000
Employees	147	165
Commercial lines	100%	NA

*-BI estimate.

Parent company: Alexander Howden Group U.S.

Year founded: 1981.

Type of business: 60% managing general agent, 40% brokerage.

Type of markets: 60% admitted, 40% non-admitted in 1982.

MGA for: Integrity Insurance Co., Atlanta International Insurance Co., Dependable Insurance Co., International Surplus Lines Insurance Co., First State Insurance Co., Great Southwest Fire Insurance Co.

Broker for: Admiral Insurance Co., J.H. Ferguson & Associates Inc., Interstate Insurance Co., Chicago Insurance Co., Illinois Employers of Wausau Insurance Co., Shand, Morahan & Co., L.W. Biegler Inc., Covenant Insurance Co.

Specialties: Long-haul trucking, umbrella liability, environmental impairment, vendors single interest and mortgage impairment.

Principal officers: Dave Wolf Jr., president; Robert B. Clay, executive vp.

Branch offices: Atlanta; Boston; Columbia, Md.; Cranford, Livingston, N.J.; Dallas; Independence, Ohio; Newport Beach, Calif.; Portland, Ore.; Seattle; King of Prussia, Pa.

Membership: NAPSLO, AAMGA.

Gordon Hoyt Associates Inc.

4 Landmark Square, Stamford, Conn. 06901; 203-348-8555

	1982	1981
Premium volume	\$5,400,000	\$4,600,000
Gross rev.	\$702,000*	NA
Employees	14	10
Commercial lines	100%	90%

*-BI estimate.

Year founded: 1978.

Type of business: Underwriting manager.

Type of markets: 35% admitted, 65% non-admitted in 1982. In 1981 30% admitted, 70% non-admitted.

Underwriting manager for: Mutual Fire, Marine & Inland Insurance Co.

Principal officers: Gordon J. Hoyt, president; Joseph E. Phelan, vp-underwriting; Raymond C. Connors, vp-marketing.

Branch offices: Boston; West Hartford, Conn.

Subsidiaries: Yankee General Insurance Agency; Smith-Hoyt & Associates Inc.

Membership: NAPSLO.

Jack D. Hunter & Associates

2415 Ave. J., Suite 100, Box 5703, Arlington, Texas 76011; 817-640-9901

	1982	1981
Premium volume	\$7,750,000	\$5,600,000
Gross rev.	\$930,000*	NA
Employees	22	18
Commercial lines	95%	90%

*-BI estimate.

Year founded: 1980.

Type of business: 85% managing general agent, 15% brokerage.

Type of markets: 75% admitted, 25% non-admitted in 1982. In 1981 50% admitted, 50% non-admitted.

MGA for: Balboa Insurance Co., Newport Insurance Co., General Agents Insurance Co. of America Inc., Acceptance Insurance Co., North East Insurance Co., Ennia Reinsurance Co. of America, American Colonial Insurance Co., Lloyd's, Southern Insurance Co.

Broker for: Ambassador Insurance Co., Angelina Casualty Co., Mentor Insurance Co. Ltd., Fireman's Fund Insurance Cos., Insurance Co. of North America, Lexington Insurance Co., American International Group Inc.

Specialties: Garage liability, directors and officers, taxicab & leasing, hole in one, general liability for welders, truck liability and physical damage.

Principal officers: Jack D. Hunter, owner; Ken King, underwriting manager; Wendy Wilson, brokerage manager; Jay Baggett, property manager.

Branch offices: San Antonio, Abilene, El Paso, Texas; Oklahoma City, Okla.; Harahan, La.

Huycke General Agency

508 W. Sixth Ave., Anchorage, Alaska 99501; 907-276-5333

	1982	1981
Premium volume	\$1,332,000	\$1,289,000
Gross rev.	\$88,870	\$118,500
Employees	3	4
Commercial lines	50%	33%

Year founded: 1976.

Type of business: 98% managing general agent, 2% brokerage.

Type of markets: 83% admitted, 17% non-admitted in 1982. In 1981 75% admitted, 25% non-admitted.

MGA for: American Family Home Insurance Co., Continental Insurance Co., Great Southwest Fire Insurance Co., Ennia Reinsurance Co. of America, Excess Insurance Co. Ltd., Jefferson Insurance Co. of New York, National Indemnity Co., Lloyd's.

Principal officer: Peter C. Huycke, owner.

Membership: AAMGA.

Continued on facing page

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ADMIRAL INSURANCE COMPANY

Surplus Lines Division of the W. R. Berkley Corporation

I

I.S.C. Special Risks Inc.

Suite 201, 4663 Haygood Road, Virginia Beach, Va. 23455; 804-460-1104

	1982	1981
Premium volume.	\$3,434,000	\$2,139,223
Gross rev.	\$905,000	\$257,188
Employees	5	6
Commercial lines.	30%	30%

Year founded: 1971.

Type of business: 80% managing general agent, 20% brokerage.

Type of markets: 70% admitted, 30% non-admitted in 1982. In 1981 40% admitted, 60% non-admitted.

MGA for: United National Insurance Co., Penn-America Insurance Co., Imperial Casualty & Indemnity Co., Bankers & Shippers Insurance Co., Windsor/Mt. Joy Mutual Insurance Co., Puritan Insurance Co., Northland Insurance Co., American Bankers Insurance Co.

Broker for: Employers Reinsurance Co., Paxton National Insurance Co., Eastern Shore of Virginia Fire Insurance Co.

Specialties: Law enforcement professional liability, personal lines.

Principal officers: E. Joseph Nusbaum, president; Robert Bryan, vp; Barbara M. Roberts, secretary.

Membership: NAPSLO.

ISI Corp.

676 St. Clair St., Chicago, Ill. 60611; 312-787-4821

	1982	1981
Premium volume.	\$11,000,000	\$9,000,000
Gross rev.	\$1,265,000*	NA
Employees	23	20
Commercial lines.	100%	100%

*-BI estimate.

Year founded: 1977.

Type of business: 60% brokerage, 40% managing general agent.

Type of markets: 60% admitted, 40% non-admitted in 1982. In 1981 50% admitted, 50% non-admitted.

MGA for: Integrity Insurance Co., Lloyd's, Jefferson Insurance Co. of New York.

Broker for: Fifty U.S. companies.

Principal officers: J.S. Perry, president/treasurer; C.W. Schoeneman, vp; R.F. Anderson, vp/secretary.

Illinois Surplus Lines Underwriting Agency Inc.

20 N. Clark St., Chicago, Ill. 60602; 312-781-0950

	1982	1981
Premium volume.	\$24,404,000	\$20,935,000
Gross rev.	\$3,173,000*	NA
Employees	48	52
Commercial lines.	100%	100%

*-BI estimate.

Parent company: Bowes Holding Inc.

Year founded: 1974.

Type of business: 100% underwriting manager.

Type of markets: 17% admitted, 83% non-admitted in 1982. In 1981 13% admitted, 87% non-admitted.

Underwriting manager for: Illinois Employers Insurance of Wausau Insurance Co., Worldwide Underwriters Insurance Co., Replacement Lens Insurance Co., Covenant Mutual Insurance Co.

Principal officers: Raymond J. White, president; James M. O'Brien, executive vp; Terry J. Dowty, vp-underwriting; John Kuhn, vp-claims; Larry Bush, assistant vp-finance.

Subsidiaries: Dallas Surplus Lines Underwriting Agency Inc., Petco Insurance Brokers Inc.

Insurance Facilities Inc.

140 N. Main Ave., Sioux Falls, S.D. 57102; 605-336-0798

	1982	1981
Premium volume.	\$6,000,000	NA
Gross rev.	\$720,000	NA
Employees	23	NA
Commercial lines.	60%	NA

Year founded: 1965.

Type of business: Managing general agent.

Type of markets: 80% admitted, 20% non-admitted in 1982.

Specialties: Standard and specialty excess surplus.

Principal officers: J.T. Schneider, president; Bob Schneider, vp.

Branch offices: Bismarck, N.D.; Minneapolis.

Insurance Service Underwriters Inc.

Box 10345, Atlanta, Ga. 30319; 404-261-5150

	1982	1981
Premium volume.	\$10,100,000	\$4,600,000
Gross rev.	\$1,657,000	\$1,400,000
Employees	\$9	NA
Commercial lines.	90%	90%

Year founded: 1976.

Type of business: 50% underwriting manager, 50% managing general agent.

Type of markets: 85% admitted, 15% non-admitted in 1982, same as 1981.

Underwriting manager for: American International Group Inc., Chicago Insurance Co., American Life & Casualty Co.

MGA for: Insurance Co. of the State of Pennsylvania.

Broker for: Primarily Insurance Co. of the State of Pennsylvania, American Modern Home Insurance Co., American Life & Casualty Co., Thomas Jefferson Insurance Co., Lafayette Insurance Co., American Special Risk Insurance Co.

Principal officers: Jack T. Sampson, president; George S. Niblack, vp/chief executive officer.

Branch offices: Memphis, Tenn. **Subsidiaries:** Brookhaven Insurance Associates.

Membership: NAPSLO, AAMGA.

International Excess Agency Inc.

2111 S. Green Road, P.O. Box 21170, Cleveland, Ohio 44121; 216-291-1818

	1982	1981
Premium volume.	\$1,600,000	\$1,500,000
Gross rev.	\$200,000	\$200,000
Employees	4	7
Commercial lines.	NA	NA

Year founded: 1958.

Type of business: Managing general agent.

Type of markets: 50% admitted, 50% non-admitted in 1982. In 1981 25% admitted, 75% non-admitted.

MGA for: Great Southwest Fire Insurance Co., Western World Insurance Co. Inc.

Principal officers: Thomas H. Paterson, president.

Membership: NAPSLO.

International Placement Services Inc.

7710 Carondelet, St. Louis, Mo. 63105; 314-725-8394

	1982	1981
Premium volume.	\$4,483,000	\$1,282,423
Gross rev.	\$282,000	\$91,052
Employees	5	3
Commercial lines.	100%	100%

Year founded: 1981.

Type of business: 80% brokerage, 20% managing general agent.

Type of markets: 80% admitted, 20% non-admitted in 1982. In 1981 90% admitted, 10% non-admitted.

MGA for: Seibels-Bruce Cos., Northbrook Excess & Surplus Insurance Co., Safety Mutual Insurance Co., Great Atlantic Insurance Co.

Brokers for: North-West Insurance Co., Great Central Insurance Co., First State Insurance Co., Insurance Co. of the State of Pennsylvania; Eagle Star Insurance Co.

Principal officers: Richard J. Eichhorn, president; Gary Dell, Nancy Royer, Richard L. McCleery, vps; Linda M. Gochenauer, secretary/treasurer.

Membership: Pending application with NAPSLO.

Interstate Insurance Underwriters Inc.

520 Spring St., Box 4506, Shreveport, La. 71104; 318-221-4758

	1982	1981
Premium volume.	\$4,300,000	\$4,300,000
Gross rev.	\$510,000	\$507,000
Employees	10	11
Commercial lines.	85%	74%

Year founded: 1961.

Type of business: 90% managing general agent, 10% brokerage.

Type of markets: 8% admitted, 92% non-admitted in 1982, same as 1981.

MGA for: Wilshire Insurance Co., Alliance General Agents Insurance Co., National Fire & Marine Insurance Co., Lloyd's, Morrison Insurance Co.

Broker for: Primarily Baccala & Shoop; Shand, Morahan & Co.; Talbot Bird.

Principal officers: Fielder Calhoun, president; Harry Saunders, vp.

Membership: NAPSLO.

J

J.G. Special Risk Brokers

90 John St., New York, N.Y. 10038; 212-619-4220

	1982	1981
Premium volume.	\$13,140,739	\$9,886,123
Gross rev.	\$1,130,302	\$907,617
Employees	19	12
Commercial lines.	99%	99%

Parent company: J.I.B. Holdings Ltd.

Year founded: 1980.

Type of business: 40% managing general agent, 33% brokerage, 27% underwriting manager.

Type of markets: 64% admitted, 36% non-admitted in 1982. In 1981 43% admitted, 57% non-admitted.

Underwriting manager for: American Alliance Insurance Co.

MGA for: Ambassador Insurance Group, Agricultural Excess & Surplus Insurance Co.

Broker for: Primarily American Alliance Insurance Co., Agricultural Insurance Co., Ambassador Insurance Group, Northbrook Excess & Surplus Insurance Co., First State Insurance Co., New England Reinsurance Corp., Ambassador Group, CNA Insurance Cos.

Specialties: Seedmen's errors and omissions, first-loss and layered property, umbrella products and municipal liability, property coverage-electric transmission.

Principal officers: Roger S. Walsh, president; Donald F. Pri-vett, vp-property; Carol S. Vance, Frank Bagnasco, Maureen Thomas, assistant vps.

Branch offices: San Francisco.

Membership: NAPSLO.

Jaeger & Haines Inc.

P.O. Box 1623, Fayetteville, Ark. 72702; 501-521-2551

	1982	1981
Premium volume.	\$3,713,000	\$3,584,000
Gross rev.	\$544,700	\$463,512
Employees	15	18
Commercial lines.	75%	70%

Year founded: 1976.

Type of business: 90% managing general agent, 10% brokerage.

Type of markets: 80% admitted, 20% non-admitted in 1982. In 1981 75% admitted, 25% non-admitted.

MGA for: Guaranty National Insurance Co., Admiral Insurance Co., Jefferson Insurance Co. of New York, Alliance Insurance Co., Paxton National Insurance Co., American Modern Home Insurance Co., Puritan Insurance Co., National American Insurance Co., American Bankers Insurance Co.

Continued on next page



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Continued from previous page

Broker for: Primarily Lexington Insurance Co., Wm. H. McGee & Co. Inc., International Surplus Lines Insurance Co., St. Paul Surplus Lines Insurance Co.

Specialties: Commercial auto, public liability.

Principal officers: Larry Haines, president; Mike Johnson, vp; Mary Huff, Gloria Taylor, assistant vps.

Membership: NAPSLO, AAMGA.

Jaquin Excess Inc.

210 E. Lafayette St., Syracuse, N.Y. 13202; 315-471-8329

	1982	1981
Premium volume	\$389,000	\$562,000
Gross rev.	\$34,516	\$46,850
Employees	1	1
Commercial lines	98%	98%

Parent company: Jaquin & Co. Inc.

Year founded: 1955.

Type of business: 100% brokerage.

Type of markets: 67% admitted, 37% non-admitted in 1982. In 1981 45% admitted, 55% non-admitted.

Broker for: Primarily Lloyd's, General Accident Insurance Co. of America, Western World Insurance Co. Inc., U.S. Liability Insurance Co.

Principal officers: Robert F. Jaquin Jr., president/treasurer.

Membership: NAPSLO.

R.L. Jarrett Sr. Inc.

7557 Rambler Road, Suite 650, Dallas, Texas 75231; 214-696-6969

	1982	1981
Premium volume	\$20,000,000	\$14,000,000
Gross rev.	\$1,280,000	\$1,100,000
Employees	22	14
Commercial lines	100%	100%

Parent company: London United Investments.

Year founded: 1968.

Type of business: 55% brokerage, 45% managing general agent.

Type of markets: 25% admitted, 75% non-admitted in 1982. In 1981 10% admitted, 90% non-admitted.

MGA for: Employers Casualty Co. of Texas, First State Insurance Co.

Broker for: Lloyd's, First State Insurance Co., Employers Casualty Co. of Texas.

Specialties: Operators extra expense, umbrella excess liability.

Principal officers: Keith R. Rutledge, executive vp; W.R. Brickey, F.H. Haynes, R.S. Shultz, vps.

Membership: NAPSLO.

Don R. Jensen & Co.

330 S. Wells St., Chicago, Ill. 60606; 312-939-5240

	1982	1981
Premium volume	\$5,800,000	\$5,800,000
Gross rev.	\$754,000	\$754,000
Employees	7	7
Commercial lines	90%	90%

Year founded: 1931.

Type of business: 100% managing general agent.

Type of markets: 75% admitted, 25% non-admitted in 1982, same as 1981.

MGA for: Admiral Insurance Co., California Union Insurance Co., First State Insurance Co., Great American Surplus Lines Insurance Co., Illinois Employers Insurance of Wausau, Northbrook Excess & Surplus Insurance Co.

Principal officers: Dor. R. Jensen, Charles B. Frazier, Robert L. Richards, Theodore R. Malecki, partners.

Membership: NAPSLO

Jensvold & LeFevre of Illinois Inc.

600 W. Jackson, Chicago, Ill. 60606; 312-559-1260

	1982	1981
Premium volume	NA*	NA
Gross rev.	NA	NA
Employees	4	NA
Commercial lines	99%	NA

*-New company.

Year founded: 1983.

Type of business: 50% managing general agent; 50% brokerage.

Type of markets: 80% admitted, 20% non-admitted estimate for 1983.

MGA for: Millers National Insurance Co., CIS Insurance Co.

Broker for: Centaur Insurance Co.; Mutual Fire, Marine & Inland Insurance Co.; Fire & Casualty Insurance Co. of Connecticut.

Specialties: Truckmen's, sand and gravel trucks.

Principal officers: Ronald J. Guzy, president; Alan C. Reid, vp.

Branch offices: Jensvold & LeFevre Inc., Houston, an associated office.

Jersey/International Group Inc.

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

	1982	1981
Premium volume	\$44,175,882	\$40,229,430
Gross rev.	\$4,510,000	\$5,230,000
Employees	110	98
Commercial lines	100%	100%

Parent company: W.R. Berkley Corp.

Year founded: 1973.

Type of business: 100% underwriting manager.

Type of markets: 10% admitted, 90% non-admitted in 1982. In 1981 100% non-admitted.

Underwriting manager for: Admiral Insurance Co., Union Standard Insurance Co., Tri-State Insurance Co. of Minnesota.

Specialties: Real estate, limited partnership, surety.

Principal officers: F.H. Brown, president; L.M. Oberg, executive vp/secretary; M.J. Calpin, J.J. Duffett, senior vps; S.G. Franks, W.J. Kearney, vps; Kathleen Hagan, treasurer; A.P. Gutman, controller; John J. Murphy Jr., Kevin Pittanaon, assistant vps.

Membership: NAPSLO, AAMGA.

K

E.A. Kelley Co.

245 Waterman St., Providence, R.I. 02906; 401-421-2299

	1982	1981
Premium volume	\$4,100,000	NA
Gross rev.	\$331,000	NA
Employees	9	NA
Commercial lines	83%	NA

Year founded: 1957.

Type of business: 42% underwriting manager, 31% brokerage, 27% managing general agent.

Type of markets: 18% admitted, 82% non-admitted in 1982. Not reported for 1981.

Underwriting manager for: Lloyd's, Terra Nova Insurance Co.

MGA for: Puritan Insurance Co., Great Southwest Insurance Co.; Western Surety Insurance Co.; Security Insurance Co.; Mutual Fire, Marine & Inland Insurance Co.

Broker for: Admiral Insurance Co., Lexington Insurance Co.

Specialties: Long-haul trucking, aircraft.

Principal officers: Edgar A. Kelley, president.

Branch offices: Braintree, Mass.

Membership: NAPSLO.

George Knight & Associates Inc.

P.O. Box 55295, Tulsa, Okla. 74155; 918-664-0253

	1982	1981
Premium volume	\$8,000,000	\$7,306,000
Gross rev.	\$744,000	\$735,000
Employees	19	17
Commercial lines	99%	99%

Year founded: 1976.

Type of business: 90% managing general agent, 10% brokerage.

Type of markets: 80% admitted, 20% non-admitted in 1982. In 1981 60% admitted, 40% non-admitted.

MGA for: Rockwood Insurance Co., Alliance Insurance Co., Centaur Insurance Co., Canal Insurance Co., First State Insurance Co.

Specialties: Umbrella liability.

Principal officers: George Knight Jr., president; Greg C. Palazzo, Gary Peterson, vps; Willa R. Cazzell, secretary/treasurer.

Branch offices: Shawnee Mission, Kan.

Membership: NAPSLO.

L

LMG Excess Ltd.

116 John St., New York, N.Y. 10038; 212-791-1200

	1982	1981
Premium volume	\$24,536,000	\$22,000,000
Gross rev.	\$3,086,875	\$2,750,000
Employees	17	16
Commercial lines	100%	100%

Year founded: 1968.

Type of business: 80% brokerage, 20% underwriting manager.

Type of markets: 98% admitted, 2% non-admitted in 1982. In 1981 90% admitted, 10% non-admitted.

Underwriting manager for: Horizon Insurance Co., Union Indemnity Insurance Co.

Broker for: Primarily Horizon Insurance Co.; First State Insurance Co.; New England Reinsurance Corp.; North Star Reinsurance Corp.; Northbrook Excess & Surplus Insurance Co.; American International Group Inc.; Mutual Fire, Marine & Inland Insurance Co.; BWI Underwriters.

Specialties: Hospital malpractice; trucking, container, transportation; inland marine; product and retroactive liability; excess coverages.

Principal officers: Alvin Moss, president; John S. Dalton, executive vp; William A. Olson, Fred Berger, Charles Mule, vps; Edward McAndrews, marketing consultant; Harold Colton, Dan Sullivan, John Ferri, underwriters.

Subsidiaries: LMG Excess Ltd. of New Jersey.

Membership: NAPSLO.

Langan, Damon & Spink Ltd.

P.O. Box 6468, 5460 Cascade Road S.E., Grand Rapids, Mich. 49506; 616-942-8930

	1982	1981
Premium volume	\$9,346,000	\$6,374,000
Gross rev.	\$711,000	\$438,000
Employees	10	8
Commercial lines	100%	100%

Year founded: 1981.

Type of business: 100% brokerage.

Type of markets: 51% admitted, 49% non-admitted in 1982. In 1981 40% admitted, 60% non-admitted.

Broker for: First State Insurance Co., Royal Indemnity Insurance Co., Protective National Insurance Co., Transit Casualty Co.,

Columbia Casualty Co., Twin City Fire Insurance Co.

Specialties: Municipal liability; large, complex property/marine accounts; self-insured large casualty accounts; captives; reinsurance.

Principal officers: James F. Langan Jr., president/chief executive officer; Peter S. Damon, vp/secretary; Donald W. Spink, vp/treasurer.

Membership: NAPSLO.

Bernard W. Levmore Co. Inc.

2 W. 46th St., New York, N.Y. 10036; 212-840-2280

	1982	1981
Premium volume	\$1,000,000	\$1,000,000
Gross rev.	\$110,000*	NA
Employees	7	7
Commercial lines	95%	95%

*-BI estimate.

Year founded: 1949.

Type of business: 80% brokerage, 20% managing general agent.

Type of markets: 15% admitted, 85% non-admitted in 1982. In 1981 15% admitted, 85% non-admitted.

MGA for: Lloyd's.

Broker for: Lloyd's, St. Paul Fire & Marine Insurance Co., Hartford Casualty Insurance Co., Chubb Custom Insurance Co.

Specialties: Jewelers block and related highly technical forms.

Principal officers: Bernard W. Levmore, president.

The London Agency Inc.

1230 W. Peachtree St. N.W., Atlanta, Ga., 30309; 404-875-9641

	1982	1981
Premium volume	\$88,712,000	\$87,055,000
Gross rev.	\$5,966,000	\$6,302,000
Employees	178	173
Commercial lines	100%	100%

Parent company: Xerox Corp.

Year founded: 1960.

Type of business: 55% brokerage; 45% underwriting manager.

Type of markets: 60% admitted, 40% non-admitted in 1982, same as 1981.

Underwriting manager for: Crum & Forster.

Broker for: Various companies.

Specialties: Excess and umbrella liability, all types of property, marine and inland marine coverages

Principal officers: Frank Kinnett, chairman/chief executive officer; David E. Boyd, president; R. James Andrews, John A. Jolley, Vincent J. Delaney, senior vps.

Branch offices: Charlotte, N.C.; Tampa, Fla.; Kansas City, Mo.; New Orleans.

Membership: NAPSLO.

Lyon Underwriters Inc.

3751 Maguire Blvd., Suite 135, Orlando, Fla. 32803; 305-894-8797

	1982	1981
Premium volume	\$2,000,000	\$1,200,000
Gross rev.	\$200,000	\$120,000
Employees	6	5
Commercial lines	100%	100%

Year founded: 1980.

Type of business: 80% managing general agent; 20% brokerage.

Type of markets: 50% admitted, 50% non-admitted in 1982, same as 1981.

MGA for: Alliance Insurance Co. of Kansas, Zurich-American Insurance Co. of Illinois, Chicago Insurance Co., Zale Indemnity Co.

Broker for: Primarily Safety Mutual Casualty Corp., Nutmeg Insurance Co., First State Insurance Co.

Specialties: Commercial umbrella and property liability.

Principal officers: Robert R. Lyon Sr., president; John George, vp; Carolyn Lyon, secretary.

Membership: NAPSLO.

Continued on facing page

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M**MBC Colby Associates Ltd.**

P.O. Box 5009, 200 Garden City Plaza, Garden City, N.Y. 11530; 516-248-1188; 212-343-1188

	1982	1981
Premium volume	\$5,000,000	\$3,000,000
Gross rev.	\$400,000	\$335,000
Employees	11	11
Commercial lines	99%	99%

Year founded: 1967.**Type of business:** 60% managing general agent, 40% brokerage.**Type of markets:** 92% admitted, 8% non-admitted in 1982. In 1981 75% admitted, 25% non-admitted.**MGA for:** American Colonial Insurance Co., Union Indemnity Insurance Co., First Rehabilitation Insurance Co.**Broker for:** Primarily Ambassador Insurance Co.; North East Insurance Co.; Chubb Custom Insurance Co.; Employers Reinsurance Co.; National Union Insurance Co.; New England Reinsurance Corp.; Forum Insurance Co.; Executive Insurance Co.; Centaur Insurance Co.; Mutual Fire, Marine & Inland Insurance Co.**Principal officers:** Bernard Cohen, president; Jane A. Weber, vp; Bea Cohen, secretary/treasurer.**Major Surplus Inc.**

99 John St., New York, N.Y. 10038; 212-285-1109

	1982	1981
Premium volume	\$13,500,000	\$12,500,000
Gross rev.	\$800,000	\$750,000
Employees	11	12
Commercial lines	100%	100%

Year founded: 1975.**Type of business:** 80% managing general agent, 20% underwriting manager.**Type of markets:** 50% admitted, 50% non-admitted in 1982, same as 1981.**MGA for:** First State Insurance Co., Lloyd's.**Broker for:** Primarily First State Insurance Co., Lloyd's, North Star Insurance Co., Chubb Group, International Insurance Co., California Union Insurance Co., Northbrook Excess & Surplus Insurance Co., Mead Reinsurance Co.**Specialties:** Primarily product liability, umbrella liability, commercial physical damage, directors and officers, errors and omissions, buses and limos.**Principal officers:** Jeremy D. Cooke, president; Alexander M. Kullman, vp; Howard W. Kupferberg, assistant vp.**Branch offices:** Cedar Knolls, N.J.**Membership:** NAPSLO.**Markel Service Inc.**

P.O. Box 6614, Richmond, Va. 23230; 804-282-5423

	1982	1981
Premium volume	\$40,600,000	\$43,300,000
Gross rev.	\$6,200,000	\$5,800,000
Employees	122	120
Commercial lines	95%	95%

Parent company: Markel Corp.**Year founded:** 1930.**Type of business:** 62% managing general agent, 38% brokerage.**Type of markets:** 60% admitted, 40% non-admitted in 1982, same as 1981.**MGA for:** Western World Insurance Co., Lloyd's, Great Southwest Fire Insurance Co., Northfield Insurance Co., Scottsdale Insurance Co., St. Paul Surplus Lines Insurance Co., Essex Insurance Co., Fireman's Fund Insurance Cos.**Broker for:** Primarily First State Insurance Co., Admiral Insurance Co., Lloyd's, North Star Mutual Insurance Co.**Specialties:** Transportation, governmental and associations covers.**Principal officers:** Alan Kirshner, president; Anthony F. Markel, executive vp; Gary Markel, Steve Markel, vps.**Branch offices:** Belmont, Mass.; Atlanta; Dallas.**Membership:** NAPSLO.**Market Finders Insurance Corp.**

9117 Leesgate, Louisville, Ky. 40222; 502-423-1800

	1982	1981
Premium volume	\$17,500,000	\$14,000,000
Gross rev.	\$3,893,773	\$2,882,554
Employees	49	43
Commercial lines	90%	90%

Year founded: 1972.**Type of business:** 60% managing general agent, 30% underwriting manager, 10% brokerage.**Type of markets:** 50% admitted, 50% non-admitted in 1982. In 1981 30% admitted, 70% non-admitted.**Underwriting manager for:** Lloyd's.**MGA for:** Empire Insurance Co., Paxton National Insurance Co., Puritan Insurance Co., Unigard Insurance Co., California Union Insurance Co., Western World Insurance Co. Inc.**Broker for:** Media/Professional Insurance Inc., Shand, Morahan & Co., L.W. Biegler Inc., Will Darrah & Associates Inc.**Specialties:** Aviation, hull and excess; commercial property; commercial trucks; primary and excess products.**Principal officers:** James Ryan, president; Jerome H. Boyett, secretary/treasurer.**Branch offices:** Cincinnati; Hudson, Ohio; Lafayette, Ind.; Pittsburgh; Nashville, Tenn.**Subsidiaries:** Aviation General Ltd., Denver.**Membership:** NAPSLO, AAMGA.**McAlear Associates Inc.**

4450 Cascade Road S.E., Grand Rapids, Mich. 49506; 616-942-8000

	1982	1981
Premium volume	\$29,515,000	\$26,817,000
Gross rev.	\$2,590,100	\$2,464,100
Employees	48	48
Commercial lines	100%	100%

Parent company: Harleysville Group Inc.**Year founded:** 1970.**Type of business:** 88% brokerage, 12% managing general agent.**Type of markets:** 42% admitted, 58% non-admitted in 1982. In 1981 35% admitted, 65% non-admitted.**MGA for:** Admiral Insurance Co., First State Insurance Co., Lloyd's, Great American Surplus Lines Insurance Co., Northbrook Excess & Surplus Insurance Co., Guaranty National Insurance Co., Western World Insurance Co., St. Paul Surplus Insurance Co., RLI Insurance Co.**Broker for:** Primarily Guaranty National Insurance Co., Great American Surplus Lines Insurance Co., American Universal Insurance Co., Admiral Insurance Co., First State Insurance Co., Integrity Insurance Co., Lexington Insurance Co.**Specialties:** General liability, products, umbrellas, municipalities, recreational areas and equipment, automotive products, special E&O, retroactive covers, capacity property.**Principal officers:** Charles A. McAlear, chairman; Thomas S. Bloom, president; Ralph F. Leistner, Derek Repath, senior vps.**Subsidiaries:** McAlear Nason Associates Inc., Overland Park, Kan.**Membership:** NAPSLO.**John R. McDonald Co. Inc.**

3600 Wilshire Blvd., Los Angeles, Calif. 90010; 213-380-9650

	1982	1981
Premium volume	\$7,460,032	\$7,170,130
Gross rev.	\$705,485	\$785,730
Employees	14	14
Commercial lines	90%	90%

Year founded: 1968.**Type of business:** 50% managing general agent, 30% brokerage, 20% underwriting manager.**Type of markets:** 70% admitted, 30% non-admitted in 1982. In 1981 71% admitted, 29% non-admitted.**Underwriting manager for:** Universal Security Insurance Co.**MGA for:** INA Underwriters Insurance Co., Comstock Insurance Co., Fremont Indemnity Co., Great Falls Insurance Co., Illinois Employers of Wausau, Universal Security Insurance Co., Northbrook Excess & Surplus Insurance Co.**Broker for:** Primarily Illinois Union Insurance Co., California Union Insurance Co., Glacier General Insurance Co., Admiral Insurance Co., Transport Indemnity Co., Lloyd's.**Specialties:** Aviation, malpractice.**Principal officers:** John R. McDonald, president.**Subsidiaries:** Pacific Aviation Managers Inc.**Membership:** NAPSLO, AAMGA.*Continued on next page*

First, the fire station caught fire...

Then, the fireman drove the hook-and-ladder over the hydrant outside, flooding the dry cleaning store on the corner. The owner, naturally upset, ran screaming into the street and narrowly escaped being run over by the chief's car. The chief swerved, avoiding the irate dry cleaner, and drove through the front porch of the church across the street. The policeman directing traffic got a little too excited and charged an innocent bystander with arson. Meanwhile, the paramedic accidentally dropped the stretcher carrying the lady who lived in the house next to the fire station and who thought she was having a heart attack. It was indigestion, but she broke her arm in the fall. And, when the smoke finally cleared...

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3

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Continued from previous page

Media/Professional Insurance Inc.

8900 State Line Road, Suite 250,
 Leawood, Kan. 66206;
 913-642-7195

	1982	1981
Premium volume	\$8,400,000	\$6,134,000
Gross rev.	\$1,252,000	\$906,000
Employees	20	16
Commercial lines	100%	100%

Year founded: 1979.
Type of business: 100% underwriting manager.

Type of markets: 100% admitted in 1982, same as 1981.

Underwriting manager for: CNA Insurance Cos., Hartford Specialty Co., SAFECO Insurance Co.

Principal officers: Larry Worral, president; William Bauer, executive vp; Jim Wallace, president-E&O Professionals.

Subsidiaries: E&O Professionals Inc.

Mid-Continent Underwriters Inc.

228 St. Charles Ave., New Orleans,
 La. 70130; 504-581-5597

	1982	1981
Premium volume	\$21,000,000	\$23,000,000
Gross rev.	\$3,000,000	\$4,000,000
Employees	75	72
Commercial lines	100%	100%

Parent company: The North-West Insurance Co.

Year founded: 1969.
Type of business: Underwriting manager.

Type of markets: 11% admitted, 89% non-admitted in 1982. In 1981 9% admitted, 91% non-admitted.

Underwriting manager for: The North-West Insurance Co., Southeast Indemnity Co.

MGA for: The North-West Insurance Co., Southeast Indemnity Co.

Specialties: Cash flow programs

for workers compensation, auto and general liability.

Principal officers: Dorothy S. Hirsch, president; Daniel A. Mayer, treasurer/administrative assistant; Sal J. Graziano Jr., secretary; Irvan A. Andignac, vp-claims; Charles W. Attaway, vp-underwriting.

Membership: A A M G A, NAPSLO.

Moore Excess Inc.

Center Street, Bx 565, Croton Falls, N.Y. 10512 914-277-3955

	1982	1981
Premium volume	NA	\$2,000,000
Gross rev.	\$175,000	\$125,000
Employees	3	2
Commercial lines	100%	NA

Year founded: 1977.
Type of business: 100% brokerage.

Type of markets: 95% admitted, 5% non-admitted in 1982. In 1981 80% admitted, 20% non-admitted.

Broker for: Primarily Horizon Insurance Co.; North Star Insurance Co., New England Reinsurance Co., Massachusetts Plate Glass Insurance Co.

Specialties: Hospital professional liability.

Principal officer: Robert J. Moore, president.

Membership: NAPSLO

National Underwriting Agency Inc. & NUA (Illinois) Inc.

150 S. Wacker Drive, Chicago, Ill. 60606; 312-236-1868

	1982	1981
Premium volume	\$34,000,000	\$22,512,000
Gross rev.	\$2,700,000	\$1,764,000
Employees	46	18
Commercial lines	100%	100%

Year founded: 1978.
Type of business: 100% underwriting manager.

Type of markets: 95% admitted, 5% non-admitted in 1982, same as 1981.

Underwriting manager for: Transit Casualty Co., Consumers Insurance Co., Consumers Indemnity Co.

MGA for: Admiral Insurance Co.

Principal officers: R.E. Foss, president; D.W. Emmerich, senior vp; B.A. Granado, vp; Barbara K. Marrs, senior vp/corporate secretary/underwriting manager; K. Meyer, assistant vp, claims.

Branch offices: Portland, Ore.
Membership: NAPSLO.

Oklahoma General Agency

809 N.W. 36th St., Oklahoma City, Okla. 73118; 405-525-8181

	1982	1981
Premium volume	\$17,858,670	\$16,175,430
Gross rev.	\$1,885,366	\$1,408,510
Employees	28	24
Commercial lines	42%	44%

Parent company: Oklahoma General United Corp.

Year founded: 1949.
Type of business: 96% managing general agent, 4% brokerage.

Type of markets: 93% admitted, 7% non-admitted in 1982. In 1981 92% admitted, 8% non-admitted.

MGA for: Leader National Insurance Co., Empire Insurance Co., National Indemnity Co., Jefferson Insurance Co. of New York, Great Southwest Fire Insurance Co., Puritan Insurance Co., National American Insurance Co., Implement Dealers Mutual Insurance Co., North Star Mutual Insurance Co., Morrison Insurance Co., St. Paul Surplus Lines Insurance Co., First American Insurance Co., Comco Insurance Co., Midwest Mutual Insurance Co., National Fire & Marine Insurance Co., National Casualty Insurance Co., Penn-America Insurance Co., Jardine-Glanville, Dependable Insurance Co.

Broker for: Primarily Empire Insurance Co., Puritan Insurance Co., Jefferson Insurance Co. of New York, National American Insurance Co., National Indemnity Insurance Co., North Star Insurance Co., Leader National Insurance Co., Implement Dealers Insurance Co.

Principal officers: Marie E. Welch, president; Gary Westphalen, secretary/treasurer.
Membership: NAPSLO.

Organ & Co. Ltd.

P.O. Box 8761, Metairie, La. 70011; 504-831-0825

	1982	1981
Premium volume	\$6,615,088	\$1,400,000
Gross rev.	\$988,159	\$252,000
Employees	21	7
Commercial lines	100%	100%

Year founded: 1980.
Type of business: 96% underwriting manager, 4% brokerage.

Type of markets: 2% admitted, 98% non-admitted in 1982. In 1981 4% admitted, 96% non-admitted.

Underwriting manager for: South State Insurance Co., First Horizon Insurance Co.

Specialties: Commercial CGL and workers compensation.

Principal officers: Donald V. Organ, president; E. Calvin Trussel, vp-underwriting; S.M. Devincent, vp-claims.

Pennock Insurance Agency Inc.

7055 Termial Square, Upper Darby, Pa. 19082; 215-352-3120

	1982	1981
Premium volume	\$3,650,000	\$3,200,000
Gross rev.	\$550,000	\$500,000
Employees	16	18
Commercial lines	20%	10%

Year founded: 1973.
Type of business: 88% managing general agent, 12% brokerage.

Type of markets: 20% admitted, 80% non-admitted in 1982. In 1981 15% admitted, 85% non-admitted.

MGA for: Ambassador Insurance Co., American Consumer Insurance Co., Greater New York Mutual Insurance Co., Great Southwest Fire Insurance Co., Great Southwest Surplus Insurance Co., Union Indemnity Insurance Co., Transit Casualty Insurance Co., Republic Insurance Co., Mid-Continent Insurance Co., North-East Insurance Co., National Casualty Insurance Co., Scottsdale Insurance Co., Pennsylvania Lumbermens Mutual Insurance Co., Rockwood Insurance Co., United National Insurance Co., Western Surety Insurance Co.

Principal officers: Milton L. Goldberg, president; Joseph C. Staerk, vp; Bernard Rosenfeld, secretary.

Branch offices: Baltimore; Frederica, Del.; Atlantic City, N.J.
Membership: NAPSLO.

Professional Coverage Managers

130 William St., New York, N.Y. 10038; 212-619-4900

	1982	1981
Premium volume	\$22,666,836	\$22,932,879
Gross rev.	\$2,947,000*	NA
Employees	20	20
Commercial lines	100%	100%

*BI estimate.

Year founded: 1969.
Type of business: 55% managing general agent, 45% brokerage.

Type of markets: 90% admitted, 10% non-admitted in 1982. In 1981 85% admitted, 15% non-admitted.

MGA for: International Insurance Co., Government Employees Insurance Co., Atlanta International Insurance Co.

Broker for: New York Insurance Exchange, Employers of Wausau Insurance Co., American International Group Inc.

Specialties: Professional non-medical liability.

Principal officers: Richard C. Marx, president; Alfred J. Amend, executive vp; Anthony F. Martini, Donald H. Marshall, Leslie I. Ross, vps.

Subsidiaries: RCM Intermediaries Ltd., PCM Excess Ltd., Special Risk Portfolio Services Inc.

Membership: NAPSLO.

Program Underwriters Inc.

8010 University Drive, Tamarac, Fla. 33321; 305-752-9610

	1982	1981
Premium volume	\$11,000,000	\$4,950,000
Gross rev.	\$1,481,000	\$581,000
Employees	25	13
Commercial lines	98%	97%

Year founded: 1979.
Type of business: 49% underwriting manager, 42% managing general agent, 9% brokerage.

Type of markets: 35% admitted, 65% non-admitted in 1982. In 1981 25% admitted, 75% non-admitted.

Underwriting manager for: Casualty Indemnity Exchange.

MGA for: Excess Insurance Co. Ltd., Terra Nova Insurance Co. Ltd., Chicago Insurance Co., Lloyd's, Mt. Vernon Fire Insurance Co.

Broker for: Hudson Insurance Co.

Specialties: Excess malpractice.

Principal officers: Lawrence J. Buto, president; Dennis M. Greenberg, Anthony D. Murro, Robert L. Baum, vps; Frances T. Buto, secretary/treasurer.

Branch offices: Tampa, Boca Raton, Orlando, Fla.

Subsidiaries: Program Underwriters Three Inc., Program Underwriters IV Inc., Program Underwriters V Inc., Program Underwriters Financing Inc.

R

RISC Inc.

750 N. St. Paul, Suite 990, Dallas, Texas 75201; 214-922-9898

	1982	1981
Premium volume	\$30,000,000	\$24,000,000
Gross rev.	\$2,200,000	\$1,900,000
Employees	34	35
Commercial lines	98%	98%

Year founded: 1975.
Type of business: 50% brokerage, 40% managing general agent, 10% underwriting manager.

Type of markets: 20% admitted, 80% non-admitted in 1982. In 1981 15% admitted, 85% non-admitted.

Underwriting manager for: International Lloyd's Insurance Co.

MGA for: California Union Insurance Co., St. Paul Surplus Lines Insurance Co., Carolina Casualty Insurance Co., Western World Insurance Co. Inc., Interstate Insurance Co.

Specialties: Commercial property, energy related risks.

Principal officers: David L. Geary, president; Ron Fuos, Frances Griffin, Paula McCrea, Milton Fletcher, Jim Graves, Dale Crawford, vps.

Branch offices: Houston.
Subsidiaries: Ensure, an energy insurance facility.

Membership: NAPSLO.

RTC Underwriting Services Inc.

Heights Plaza, 777 Terrace Ave., Hasbrouck Heights, N.J. 07604; 201-288-8620

	1982	1981
Premium volume	\$2,500,000	\$400,000
Gross rev.	\$325,000*	NA
Employees	4	2
Commercial lines	100%	100%

*BI estimate.

Parent company: RTC Ltd.
Year founded: 1981.
Type of business: Underwriting manager.

Type of markets: 99% admitted, 1% non-admitted in 1982, same as 1981.

Underwriting manager for: RLI Insurance Co.

Specialties: Professional liability, D&O liability.

Principal officers: Donald R. Fischer, president.

Membership: NAPSLO, AAMGA.

Ranger-Allied Underwriters

P.O. Box 2807, Houston, Texas 77001; 713-622-6500

	1982	1981
Premium volume	\$8,340,667	\$7,218,855
Gross rev.	\$977,385	\$889,100
Employees	24	24
Commercial lines	95%	95%

Parent company: Ranger Insurance Managers.

Year founded: 1966.
Type of business: 77% managing general agent, 23% brokerage.

Type of markets: 24% admitted, 76% non-admitted in 1982. In 1981 36% admitted, 64% non-admitted.

MGA for: Lloyd's, Sovereign Marine & General Insurance Co., Northland Insurance Co., American Modern Home Insurance Co., Puritan Insurance Co., Ranger County Mutual Insurance Co., Jefferson Insurance Co., Monticello Insurance Co., National Indemnity Insurance Co., National Fire & Marine Insurance Co.

Broker for: CIGNA Corp., Lexington Insurance Co., Aviation Office of America Inc., Puritan Excess & Surplus Lines Co.

Specialties: Trucking.

Principal officers: Leland K. Merwin, vp/general manager.

Branch offices: San Antonio, Texas; Oklahoma City.

Membership: NAPSLO, AAMGA.

Continued on facing page



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Continued from facing page

Rocky Mountain General Agency

Box 3006, Great Falls, Mont. 59403; 406-727-2500

	1982	1981
Premium volume	\$9,300,000	\$8,600,000
Gross rev.	\$1,011,000	\$997,000
Employees	24	27
Commercial lines	66%	68%

Year founded: 1960.
Type of business: 93% managing general agent, 7% brokerage.

Type of markets: 99% admitted, 1% non-admitted in 1982, same as 1981.

MGA for: New Hampshire Insurance Co., AIU Insurance Co., Granite State Insurance Co., National Union Insurance Co., Jefferson Insurance Co., Paxton National Insurance Co., Rockwood Insurance Co., Early American Insurance Co., Empire Fire & Marine Insurance Co.

Broker for: Geo. F. Brown & Sons Inc.; Shand, Morahan & Co.

Principal officers: Ed Judge, president.

Branch offices: Casper, Wyo.; Bismarck, N.D.; Boise, Idaho.

Membership: NAP SLO, AAMGA.

Thomas F. Sheehan Inc.

810 N. Plaza Drive, Schaumburg, Ill. 60195; 312-490-1400

	1982	1981
Premium volume	\$24,845,568	\$25,166,969
Gross rev.	\$3,196,398	\$3,316,843
Employees	30	33
Commercial lines	100%	100%

Year founded: 1978.
Type of business: 98% underwriting manager, 2% brokerage.

Type of markets: 99% admitted, 1% non-admitted in 1982, same as 1981.

Underwriting manager for: Imperial Casualty & Indemnity Co., Pine Top Insurance Co.

Specialties: Architects and engineers, lawyers, accountants liability.

Principal officers: Thomas F. Sheehan, president; Ram H. Chandarana, executive vp; James F. Whitaker, vp/treasurer.

Subsidiaries: Peace Corp., Professional Risk Management Inc. (related companies).

Shelly, Middlebrooks & O'Leary Inc.

725 Peninsula Place, Jacksonville, Fla. 32204; 904-354-7711

	1982	1981
Premium volume	\$9,588,419	\$9,990,805
Gross rev.	\$1,352,574	\$1,304,141
Employees	32	30
Commercial lines	85%	94%

Year founded: 1952.
Type of business: 100% managing general agent.

Type of markets: 86% admitted, 14% non-admitted in 1982. In 1981 80% admitted, 20% non-admitted.

MGA for: Canal Insurance Co., Canal Indemnity Co., Carolina Casualty Co., Chicago Insurance Co., First Financial Insurance Co., Interstate Fire & Casualty Co., Jefferson Insurance Co. of New York, First State Insurance Co., Puritan Insurance Co., Western World Insurance Co., Kent Insurance Co., Lloyd's, Monticello Insurance Co., National Fire & Marine Insurance Co.

Specialties: Commercial auto liability and physical damage, general and professional liability, workers compensation.

Principal officers: Daniel C. O'Leary, president; Michael S. O'Leary, first vp; Roger Gobler, executive vp.

Membership: NAP SLO.

Sherwood Insurance Services

201 California St., San Francisco, Calif. 94111; 415-956-3236

	1982	1981
Premium volume	\$29,258,000	\$23,321,000
Gross rev.	\$2,800,000	\$2,265,000
Employees	26	23
Commercial lines	100%	100%

Year founded: 1978.
Type of business: 100% brokerage.

Type of markets: 90% admitted, 10% non-admitted in 1982. In 1981 85% admitted, 15% non-admitted.

Broker for: Primarily Allianz Underwriters Inc., Sayre & Toso, Baccala & Shoop, Lloyd's, St. Paul Surplus Lines Insurance Co., Integrity Insurance Co.

Specialties: All-risk and difference-in-conditions, including earthquake and flood on large commercial risks.

Principal officers: Donald K. Sherwood, president; Floyd W. Booth, senior vp; James W. Barnes, vp.

Membership: NAP SLO.

South East Underwriting Service Inc.

228 W. Valley Ave., Box 6067, Birmingham, Ala. 35259; 205-942-1114

	1982	1981
Premium volume	\$8,021,000	\$8,003,000
Gross rev.	\$1,159,000	\$1,015,000
Employees	34	33
Commercial lines	50%	55%

Year founded: 1962.
Type of business: 60% underwriting manager, 35% managing general agent, 5% brokerage.

Type of markets: 93% admitted, 7% non-admitted in 1982. In 1981 92% admitted, 8% non-admitted.

Underwriting manager for: Champion Insurance Co.

MGA for: Carolina Casualty Co., National Indemnity Co., Occidental Fire & Casualty Co. of North Carolina, National Security Fire & Casualty Insurance Co., Eagle Star Insurance Co., National American Insurance Co., Bankers & Shippers Insurance Co., Transit Casualty Insurance Co.

Principal officers: John M. Eicher Jr., president; Naaman W. Eicher, secretary/treasurer; J. Randall McClendon, vp.

Membership: AAMGA, NAP SLO.

Southern Cross Underwriters Inc.

Box 5108, Jackson, Miss. 39216; 601-981-5172

	1982	1981
Premium volume	\$3,162,550	\$2,825,000
Gross rev.	\$284,400	\$276,000
Employees	12	12
Commercial lines	78.1%	36%

Year founded: 1976.
Type of business: 83.7% managing general agent, 16.3% brokerage.
Type of markets: 58.6% admit

ted, 31.4% non-admitted in 1982. In 1981, 64% admitted, 36% non-admitted.

MGA for: National Indemnity Co., Carolina Casualty Insurance Co., Western World Insurance Co., Lloyd's, Foremost Insurance Co., Puritan Insurance Co., First Financial Insurance Co., Allied Fidelity Insurance Co., St. Paul Surplus Lines Insurance Co., Guaranty National Insurance Co., Scottsdale Insurance Co., Admiral Insurance Co.

Broker for: Primarily National Indemnity Co., Carolina Casualty Insurance Co., Guaranty National Insurance Co., Chicago Insurance Co., Admiral Insurance Co.

Specialties: Umbrellas.
Principal officers: Preston H. Gough Jr., president; Diane Petty, Joseph Horsamn, vps; Ford Petty, secretary/treasurer.

Membership: AAMGA, NAP SLO.

Southern Insurance Managers

95 Whitebridge Road, Cavalier Building, Nashville, Tenn. 37205; 615-356-2900

	1982	1981
Premium volume	\$5,000,000	\$5,100,000
Gross rev.	\$139,000	\$146,000
Employees	18	19
Commercial lines	70%	69%

Year founded: 1953.
Type of business: 100% manag-

ing general agent.
Type of markets: 80% admitted, 20% non-admitted in 1982. In 1981 85% admitted, 15% non-admitted.

MGA for: Canal Insurance Co., National Indemnity Co., Carolina Casualty Insurance Co., Northland Insurance Co., Guaranty National Insurance Co., Dependable Insurance Co., California Union Insurance Co., Lloyd's, Puritan Insurance Co., National American Insurance Cos. of Omaha & New York, Paxton National Insurance Co. and others.

Specialties: Commercial trucking, garage liability.

Principal officers: Edward J. Knish, J. Stuart Jones, partners.

Membership: NAP SLO, AAMGA.

Southern Insurance Underwriters Inc.

146 Nassau St. N.W., Atlanta, Ga. 30303; 404-524-8671

	1982	1981
Premium volume	\$20,000,000	\$11,990,819
Gross rev.	\$4,000,000	\$1,558,806
Employees	80	51
Commercial lines	40%	40%

Year founded: 1966.
Type of business: 100% underwriting manager.

Type of markets: 90% admitted, 10% non-admitted in 1982.

Continued on next page



W.A. Schickedanz Agency Inc.

110 W. Main St., Belleville, Ill. 62222; 618-233-0644

	1982	1981
Premium volume	\$4,000,000	\$3,700,000
Gross rev.	\$700,000	\$650,000
Employees	23	20
Commercial lines	60%	60%

Year founded: 1931.
Type of business: Managing general agent, brokerage.

Type of markets: 95% admitted, 5% non-admitted in 1981. In 1980 90% admitted, 10% non-admitted.

MGA for: National Indemnity Insurance Co., National Fire & Marine Insurance Co., Foremost Insurance Co., First Financial Insurance Co., Lloyd's, American Home Assurance Co.

Broker for: Primarily Hudson Insurance Co., Centaur Insurance Co.

Principal officers: Carl D. Miller Sr., president; Steven C. Miller, secretary/treasurer; C. Jack Miller, executive vp; Raymond J. Juenger, assistant treasurer/special agent.

Membership: AAMGA.

Seaboard Underwriters Inc.

Box 659, Burlington, N.C. 27215; 919-583-3711

	1982	1981
Premium volume	\$15,000,000	\$20,000,000
Gross rev.	\$1,800,000*	\$2,000,000*
Employees	48	54
Commercial lines	94%	98%

*Bl estimate.

Year founded: 1951.
Type of business: 60% managing general agent, 25% underwriting manager, 15% brokerage.

Type of markets: 70% admitted, 30% non-admitted in 1982. In 1981, 84% admitted, 16% non-admitted.

Underwriting manager for: Lloyd's, First State Insurance Co., Fireman's Fund Insurance Cos.

MGA for: Bankers & Shippers Insurance Co. of New York.

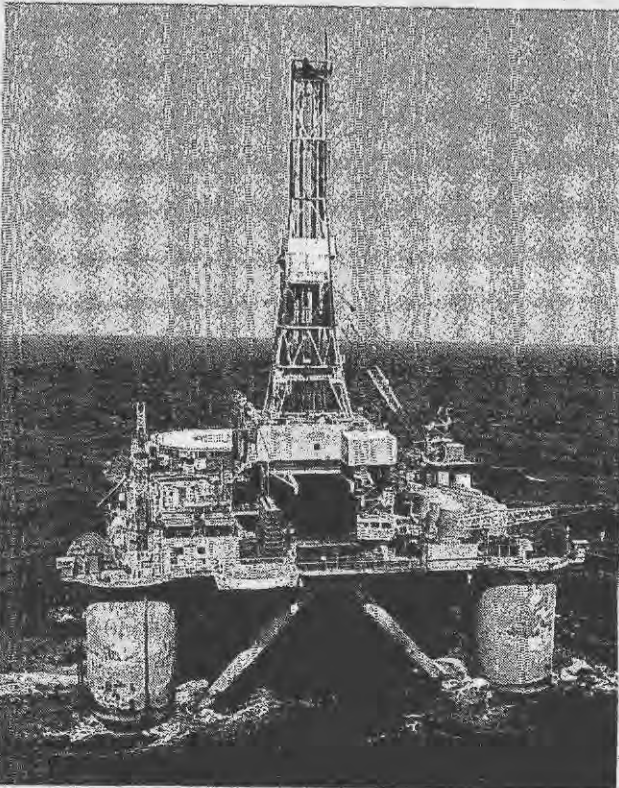
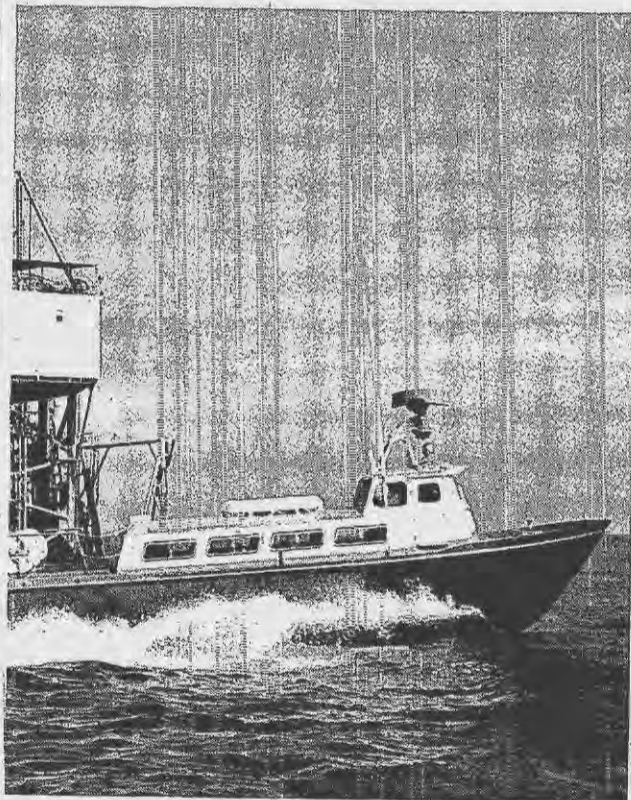
Broker for: Primarily Bankers & Shippers Insurance Co. of New York, Lloyd's, First State Insurance Co.

Specialties: Physical damage, transportation.

Principal officers: Donald R. Sandgren, president; William K. O'Brien, senior vp.

Branch offices: Chicago; Houston; Boynton Beach, Fla.

Membership: NAP SLO.



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Continued from previous page

MGA for: National Indemnity Co., Leader National Insurance Co., Independent Fire Insurance Co., Early American Insurance Co., Northland Insurance Co., Paxton National Insurance Co., National Fire & Marine Insurance Co., Great Southwest Fire Insurance Co., Carolina Casualty Insurance Co., Jefferson Insurance Co. of New York, Columbus Insurance Co., Sovereign Marine & General Insurance Co., Lloyd's.

Broker for: Primarily Leader National Insurance Co., Early American Insurance Co., National Indemnity Co., Independent Fire Insurance Co., Lloyd's.

Principal officers: Wesley C. Duesenberg Sr., president; Wesley C. Duesenberg Jr., executive vp; Weyman P. Grubbs, vp-commercial lines; W. Kerney Glenn, vp-personal lines; Edward L. Parker Jr., vp-marketing; Virginia E. Duesenberg, secretary; W. George

Krenson, senior vp.

Subsidiaries: Siuprem Inc.
Membership: A A M G A , NAPSLO.

Sovereign Group International Inc.

156 William St., New York, N.Y.
 10038; 212-349-5580

	1982	1981
Premium volume.	\$7,200,000	\$4,000,000
Gross rev.	\$864,000*	NA
Employees	19	12
Commercial lines.	100%	100%

*BI estimate.

Year founded: 1976.

Type of business: 90% managing general agent, 10% brokerage.

Type of markets: 97% admitted, 3% non-admitted in 1982. In 1981 50% admitted, 50% non-admitted.

MGA for: National Union Fire Insurance Co. of Pittsburgh, Pa., Dairyland Insurance Co., Mutual Fire, Marine & Inland Insurance Co., Western World Insurance Co. Inc., Jefferson Insurance Co. of New York, Great Atlantic Insurance Co., Union Indemnity Insurance Co.

Principal officers: W.J. Lynch, president; W.F. Lynch, vp; Daniel J. Lynch, secretary.

Branch offices: Avenel, N.J.

Subsidiaries: Sovereign Facilities Inc., Sovereign Insurance Services Inc., Syndicate Agency.

Membership: NAPSLO.

Special Risks Inc.

Suite 201, 4663 Haygood Road,
 Virginia Beach, Va. 23455;
 804-460-1104

	1982	1981
Premium volume.	\$2,059,000	\$3,434,430
Gross rev.	\$246,322	\$392,129
Employees	5	5
Commercial lines.	80%	80%

Year founded: 1909.

Type of business: 80% managing general agent, 15% underwriting manager, 5% brokerage.

Type of markets: 45% admitted, 55% non-admitted in 1982. In 1981 30% admitted, 70% non-admitted.

Underwriting manager for: Puritan Insurance Co., Imperial Insurance Co., United National Insurance Co., Northland Insurance Co., Bankers & Shippers Insurance Co., Windsor-Mt. Joy Insurance Co., Paxton National Insurance Co. and others.

MGA for: Puritan Insurance Co., Imperial Insurance Co., United National Insurance Co., Northland Insurance Co., Bankers & Shippers Insurance Co., Windsor-Mt. Joy Insurance Co., Paxton National Insurance Co. and others.

Broker for: Imperial Insurance Co., United National Insurance Co. and others.

Specialties: Municipalities, law enforcement liability.

Principal officers: E. Joseph Nusbaum, president; Barbara M. Roberts, secretary; Joan L. Nusbaum, treasurer.

Membership: NAPSLO.

Myron F. Steves & Co.

P.O. Box 20787, Houston, Texas
 77025; 713-790-1511

	1982	1981
Premium volume.	\$24,473,133	\$17,211,733
Gross rev.	\$2,616,821	\$1,666,872
Employees	47	38
Commercial lines.	93%	90%

Year founded: 1955.

Type of business: 50% managing general agent, 40% underwriting manager, 10% brokerage.

Type of markets: 66% admitted, 34% non-admitted in 1982. In 1981 58% admitted, 42% non-admitted.

Underwriting manager for: Guaranty National Insurance Co., Surplus Underwriters Casualty Insurance Co.

MGA for: Guaranty National Insurance Co., Insurance Co. of North America, American Special Risk Insurance Co., Lloyd's, Morrison Assurance Co. Inc., Rockwood Insurance Co., National Security Fire

& Casualty Insurance Co., National Fire & Marine Insurance Co., Scottsdale Insurance Co.

Broker for: Primarily Shand, Morahan & Co.; Bacalla & Shoop; Lexington Insurance Co.

Specialties: Hospital professional liability.

Principal officers: Myron F. Steves, Myron (Buddy) Steves Jr., Bill Davis, Fred Steves.

Membership: NAPSLO, AAMGA.

Superior Underwriters

2027 152nd Ave. N.E., C-24,
 Redmond, Wash. 98052;
 206-643-5200

	1982	1981
Premium volume.	\$8,815,591	\$7,484,624
Gross rev.	\$1,383,500	\$1,229,175
Employees	30	30
Commercial lines.	40%	40%

Parent company: Groninger & Co. Inc.

Year founded: 1928.

Type of business: 95% managing general agent, 5% brokerage.

Type of markets: 69.3% admitted, 30.7% non-admitted in 1982. In 1981 55.3% admitted, 44.7% non-admitted.

MGA for: California Union Insurance Co., Employers Reinsurance Co., Lloyd's, Great American Surplus Lines Insurance Co., Monticello Insurance Co., Jefferson Insurance Co., National Fire & Marine Insurance Co., National Indemnity Co., Western World Insurance Co. Inc., Foremost Insurance Co., Yosemite Insurance Co., Great Falls Insurance Co., Midwest Mutual Insurance Co., Dependable Insurance Co., Sovereign General Insurance Co.

Broker for: Shand, Morahan & Co.

Principal officers: Guy N. Hedreen, president; Johannis Sinon, executive vp; Ormand Keller, vp; Eugene Caruso, secretary/treasurer.

Branch offices: Beaverton, Ore.

Membership: AAMGA.

Surplus Insurance Brokers of North America

3807 Wilshire Blvd., Suite 800, Los Angeles, Calif. 90010; 213-480-4772

	1982	1981
Premium volume.	\$15,400,000	\$13,800,000
Gross rev.	\$2,000,000*	NA
Employees	27	33
Commercial lines.	100%	100%

*BI estimate.

Parent company: CIGNA Corp.

Year founded: 1979.

Type of business: 100% underwriting manager.

Type of markets: 100% non-admitted in 1982, same as 1981.

Underwriting manager for: Illinois Union Insurance Co.

Principal officers: Robert H. Hutchins, senior vp; N. Yuschenkoff, president.

Branch offices: Los Angeles; Chicago; Princeton, N.J.; Atlanta; Houston.

Membership: NAPSLO.

T

Tennessee Underwriters Inc.

140 Fourth Ave. S., Franklin, Tenn.
 37064; 615-791-1400

	1982	1981
Premium volume.	\$2,800,000	\$1,800,000
Gross rev.	\$336,000	NA
Employees	6	4
Commercial lines.	95%	95%

*BI estimate.

Year founded: 1980.

Type of business: 40% underwriting manager, 40% managing general agent, 20% brokerage.

Type of markets: 20% admitted, 80% non-admitted in 1982, same as 1981.

Underwriting manager for: Lloyd's.

MGA for: United National In-

urance Co., Atlanta International Insurance Co.

Broker for: Primarily Integrity Insurance Co., International Surplus Lines Insurance Co.

Specialties: Package (SMP), fire, inland marine, umbrella.

Principal officers: Barry L. Guest, president; Zonn C. Worg, vp.

Membership: NAPSLO.

Dwight Tope State Agency Inc.

P.O. Box 8580, Albuquerque, N.M.
 87108; 505-255-8773

	1982	1981
Premium volume.	\$12,000,000	\$11,700,000
Gross rev.	\$1,440,000	NA
Employees	28	25
Commercial lines.	60%	60%

*BI estimate.

Year founded: 1938.

Type of business: 80% managing general agent, 20% brokerage.

Type of markets: 90% admitted, 10% non-admitted in 1982.

MGA for: New Hampshire Insurance Co., Ranger Insurance Co., Rockwood Insurance Co., American Reliable Insurance Co., Foremost Insurance Co., Puritan Insurance Co., National Indemnity Insurance Co., Centaur Insurance Co., Great Southwest Fire Insurance Co.

Broker for: Delta Insurance Co., Lloyd's, Lexington Insurance Co.

Principal officers: Dwight H. Tope, president; Raymond Perovich, vp/treasurer.

Membership: AAMGA.

Tri-State General Insurance Agency Ltd.

P.O. Box 1882, Salisbury, Md.
 21801; 301-546-1255

	1982	1981
Premium volume.	\$2,550,000	\$1,350,000
Gross rev.	\$280,500	\$48,500
Employees	10	5
Commercial lines.	85%	85%

Year founded: 1979.

Type of business: Underwriting manager, managing general agent, brokerage.

Type of markets: 15% admitted, 85% non-admitted in 1982, same as 1981.

Underwriting manager for: Excess Insurance Co. Ltd., Terra Nova Insurance Co., Bryanston Insurance Co., Bishopsgate Insurance Co., English & American Insurance Co. Ltd.

MGA for: Guaranty National Insurance Co., Homestead Insurance Co., Rockwood Insurance Co., Excess Insurance Co. Ltd., Terra Nova Insurance Co., Bryanston Insurance Co., Bishopsgate Insurance Co., English & American Insurance Co. Ltd.

Brokers for: Guaranty National Insurance Co., Homestead Insurance Co., Rockwood Insurance Co., Excess Insurance Co. Ltd., Terra Nova Insurance Co., Bryanston Insurance Co., Bishopsgate Insurance Co., English & American Insurance Co. Ltd.

Principal officers: Edward A. Dickerson, president; Mary Katherine Gray, executive vp; William G. Schock Jr., vp/manager of West Chester, Pa., office.

Branch offices: West Chester, Harrisburg, Pa.; Neptune, N.J.; New York.

Subsidiaries: Tri-State General Insurance Agency of New Jersey Inc.

Membership: NAPSLO.

Truckers Insurance Associates Inc.

Box 1494, Des Moines, Iowa 50306;
 515-276-7704

	1982	1981
Premium volume.	\$4,200,000	\$4,500,000
Gross rev.	\$614,000	\$634,000
Employees	9	9
Commercial lines.	99%	99%

Year founded: 1943.

Type of business: Managing general agent.

Type of markets: 95% admitted, 5% non-admitted in 1982, same as 1981.

MGA for: Northland Insurance Co., American Excess Insurance Co., Carolina Casualty Insurance Co., Hartford Accident & Indemnity Co., Home Insurance Co.

Principal officers: Kenneth Albaugh, president; Doug Wilson, vp.

Membership: AAMGA.

Tuley/Barnard & Associates Inc.

13831 Northwest Freeway, Suite 365,
 Houston, Texas 77040;
 713-960-3181

	1982	1981
Premium volume.	\$7,200,000	\$5,600,000
Gross rev.	\$540,000	\$420,000
Employees	14	12
Commercial lines.	100%	100%

Year founded: 1980.

Type of business: 60% brokerage, 40% managing general agent.

Type of markets: 15% admitted, 85% non-admitted in 1982. In 1981 20% admitted, 80% non-admitted.

MGA for: First State Insurance Co., Zurich-American Insurance Co. of Illinois, Early American Insurance Co., Canal Insurance Co., St. Paul Surplus Lines Insurance Co., Jersey/International Insurance Co., various London companies.

Broker for: Primarily First State Insurance Co., Hudson Insurance Co., St. Paul Surplus Lines Insurance Co., California Union Insurance Co., Zurich-American Insurance Co. of Illinois, Northbrook Excess & Surplus Insurance Co., Jersey/International Insurance Co., Firemen's Fund Insurance Co.

Principal officers: John D. Tuley, president; Bob Barnard, senior vp; Ted Blundell, Diana Robbins, W.D. (Bill) Wurdeman, Edward A. McCafferty, Marilyn D. Svec, vps.

Branch offices: San Antonio, Texas.

Subsidiaries: J.D. Tuley & Associates Inc.

Membership: NAPSLO.

U

U.S. & Overseas Agencies Inc.

1693 Stuyvesant Ave., Union, N.J.
 07083; 201-964-5950

	1982	1981
Premium volume.	\$3,000,000	\$3,000,000
Gross rev.	\$430,000	\$380,000
Employees	13	16
Commercial lines.	80%	80%

Year founded: 1933.

Type of business: 70% managing general agent, 30% brokerage.

Type of markets: 30% admitted, 70% non-admitted in 1982. In 1981 25% admitted, 75% non-admitted.

MGA for: Canadian Universal Insurance Co., Mt. Vernon Fire Insurance Co., United States Fidelity & Guaranty Co., Lloyd's.

Broker for: Primarily Northbrook Excess & Surplus Insurance Co.

Specialties: General and excess umbrella liability.

Principal officers: Jack Neubauber, president; Robert G. McLeer, vp; Bernice Bender, treasurer.

Membership: NAPSLO.

Underwriters Marine Services Inc.

Suite 1516, One Shell Square, New Orleans, La. 70139; 504-522-0803

	1982	1981
Premium volume.	\$7,500,000	\$8,500,000
Gross rev.	\$1,000,000	\$1,100,000
Employees	9	7
Commercial lines.	100%	100%

Year founded: 1978.

Continued on facing page

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 48 South Franklin Turnpike
 Ramsey, NJ 07446, USA
 Telephone: (201) 825-3300
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Continued from facing page

Type of business: 50% underwriting manager, 45% managing general agent, 5% brokerage.

Type of markets: 100% admitted in 1982, same as 1981.

Underwriting manager for: Pacific Employers Insurance Co.

MGA for: Lloyd's.
Broker for: Lloyd's.

Specialties: Marine hull, P&I, cargo, miscellaneous marine liabilities, marine excess and umbrellas, pollution.

Principal officers: Gregory L. Sterck, president; Barbara A. Meche, vp.

Branch offices: Los Angeles.
Subsidiaries: Affiliate company in Brussels, Belgium.

Underwriting Management Inc.

P.O. Box 6614, White Bear Lake, Minn. 55110; 612-777-4445

	1982	1981
Premium volume	\$2,300,000	\$375,000
Gross rev.	\$299,000	NA
Employees	5	3
Commercial lines	100%	100%

Parent company: Markel Corp.
Year founded: 1980.

Type of business: Underwriting manager.

Type of markets: 20% admitted, 80% non-admitted in 1982. In 1981 15% admitted, 85% non-admitted.

Underwriting manager for: Essex Insurance Co., Imperial Casualty & Indemnity Insurance Co., Meritplan Insurance Co.

Specialties: Primary and excess property and casualty.

Principal officers: Richard L. Smith, president; P.A. Levernier, Steven A. Markel, vps; R.A. Johnson, vp/secretary.

Membership: NAPSLO, pending AAMGA.

Unigard Specialty Associates Inc.

12221 Merit Drive, Suite 940, Dallas, Texas 75251; 214-991-1666

	1982	1981
Premium volume	\$8,700,000	\$5,200,000
Gross rev.	\$1,131,000	\$300,000
Employees	13	8
Commercial lines	100%	NA

Type of business: 100% underwriting manager.

Type of markets: 95% admitted, 5% non-admitted in 1982, no figures for 1981.

Underwriting manager for: Unigard Indemnity Co.

Principal officers: Orville D. Jones, president; Stephen Conner, vp.

Membership: NAPSLO.

Uni-Service Excess Facilities

180 Genesee St., New Hartford, N.Y. 13413; 315-735-3321

	1982	1981
Premium volume	\$1,157,000	\$794,000
Gross rev.	\$133,000	NA
Employees	4	4
Commercial lines	95%	95%

Parent company: Uni-Service Operations Corp.

Year founded: 1979.

Type of business: 52% brokerage, 48% managing general agent.

Type of markets: 95% admitted, 5% non-admitted in 1982. In 1981 53% admitted, 47% non-admitted.

Broker for: Primarily L.W. Biegler Inc., United States Liability Insurance Co.

Principal officers: Victor T. Ehre Jr., president; William R. English, vp.

Membership: NAPSLO.

Valle Excess Inc.

One High St., Morristown, N.J. 07960; 201-538-8200

	1982	1981
Premium volume	\$800,000	\$700,000
Gross rev.	\$96,000*	NA
Employees	5	4
Commercial lines	98%	98%

Parent company: Uni-Service Operations Corp.

Year founded: 1979.

Type of business: 52% brokerage, 48% managing general agent.

Type of markets: 95% admitted, 5% non-admitted in 1982. In 1981 53% admitted, 47% non-admitted.

Broker for: Primarily L.W. Biegler Inc., United States Liability Insurance Co.

Principal officers: Victor T. Ehre Jr., president; William R. English, vp.

Membership: NAPSLO.

Year founded: 1980.

Type of business: 70% managing general agent, 30% brokerage.

Type of markets: 50% admitted, 50% non-admitted in 1982. In 1981 30% admitted, 70% non-admitted.

MGA for: Atlanta International Insurance Co., Great Atlantic Insurance Co., Lloyd's.

Principal officers: Marie Valle, president; Deborah Cruder, executive vp.

Membership: NAPSLO.

Vermont Specialty Underwriters

102 S. Winosky Ave., Burlington, Vt. 05401; 802-658-4600

	1982	1981
Premium volume	\$250,000	NA*
Gross rev.	\$30,000	NA
Employees	2	NA
Commercial lines	5%	NA

Company started in: 1982.

Year founded: 1982.

Type of business: 100% managing general agent.

Type of markets: 95% admitted, 5% non-admitted in 1982.

MGA for: Insurance Co. of Pennsylvania; Chicago Insurance Co.

Principal officers: Warren L. Thompson, president; Roger D. Teese, vp.

W

Derek Ware Insurance Brokers Inc.

1970 Broadway, Suite 550, Oakland, Calif. 94612; 415-839-3070

	1982	1981
Premium volume	\$3,300,000	\$3,400,000
Gross rev.	\$330,000	\$330,000
Employees	9	8
Commercial lines	96%	95%

Parent company: Rathbone, King & Seeley Inc.

Year founded: 1976.

Type of business: 65% brokerage, 35% managing general agent.

Type of markets: 70% admitted, 30% non-admitted in 1982. In 1981 65% admitted, 35% non-admitted.

MGA for: Western World Insurance Co. Inc., Great Falls Insurance Co., Zurich-American Insurance Co. of Illinois, Chicago Insurance Co.

Specialties: Commercial umbrella.

Principal officers: Derek Ware, president.

Branch offices: Sacramento, Fresno, Calif.

Membership: NAPSLO.

Western Brokers Insurance Services

3325 Wilshire Blvd., Suite 301, Los Angeles, Calif. 90010; 213-487-7171

	1982	1981
Premium volume	\$7,000,000	\$7,000,000
Gross rev.	\$700,000*	NA
Employees	6	6
Commercial lines	100%	100%

***BI estimate.**

Year founded: 1971.

Type of business: 100% brokerage.

Type of markets: 90% admitted, 10% non-admitted in 1982, same as 1981.

Broker for: Primarily Employers Reinsurance Corp., Comstock Insurance Co., Appalachian Insurance Co., First State Insurance Co., Transcontinental Insurance Co., Covenant Mutual Insurance Co., Chicago Insurance Co.

Principal officers: M.B. Buettnerm, president; D.W. Grant, executive vp; Bruce C. McKay, casualty manager.

Membership: NAPSLO.

Western Re/Managers

3325 Wilshire Blvd., Suite 302, Los Angeles, Calif. 90010; 213-487-7161

	1982	1981
Premium volume	\$3,500,000	\$9,500,000
Gross rev.	\$1,235,000	NA
Employees	14	14
Commercial lines	100%	100%

Year founded: 1971.

Type of business: 80% underwriting manager, 20% managing general agent.

Type of markets: 95% admitted, 5% non-admitted in 1982, same as 1981.

Underwriting manager for: Covenant Mutual Insurance Co., Imperial Insurance Co., United Fire & Casualty Insurance Co., Imperial Casualty & Indemnity Co., Integrity Indemnity Co.

Broker for: Excess Insurance Co., Terra Nova Insurance Co. Ltd.

Principal officers: M.E. Buettner, chairman; D.W. Grant, president; Lon Varnadore, executive vp; Clay Braatz, vp; Ed Dziadkiewicz, assistant vp.

Subsidiaries: Affiliated with Western Brokers Insurance Services.

Membership: AAMGA.

Worldwide Insurance Brokers Inc.

9522 Brookline Ave., Suite 100, Baton Rouge, La. 70809; 504-928-2602

	1982	1981
Premium volume	\$3,600,000	\$2,800,000
Gross rev.	\$360,000	\$290,000
Employees	14	8
Commercial lines	40%	40%

Year founded: 1980.

Type of business: 70% managing general agent, 30% brokerage.

Type of markets: 40% admitted,

Surplus lines insurers listed

A

Admiral Insurance Co.

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

	1982	1981
Gross premiums	\$39,559,000	\$35,620,000
Net premiums	\$15,441,000	\$12,511,000
Paid-in capital	\$2,000,000	\$2,000,000
Capital & surplus	\$13,280,968	\$11,243,541
Employees	10	10
Combined ratio	105.8%	108.6%

Parent company: W.R. Berkley Corp.

Year founded: 1952.

Subsidiaries: Olympus Insurance Co.

60% non-admitted in 1982. In 1981 30% admitted, 70% non-admitted.

MGA for: American Risk Assurance Co., Excess Insurance Co., Terra Nova Insurance Co. Ltd., General Agents Insurance Co. of America Inc., North East Insurance Co., Northbrook Excess & Surplus Insurance Co., Union Indemnity Insurance Co.

Broker for: Illinois Employers Insurance Co. of Wausau, Interstate Fire & Casualty Insurance Co., Lexington Insurance Co., Lloyd's, National Union Insurance Co., American Home Insurance Co., North Star Insurance Co., Nutmeg Insurance Co., Puritan Excess & Surplus Lines Insurance Co.

Specialties: Commercial automobile, oilfield general liability, oilfield professional, large commercial property/casualty accounts.

Principal officers: Robert B. Politzer, president/chief executive officer.

Membership: NAPSLO.

(Illinois R.B. Jones Inc.'s questionnaire arrived too late to be inserted in alphabetical order in the marketers' directory.)

Illinois R.B. Jones Inc.

175 W. Jackson Blvd., Chicago, Ill. 60604; 312-435-8200

	1982	1981
Premium volume	\$29,000,000	\$32,000,000
Gross rev.	\$2,250,000	\$2,500,000
Employees	38	40

Approved non-admitted in: 46 states.

Admitted in: Delaware, Texas, New Jersey; not approved in Massachusetts.

Specialties: Product liability, errors and omissions, public entities, maritime employers liability, animal mortality.

Principal officers: F.H. Brown, president; L.M. Oberg, executive vp/secretary; M.J. Calpin, J.J. Duffett, senior vps; K.C. Hagan, treasurer.

Allianz Underwriters Inc.

5900 Wilshire Blvd., P.O. Box 36910, Los Angeles, Calif. 90036; 213-937-5530

Year founded: 1932.

Type of business: 60% brokerage, 40% managing general agent.

Type of markets: 50% admitted, 50% non-admitted in 1982.

MGA for: Lloyd's, St. Paul Surplus Lines Insurance Co. First State Insurance Co.

Broker for: First State Insurance Co., International Surplus Lines Insurance Co., Admiral Insurance Co., Northbrook Excess & Surplus Lines Co., Lloyd's, Columbia Casualty Co., Employers of Wausau Insurance Co., St Paul Fire & Marine Insurance Co., St Paul Surplus Insurance Co., Trans-Casualty Insurance Co., Gibraltar Insurance Co., MOAC, Great Southwest Insurance Co. Inc., Integrity Insurance Co.

Specialties: Architects and engineers errors and omissions, seedman's errors and omissions, railroad protective liability, group medical stop-loss, jewelers and furriers block, umbrella liability, products liability, primary and excess property, bowling center package.

Principal officers: R.J. Ruhe, president; R.A. Oldani, P.J. Bitolo, executive vps; H.E. Legel, J. Krok, vps; R. Zielinski, vp, administration.

Membership: NAPSLO.

	1982	1981
Gross premiums	\$90,461,908	\$88,333,662
Net premiums	\$59,565,448	\$57,007,639
Paid-in capital	\$10,000,000	\$10,000,000
Capital & surplus	\$29,274,503	\$33,446,498
Employees	460	498
Combined ratio	121.08%	119.97%

Parent company: Allianz Insurance Co.

Year founded: 1978.

Approved non-admitted in: No states.

Admitted in: All 50 states.

Specialties: Workers compensation, general liability, technical, German-linked business.

Principal officers: Herbert Hansmeyer, president; Frank Raab, chairman; William Shepard, executive vp; Paul Kaduk, treasurer; Roland Reed, Albert Nassar, vps.

Continued on next page

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Continued from previous page

Ambassador Insurance Co.

8400 River Road, North Bergen, N.J. 07047; 201-861-0400

	1982	1981
Gross premiums...	\$48,063,987	\$48,372,140
Net premiums...	\$54,477,274	\$34,477,376
Paid-in capital...	\$2,000,000	\$2,000,000
Capital & surplus...	\$19,966,556	\$28,633,904
Employees...	173	109
Combined ratio...	129%	108%

Parent company: Ambassador Group Inc.

Year founded: 1965.

Subsidiaries: Horizon Insurance Co.

Approved non-admitted in: 42 states. Not approved in Illinois, Minnesota, Rhode Island.

Admitted in: Arizona, Maine, Nevada, New Hampshire, Vermont.

Specialties: Institutional medical malpractice, product liability, amusement and recreational parks, package policies for commercial risks, resort hotels.

Associated International Insurance Co.

3450 Wilshire Blvd., Los Angeles, Calif. 90010; 213-739-8840

	1982	1981
Gross premiums...	\$24,385,617	\$13,467,747
Net premiums...	\$3,047,121	\$1,812,335
Paid-in capital...	\$1,300,000	\$1,300,000
Capital & surplus...	\$10,115,654	\$9,757,329
Employees...	32	27
Combined ratio...	85.9%	123.1%

Parent company: Stewart Wrightson Holdings Inc.

Year founded: 1972.

Approved non-admitted in: District of Columbia and 41 states excluding Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, North Carolina, Rhode Island, South Carolina, Tennessee.

Admitted in: California.

Principal officers: D. Michael Polizzi, president; George O. Thayer, vp/secretary/treasurer; Clayton Dukette, A. Kent Kuster, vps.

C

Consumers Indemnity Co.

West 921 Sprague Ave., Spokane, Wash. 99210; 509-838-6475

	1982	1981
Gross premiums...	\$106,333	\$44,144
Net premiums...	\$106,333	\$20,271
Paid-in capital...	\$676,090	\$676,090
Capital & surplus...	\$1,476,103	\$1,512,492
Employees...	NA	NA
Combined ratio...	106.3%	79.1%

Parent company: Consumers Insurance Co.

Year founded: 1980.

Approved non-admitted in: Oregon.

Admitted in: Washington.

Principal officers: William R. Bunker, president; Reuel C. Swanson, secretary/treasurer; Joyce A. Ritz, vp/comptroller; Leslie D. Jones vp-claims; Franklin H. Hunter, vp-underwriting.

Consumers Insurance Co.

West 921 Sprague Ave., Spokane, Wash. 99210; 509-838-6475

	1982	1981
Gross premiums...	\$678,411	\$2,87,076
Net premiums...	\$540,730	\$1,526,520
Paid-in capital...	\$1,000,000	\$1,000,000
Capital & surplus...	\$4,323,428	\$4,884,970
Employees...	60	50
Combined ratio...	113.2%	97.2%

Subsidiaries: Consumers Indemnity Co. and Western United Life Assurance Co.

Year founded: 1972.

Approved non-admitted in: Alaska, Hawaii, Texas, Utah.

Admitted in: Washington, Oregon, Idaho, Arizona and Nevada.

Principal officers: William R. Bunker, president; Reuel C. Swanson, secretary/treasurer; Joyce A. Ritz, vp/comptroller; Leslie D. Jones vp-claims; Franklin H. Hunter, vp-underwriting.

E

Essex Insurance Co.

P.O. Box 8560, White Bear Lake, Minn. 55110; 612-777-4445

	1982	1981
Gross premiums...	\$1,491,014	\$368,770
Net premiums...	\$452,517	\$32,286
Paid-in capital...	\$1,000,000	\$1,000,000
Capital & surplus...	\$3,291,713	\$2,804,810
Employees...	5	3
Combined ratio...	NA	NA

Parent company: Markel Corp.

Year founded: 1980.

Approved non-admitted in: 26 states.

Admitted in: Delaware.

Principal officers: Richard L. Smith, president; P.A. Levernier, Steven A. Markel, vps; R.A. Johnson, vp/secretary.

Evanston Insurance Co.

One American Plaza, Evanston, Ill. 60201; 312-866-2800

	1982	1981
Gross premiums...	\$90,041,000	\$67,931,000
Net premiums...	\$6,543,085	\$5,827,853
Paid-in capital...	\$20,712,485	\$20,712,485
Capital & surplus...	\$35,615,069	\$1,801,285
Employees...	NA	NA
Combined ratio...	99.2%	87.6%

Parent company: Evanston Services Inc.

Year founded: 1977.

Subsidiaries: Insurance Co. of Evanston, Evanston Reinsurance Co.

Approved non-admitted in: 49 states.

Admitted in: Illinois, District of Columbia.

Specialties: Financial institutions, environmental impairment liability, computer risks, most professional liability, hospital/medical professional liability and umbrellas.

Principal officers: Joseph J. Prochaska Jr., chairman/chief executive officer; Max W. Beam, vice chairman; E.L. "Mac" Calhoun, president.

F

Falcon Insurance Co.

One Beacon St., Boston, Mass. 02108; 617-725-6000

	1982	1981
Gross premiums...	\$6,072,297	\$11,334,268
Net premiums...	\$1,824,181	\$3,761,646
Paid-in capital...	\$2,307,600	\$2,307,600
Capital & surplus...	\$23,841,364	\$21,459,732
Employees...	9	27
Combined ratio...	171.5%	133.2%

Parent company: American Employers Insurance Co.

Year founded: 1957.

Approved non-admitted in: 48 states.

Admitted in: California, Delaware.

Specialties: Property and inland marine lines.

Principal officers: Albert H. Jackson, president; Malcolm H. Leggett, senior vp; Raymond M. Defosse, secretary; George P. Reedy, treasurer; William H. Robert, vp.

G

Gibraltar Casualty Co.

213 Washington St., Newark, N.J. 07101; 201-877-8000

	1982	1981
Gross premiums...	\$27,000,000	\$24,900,000
Net premiums...	\$17,000,000	\$13,000,000
Paid-in capital...	\$10,000,000	\$10,000,000
Capital & surplus...	\$15,250,000	\$14,000,000
Employees...	NA	NA
Combined ratio...	NA	NA

Parent company: Prudential Reinsurance Co.

Year founded: 1978.

Approved non-admitted in: 47 states.

Admitted in: Delaware, California.

Specialties: Product liability, umbrella liability, retroactive liability, specialty errors and omissions and industrial property risks.

Principal officers: Paul B. Ingre, president; Roger J. Consolla, vp; Freeman H. Bowers, Andy J. Szul, assistant vps.

Great American Surplus Lines Insurance Co.

10495 Montgomery Road, Cincinnati, Ohio 45242; 513-793-6510

	1982	1981
Gross premiums...	\$22,884,386	\$23,111,000
Net premiums...	\$3,987,421	\$5,080,000
Paid-in capital...	\$10,999,995	\$10,999,995
Capital & surplus...	\$19,378,384	\$16,728,433
Employees...	28	27
Combined ratio...	86.3%	88.1%

Parent company: American Financial Corp.

Year founded: 1977.

Subsidiaries: American Empire Insurance Co.

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

Admitted in: Delaware.

Principal officers: Joseph M. Walsh, president; Walter E. Snyder, underwriting vp; Chester A. Nalepa, vp-claims; John G. Buening, assistant treasurer.

Great Atlantic Insurance Co.

160 Pearl St., New York, N.Y. 10005; 212-208-6900

	1982	1981
Gross premiums...	\$11,526,480	\$20,191,070
Net premiums...	\$8,507,149	\$10,162,799
Paid-in capital...	\$2,145,900	\$1,876,400
Capital & surplus...	\$6,049,051	\$7,287,945
Employees...	44	56
Combined ratio...	109.5%	104.4%

Parent company: Atlantica Boavista Group.

Year founded: 1962.

Approved non-admitted in: 22 states: Alabama, Alaska, California, Colorado, Georgia, Idaho, Illinois, Kentucky, Louisiana, Maryland, Mississippi, New Jersey, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Tennessee, Utah, Vermont, Virginia and Puerto Rico.

Admitted in: Arizona, Delaware, Florida, Georgia, Montana, Nevada, New York, Utah, Texas, Washington.

Principal officers: Milton Bigman, chairman; Frank T. Buziak, president; Michael C. McFadden, executive vp/secretary; William J. Ackerman, vp.

Great Southwest Fire Insurance Co.

9501 E. Shea Blvd., Scottsdale, Ariz. 85258; 602-860-7777

	1982	1981
Gross premiums...	\$51,774,530	\$57,079,993
Net premiums...	\$49,524,650	\$47,900,777
Paid-in capital...	\$6,000,000	\$6,000,000
Capital & surplus...	\$16,876,422	\$15,539,791
Employees...	132	135
Combined ratio...	109.8%	99.4%

Parent company: Sentry Insurance Co.

Year founded: 1953.

Subsidiaries: Great Southwest Surplus Lines Insurance Co.

Approved non-admitted in: District of Columbia, Puerto Rico, U.S. Virgin Islands and 35 states.

Admitted in: Arizona, Colorado, Florida, Idaho, Illinois, Indiana, Iowa, Minnesota, Montana, Nevada, New Mexico, North Dakota, Ohio, Oregon, Pennsylvania, South Dakota, Utah, Washington.

Specialties: Monoline fire and SMP for residual property risks, vacant property, short-term events, single-line casualty and light commercial, umbrellas.

Principal officers: Joseph Olson, president/chief operating officer; Jack A. King, vp/general

counsel; John M. Runberg, treasurer; Thomas J. Maney, secretary.

H

Harbor Insurance Co.

4201 Wilshire Blvd., Los Angeles, Calif. 90010; 213-937-5411

	1982	1981
Gross premiums...	\$64,864,392	\$64,516,307
Net premiums...	\$22,786,446	\$25,196,452
Paid-in capital...	\$51,423,282	\$51,423,282
Capital & surplus...	\$91,225,095	\$104,286,467
Employees...	NA	NA
Combined ratio...	104.3%	98.9%

Parent company: The Continental Corp.

Year founded: 1946.

Subsidiaries: Pacific Insurance Co.

Approved non-admitted in: Kansas, Maine, Massachusetts, New York, South Dakota, Vermont.

Admitted in: 44 states.

Specialties: D&O liability, cast insurance, automobile residual value, environmental impairment liability, operators extra expense.

Principal officers: Edwin V. Hughes, Eugene L. Allen, Hall Wilson, Mark Burke, Harry D. Boyd.

I

International Surplus Lines Insurance Co.

100th Floor, Sears Tower, 233 S. Wacker Drive, Chicago, Ill. 60606; 312-876-3100

	1982	1981
Gross premiums...	\$69,233,802	\$82,778,087
Net premiums...	\$13,910,733	\$12,403,553
Paid-in capital...	\$1,500,000	\$1,500,000
Capital & surplus...	\$44,067,033*	\$45,569,207
Employees...	180	185
Combined ratio...	80.7%	39.1%

*Paid \$5 million dividend to parent in 1982.

Parent company: Crum & Forster.

Year founded: 1971.

Approved non-admitted in: All states except Illinois, includes District of Columbia and Puerto Rico.

Admitted in: Illinois.

Specialties: D&O liability, excess casualty, professional liability, primary/excess property.

Principal officers: Louis W. Biegler, chairman/chief executive officer; S. Richard Vassallo, president/chief operating officer; C.M. Murphy, senior vp/secretary; Norman R. Reid, H. James Cantwell, John Dore, senior vps.

Interstate Fire & Casualty Co.

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

	1982	1981
Gross premiums...	\$54,663,000	\$55,753,000
Net premiums...	\$34,759,000	\$31,963,000
Paid-in capital...	\$5,917,000	\$5,917,000
Capital & surplus...	\$26,046,000	\$25,494,000
Employees...	NA	NA
Combined ratio...	113%	110%

Parent company: Interstate National Corp.

Year founded: 1950.

Subsidiaries: Chicago Insurance Co., Interstate Indemnity Co.

Approved non-admitted in: 48 states.

Admitted in: Illinois, Michigan and U.S. Virgin Islands.

Specialties: Tow trucks, long-haul trucking, security guards, nursing homes, municipalities.

Principal officers: Donald E. Jeffers, Eldred M. Koenig, John A. Dunbar, James T. McGill, Charles M. Wetterling.

Investors Insurance Co. of America

145 N. Franklin Turnpike, Ramsey, N.J.; 201-327-8116

	1982	1981
Gross premiums...	\$15,639,000	\$16,334,000
Net premiums...	\$11,347,000	\$12,529,000
Paid-in capital...	\$2,000,000	\$2,000,000
Capital & surplus...	\$13,608,000	\$10,192,000
Employees...	85	90
Combined ratio...	121.6%	107.3%

Continued on facing page

DAR ALLEN REINSURANCE

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Dar Allen Reinsurance Agency of Chicago, Ltd.

Property Facultative Coverages

Suite 1160, 101 N. Wacker Drive
Chicago, Ill. 60606 • 312/853-3501
Telex 25-3232 • Cable DAR/

Continued from facing page

Parent company: Investors Insurance Holding Corp.

Year founded: 1961.

Subsidiaries: Chesapeake Casualty Co.

Approved non-admitted in: Arkansas, California, Indiana, Louisiana, Maryland, Minnesota, Mississippi, Missouri, North Dakota, Oregon, Rhode Island, South Dakota, Tennessee, Texas, Wisconsin.

Admitted in: Florida, Georgia, New Jersey, New York.

Specialties: Small mercantile, manufacturing and contractors.

Principal officers: William G. Hensler, chairman; Daniel J. Loventhal, president; Robert Nudo, secretary; Hyman Weiner, treasurer; Richard Scheer, vp.

L

Leader National Insurance Co.

4807 Rockside Road,
Independence, Ohio 44131;
216-447-1660

	1982	1981
Gross premiums...	\$41,423,398	\$25,130,184
Net premiums...	\$31,364,729	\$24,692,467
Paid-in capital...	\$2,752,400	\$2,752,400
Capital & surplus...	\$9,826,299	\$8,886,773
Employees	93	75
Combined ratio...	96.9%	98.0%

Parent company: Leader National Corp.

Year founded: 1963.

Approved non-admitted in: Louisiana.

Admitted in: All states except Connecticut, Delaware, Hawaii, Illinois, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, West Virginia.

Principal officers: S.M. Cascaleta, T.F. Preston, D.J. Morris, J.J. Barko, D.M. Romis.

Lincoln Insurance Co.

P.O. Box 681, Princeton, N.J. 08540;
609-452-7900

	1982	1981
Gross premiums...	\$15,894,120	\$39,051,302
Net premiums...	\$9,417,332	\$27,902,128
Paid-in capital...	\$2,400,000	\$2,400,000
Capital & surplus...	\$5,508,061	\$6,758,781
Employees	NA	NA
Combined ratio...	214%	96%

*Managed by Scottish & York Management Corp.

Parent company: Scottish & York International Insurance Group.

Year founded: 1962.

Approved non-admitted in: 45 states; not approved in Connecticut, Illinois, Maine, New Hampshire, Virginia.

Admitted in: Delaware.

Specialties: Municipalities, public entities, tax interruption protection for public entities, construction industry, miscellaneous specialized programs, excess workers compensation.

Principal officers: William C. Wren, president; Robert W. Hartje, vp-production operations; Marty Smith, James Shurr, vps; Peter Johnson, assistant vp-claims.

M

Mt. Hawley Insurance Co.

9025 N. Lindbergh Drive, Peoria, Ill.
61615; 309-692-1000

	1982	1981
Gross premiums...	\$7,504,302	\$6,686,211
Net premiums...	\$5,686,525	\$5,694,613
Paid-in capital...	\$2,000,000	\$2,000,000
Capital & surplus...	\$6,074,821	\$5,301,423
Employees	NA	NA
Combined ratio...	105.5%	84.8%

Parent company: RLI Insurance Co.

Year founded: 1979.

Approved non-admitted in: District of Columbia, Puerto Rico and 40 states excluding Connecticut, Iowa, Maine, Massachusetts, Rhode Island, Nevada, New Hamp-

shire, New Jersey, South Carolina, Tennessee.

Admitted in: Delaware.

Specialties: Errors and omissions, directors and officers, difference in conditions, substandard fire, oil and gas.

Principal officers: Gerald D. Stephens, president; R.R. Leventry, vp-underwriting; Kim J. Dozier, secretary; Loyde W. Alvis, treasurer.

N

National Fire & Marine Insurance Co.

3024 Harney St., Omaha, Neb.
68131; 402-346-7400

	1982	1981
Gross premiums...	\$19,093,318	\$22,193,634
Net premiums...	\$10,305,400	\$11,817,949
Paid-in capital...	\$2,500,000	\$2,500,000
Capital & surplus...	\$203,375,229	\$129,116,781
Employees	36	52
Combined ratio...	107.4%	88.1%

Parent company: Berkshire-Hathaway Inc.

Year founded: 1949.

Approved non-admitted in: 43 states; not approved in Hawaii, Iowa, Massachusetts, Nebraska, New Jersey, Rhode Island.

Admitted in: Nebraska.

Specialties: Special hazard general liability, excess liability, umbrella liability, commercial and public auto physical damage, professional liability for ambulance drivers and attendants, barbers, beauticians and nurses.

National Indemnity Co.

3024 Harney St., Omaha, Neb.
68131; 402-346-7400

	1982	1981
Gross premiums...	\$53,933,124	\$57,945,286
Net premiums...	\$80,402,083	\$78,141,803
Paid-in capital...	\$5,500,000	\$5,500,000
Capital & surplus...	\$509,578,998	\$347,408,384
Employees	300	372
Combined ratio...	113.8%	101.1%

Parent company: Berkshire Hathaway Inc.

Year founded: 1940.

Approved non-admitted in: Massachusetts, New Jersey, New York.

Admitted in: All states except Hawaii, Massachusetts, New Jersey, New York.

Specialties: Special hazard general liability, excess liability, umbrella liability, commercial and public auto liability and physical damage, professional liability for ambulance drivers and attendants, barbers, beauticians and nurses.

Principal officers: Roland D. Miller, president; William D. Lyons, Gary W. White, vps; Quentin M. Breunig, treasurer; Erna D. Vogt, secretary.

The North-West Insurance Co.

350 Morgan Building, Portland, Ore.
97205; 503-222-1041

	1982	1981
Gross premiums...	\$34,367,000	\$35,951,000
Net premiums...	\$23,785,000	\$26,123,000
Paid-in capital...	\$1,250,000	\$1,250,000
Capital & surplus...	\$13,908,000	\$12,165,000
Employees	85	92
Combined ratio...	106.5%	108.9%

Parent company: Surplus Underwriters Inc.

Year founded: 1960.

Subsidiaries: Mid-Continent Underwriters Inc., Southwest Indemnity Co.

Approved non-admitted in: 19 states.

Admitted in: Arkansas, Arizona, Colorado, Idaho, Iowa, Mississippi, Missouri, Nevada, New Mexico, Oregon, Utah, Washington.

Specialties: Workers compensation, general liability, commercial auto, commercial property, including builders risk and jewelers block, inland marine.

Principal officers: Herbert R. Howell, president; Edward H. Altorfer, Darrel N. Matton, vps;

Harry Hirsch III, secretary; Remigio E. Abuan, treasurer.

Nutmeg Insurance Co.

Hartford Plaza, Hartford, Conn.
06115; 203-547-5497

	1982	1981
Gross premiums...	\$34,922,570	\$27,235,807
Net premiums...	\$17,036,299	\$25,718,789
Paid-in capital...	\$3,000,000	\$3,000,000
Capital & surplus...	\$11,538,225	\$10,900,251
Employees	NA	NA
Combined ratio...	109.6%	105.6%

Parent company: Hartford Fire Insurance Co.

Year founded: 1980.

Approved non-admitted in: All states except Iowa, Kentucky, Maine, New Hampshire, New York, North Carolina, Rhode Island.

Admitted in: Connecticut.

Specialties: Retroactive liability, known loss and IBNR, excess liability, primary general liability, property excess, unique and unusual risks.

Principal officers: D.C. Thomas, chairman; D.R. Frahm, president; R.H. Deck, W.M. Griffin, D.R. Comey, executive vps.

P

Pacific Insurance Co.

4201 Wilshire Blvd., Los Angeles,
Calif. 90010; 213-937-5411

	1982	1981
Gross premiums...	\$17,666,127	\$11,094,745
Net premiums...	\$2,531,683	\$2,795,651
Paid-in capital...	\$10,000,000	\$10,000,000
Capital & surplus...	\$15,934,942	\$12,982,609
Employees	NA	NA
Combined ratio...	104.3%	98.9%

Parent company: Harbor Insurance Co.

Year founded: 1978.

Approved non-admitted in: District of Columbia and 44 states excluding California, Hawaii, New York, North Carolina, Tennessee.

Admitted in: California, New York.

Specialties: Environmental impairment liability, directors and of-

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 ficers liability, operators extra expense, cast insurance.

Principal officers: Edwin V. Hughes, Eugene L. Alle, Hall Wilson, Mark Burke, Harry D. Boyd.

Paxton National Insurance Co.

6700 Allentown Blvd., Harrisburg, Pa. 17112; 717-233-7172

	1982	1981
Gross premiums...	\$9,569,000	\$7,858,000
Net premiums...	\$10,156,000	\$8,511,000
Paid-in capital...	\$2,350,000	\$2,350,000
Capital & surplus...	\$4,489,000	\$4,228,000
Employees...	45	45
Combined ratio...	103.9%	97.6%

Parent company: Dauphin Management Corp.

Year founded: 1960.

Subsidiaries: Remco Insurance Co.

Approved non-admitted in: California (Paxton National), Alabama, Florida, Georgia, Louisiana, Maryland, Mississippi, Oklahoma, Pennsylvania, Texas, West Virginia (Remco). Paxton is admitted in 32 states and the District of Columbia.

Specialties: Commercial auto, general liability and products liability.

Principal officers: Richard E. Moore, president; John H. Hines, vp; Richard L. Keeseey, secretary/treasurer.

S

Safety Mutual Casualty Corp.

1034 S. Brentwood Blvd., St. Louis, Mo. 63117

	1982	1981
Gross premiums...	\$23,900,000	\$21,000,000
Net premiums...	\$11,000,000	\$9,700,000
Paid-in capital...	\$1,250,000	\$1,250,000
Capital & surplus...	\$10,600,000	\$7,250,000
Employees...	40	40
Combined ratio...	80.3%	90.2%

Year founded: 1942.

Approved non-admitted in: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, New Mexico, New York, Oklahoma, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia.

Admitted in: Illinois, Mississippi, Missouri, Nevada, New Jersey, Ohio, Washington.

Specialties: Excess workers compensation, commercial umbrella, excess unemployment compensation, excess general and auto liability.

Principal officers: B.K. Werner, president; E.L. Werner Jr., executive vp; E.A.B. Garesch II, vp; Harold F. Ilg, treasurer; Terrence T. Schoeninger, general counsel.

U

United National Insurance Co.

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

	1982	1981
Gross premiums...	\$20,370,288	\$11,781,231
Net premiums...	\$3,428,222	\$4,769,386
Paid-in capital...	\$4,468,650	\$1,468,650
Capital & surplus...	\$14,269,675	\$9,188,187
Employees...	30	28
Combined ratio...	88.8%	89.8%

Parent company: American Insurance Service Inc.

Year founded: 1960.

Subsidiaries: Diamond State Insurance Co.

Approved non-admitted in: Alaska, Alabama, California, Colorado, District of Columbia, Delaware, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Missouri, Nebraska, Nevada, New Jersey, New York, North Carolina, Ohio, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia, Wisconsin.

Admitted in: Pennsylvania.

Specialties: Police professional liability, umbrella, special multiperil, substandard fire, ocean marine.

Principal officers: R.L. Freudberg, president; A. Brodsky, executive vp; R.S. March assistant secretary/vp; N.M. Berger, secretary; G.A. Wilder, treasurer.

W

Western World Insurance Co. Inc.

48 S. Franklin Turnpike, Ramsey, N.J. 07446; 201-825-3300

	1982	1981
Gross premiums...	\$33,560,026	\$32,389,641
Net premiums...	\$14,545,272	\$15,125,162
Paid-in capital...	\$1,251,480	\$1,251,480
Capital & surplus...	\$18,019,841	\$14,302,582
Employees...	76	72
Combined ratio...	98.9%	95.5%

Parent company: Westco Holding Corp.

Year founded: 1964.

Approved non-admitted in: 48 states and District of Columbia.

Admitted in: New Hampshire, New York.

Principal officers: Derek Hughes, president; M.J. Snead, executive vp; Claude M. Signore, senior vp/treasurer; Andres W. Frazier, senior vp-finance.

Specialties: Law enforcement, demolition, contractors, restaurants, public officials, directors and officers.

Marketers, insurers listed by state

Alabama

Birmingham
 E & S Facilities Inc.
 South East Underwriting Service Inc.

Alaska

Anchorage
 Huycke General Agency

Arizona

Phoenix
 Cravens, Dargan & Co., Pacific Coast
 Will Darrah & Associates Inc.
 Sayre & Toso Inc.
Scottsdale
 Great Southwest Fire Insurance Co.
 NIW Inc.

Arkansas

Conway
 Arkansas Insurance Service Inc.
Fayetteville
 Jaeger & Haines Inc.

California

Burlingame
 Brown & Riding Insurance Services Inc.
Canoga Park
 H & W Insurance Services
Covina
 Cambridge General Agency
Encino
 H & W Insurance Services
 NIW Inc.
Fresno
 NIW Inc.
 Sayre & Toso Inc.
 Derek Ware Insurance Brokers Inc.
Glendale
 Compass Insurance Group of Agencies
 Harry W. Gorst Co. Inc.
Los Angeles
 Allianz Underwriters Inc.
 Associated International Insurance Co.
 Baccala & Shoop Insurance Services
 L.W. Biegler Profit Center
 Geo. F. Brown & Sons Inc.
 California Union Insurance Co.
 Cameron & Colby Co. Inc.
 Cravens, Dargan & Co., Pacific Coast
 Excess & Surplus Lines Insurance Brokers Inc.
 Global Surplus Insurance Services Inc.
 Harbor Insurance Co.
 John R. McDonald Co. Inc.
 Montgomery & Collins Inc.
 The Norco Agency Inc.
 Pacific Insurance Co.
 S.J. Petrakis Insurance Services Inc.
 Sayre & Toso Inc.
 Surplus Insurance Brokers of N.A.
 Stewart Smith Holdings Inc.
 Swett & Crawford
 Underwriters Marine Services Inc.
 Western Brokers Insurance Services
 Western Re/Managers

Marina Del Rey
 Firemark International
 Surplus Lines Brokers

Newport Beach
 Baccala & Shoop Insurance Services
 Alexander Howden Insurance Services Inc.
 NIW Inc.
 Swett & Crawford

Oakland
 Doranco West Insurance Brokers Inc.
 Derek Ware Insurance Brokers Inc.

Orange
 Sayre & Toso Inc.

Pasadena
 Anderson & Murison Inc.
Sacramento
 Sayre & Toso Inc.
 Derek Ware Insurance Brokers Inc.

San Diego
 NIW Inc.
 Swett & Crawford

San Francisco
 Baccala & Shoop Insurance Services
 L.W. Biegler Profit Center
 Geo. F. Brown & Sons Inc.
 Cambridge General Agency
 Cameron & Colby Co. Inc.
 Cravens, Dargan & Co., Pacific Coast
 H & W Insurance Services
 J G Special Risk Insurance Brokers
 NIW Inc.
 New Amsterdam Excess Inc.
 S.J. Petrakis Insurance Services Inc.
 Sayre & Toso Inc.
 Victor O. Schinnerer & Co. Inc.
 Sherwood Insurance Services
 Stewart Smith Holdings Inc.
 Swett & Crawford

San Jose
 Coplen General Insurance Agency Inc.
 NIW Inc.
 Sayre & Toso Inc.

Santa Ana
 H & W Insurance Services
Santa Monica
 NAS Ltd.

Sherman Oaks
 Excess & Surplus Lines Insurance Brokers Inc.

Stockton
 NIW Inc.

Tarzana
 Swett & Crawford

Walnut Creek
 Dryden & Co. Inc.

Colorado

Denver
 Allied General Agency Inc.
 Cravens, Dargan & Co. of Houston Inc.
 ISI Corp.
 Montgomery & Collins Inc.
 NIW Inc.
 Sayre & Toso Inc.
 Swett & Crawford
Englewood
 Guaranty National Insurance Co.

Connecticut

Hartford
 Montgomery & Collins Inc.
 Nutmeg Insurance Co.
Plainville
 Anexco Brokerage of Connecticut Inc.
Stamford
 Gordon Hoyt Associates Inc.
West Hartford
 Gordon Hoyt Associates Inc.

Delaware

Frederica
 Pennock Insurance Agency Inc.
Wilmington
 Lexington Insurance Co.

District of Columbia

Victor O. Schinnerer & Co. Inc.
 Stewart Smith Holdings Inc.

Florida

Boca Raton
 Program Underwriters Inc.

Boynton Beach
 Seaboard Underwriters Inc.
Jacksonville
 NIW Inc.
 Shelly, Middlebrooks & O'Leary Inc.

Lakeland
 E&S Agency of Florida Inc.

Miami
 Florida Risk Managers Inc.
 NIW Inc.

Orlando
 Alexander Underwriters General Agency Inc.
 Lyon Underwriters Inc.
 NIW Inc.
 Program Underwriters Inc.

Sanford
 Crump London Underwriters (Florida)
St. Petersburg
 NIW Inc.

Tamarac
 Program Underwriters Inc.

Tampa
 Corvette General Agency Inc.
 The London Agency Inc.
 Program Underwriters Inc.
 Sayre & Toso Inc.
 Swett & Crawford

Georgia

Atlanta
 Alexander Underwriters General Agency Inc.
 American Special Risk Insurance Co.
 Baccala & Shoop Insurance Services
 Geo. F. Brown & Sons Inc.
 Cameron & Colby Co. Inc.
 Corvette General Agency Inc.
 Cravens, Dargan & Co. of Houston Inc.
 Cravens, Dargan & Co., Pacific Coast
 E & S Facilities Inc.
 Alexander Howden Insurance Services Inc.
 Insurance Service Underwriters Inc.
 The London Agency Inc.
 Market Service Inc.
 Montgomery & Collins Inc.
 New Amsterdam Excess Inc.
 Sayre & Toso Inc.
 Southern Insurance Underwriters Inc.
 Stewart Smith Holdings Inc.
 Surplus Insurance Brokers of N.A.
 Swett & Crawford

Marietta
 H & W Insurance Services
Norcross
 New South Insurance Broker of Georgia Inc.

Hawaii

Honolulu
 Cravens, Dargan & Co., Pacific Coast

Idaho

Boise
 NIW Inc.
 Rocky Mountain General Agency

Illinois

Belleville
 W.A. Schickedanz Agency Inc.

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 Geo. F. Brown & Sons Inc.
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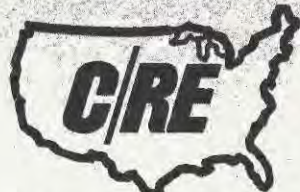
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 Sayre & Toso Inc.
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 Stewart Smith Holdings Inc.
 Surplus Insurance Brokers of N.A.
 Swett & Crawford
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 Shand, Morahan & Co. Inc.
Itasca
 NIW Inc.
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 Media/Professional Insurance Inc.
Shawnee Mission
 George Knight & Associates Inc.
Topeka
 NIW Inc.

Kentucky

Louisville
 Market Finders Insurance Corp.
 NIW Inc.

Louisiana

Baton Rouge
 Alexander Underwriters General Agency Inc.
 Worldwide Insurance Brokers Inc.
Harahan
 Jack D. Hunter & Associates
Metairie
 Organ & Co. Ltd.
New Orleans
 Continental Underwriters Ltd.
 G & M Marine Inc./G & M Surplus Lines
 The London Agency Inc.
 Mid-Continent Underwriters Inc.
 Underwriters Marine Services Inc.
 Sayre & Toso Inc.
 Swett & Crawford
Shreveport
 Interstate Insurance Underwriters Inc.

Maryland

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 All Risks Ltd.
 Pennock Insurance Agency Inc.
Columbia
 Horan, Goldman Cos. Inc.
 Alexander Howden Insurance Services Inc.
Langley Park
 L.E. Harris Agency Inc.
Salisbury
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Braintree
 E.A. Kelley Co.

Michigan

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 Stewart Smith Holdings Inc.
Grand Rapids
 First National Insurance & Reinsurance Agency
 Langan, Damon & Spink Inc.
 McAlear Associates Inc.

Minnesota

Minneapolis
 Baccala & Shoop Insurance Services
 Insurance Facilities Inc.

NIW Inc.
 Sayre & Toso Inc.
St. Paul
 NIW Inc.
 St. Paul Surplus Lines Insurance Co.
White Bear Lake
 Essex Insurance Co.
 Underwriting Management Inc.

Mississippi

Jackson
 Insurance Exchange Ltd.
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Missouri

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 Bohrer, Croxdale & McAdoo Inc.
 NIW Inc.
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 Cravens, Dargan & Co., Pacific Coast
 International Placement Services Inc.
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Springfield
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 of Missouri

Montana

Billings
 NIW Inc.
Great Falls
 Rocky Mountain General Agency

Nebraska

Omaha
 NIW Inc.
 National Fire & Marine Insurance Co.
 National Indemnity Co.

Nevada

Reno
 NIW Inc.

New Hampshire

Concord
 Horan, Goldman Cos. Inc.

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Syracuse
 Jaquin Excess Inc.

Murphy
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Insurance Management: vps, directors, managers of insurance, risk, benefits, compensation, safety, security, etc.	5,299
Government, Associations, Unions, Educational Institutions	1,034
Commercial Consumers Sub-total	22,954
Insurance Agents & Brokers	9,774
Insurance Cos.	5,217
Financial Institutions	352
Actuaries, Attorneys, Adjusters, Appraisers & Consultants	2,603
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TOTAL	41,834

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Gas stations may need pollution cover

Continued from page 2
insurance for both sudden and non-sudden pollution with minimum limits of \$1 million per occurrence and \$3 million aggregate.

However, the coverage for sudden and non-sudden pollution need not be supplied by the same policy, meaning a business could tap its comprehensive general liability policy for sudden pollution coverage. Most CGL forms cover sudden pollution accidents, but exclude gradual pollution exposure.

In addition, landfills and TSDFs would have to buy EIL coverage with minimum limits of \$4 million per occurrence and \$10 million aggregate. Federal law will require these sites to buy \$3 million per occurrence and \$6 million aggregate by the bill's effective date.

As an alternative to insurance, service stations and others covered by the bill could obtain a surety bond or letter of credit or set up a secured trust fund to demonstrate financial responsibility.

One spokesman for service sta-

tion owners says that stations should not have to buy coverage.

Tom Cordell, executive director of the Michigan Petroleum Assn., says members of his group are already covered for both sudden and non-sudden pollution liability.

Mr. Cordell's group represents 350 wholesale petroleum distributors in the state. Most of the companies also own retail service stations, which are leased to individuals.

Members of the association are covered by a group comprehensive general liability insurance program underwritten by Federated Mutual Insurance Co. that includes coverage for tank leaks, according to James C. Leighty, Federated's regional marketing manager.

Mr. Leighty said that Federated considers the first reported leakage from a petroleum tank—whether it be sudden or gradual—to be "accidental" and thus covers any damage caused by the leak until the claim is made. However, the company will not cover any further

claims arising from the leak, since such claims are no longer considered accidental, he said.

In addition, it will not cover leaks that the owner knows about, since those are not accidental.

The Service Station Dealers Assn. of Michigan, a group of 1,200 gasoline retailers, most of which operate franchises of the major oil companies, also has been watching legislative proceedings carefully.

"We do not deny that something has to be done," said Charles E. Shipley, executive director of the association. "I'm just hoping that something can be done that will protect small businessmen."

Mr. Shipley fears that high premiums charged by EIL insurers could drive some small stations out of the retail gasoline business.

EIL underwriters surveyed by *Business Insurance* said the required coverage could cost stations as little as \$200 annually, if they banded into large groups, or as much as \$5,000 per year.

Stewart Smith Mid America Inc. in Chicago, an excess/surplus brokerage subsidiary of Stewart Smith Holdings Inc., says that it could offer gasoline stations coverage that would comply with the proposed law for as little as \$200 annually, if the stations banded together in groups of 1,000 or more.

No gasoline company has that many stations in the state, admits Alexander J. Wayne, senior vp-underwriting for Wrightson & Co., an underwriting manager affiliate of Stewart Smith.

However, he says, trade groups could band together to form a group large enough to obtain the low rates. Underwriters say they

can charge cheaper rates if service stations buy coverage in a group because it spreads the chance of one station filing a large claim.

An EIL policy with the required annual limits of \$1 million per occurrence and \$3 million aggregate and a \$5,000 retention would cost an individual station about \$1,000, Mr. Wayne points out.

Both the individual and group Stewart Smith coverages would only cover gradual pollution exposures, though most comprehensive general liability policies will cover sudden pollution incidents.

The Pollution Liability Insurance Assn., a EIL insurance pool, would charge service stations annual premiums ranging between \$200 to \$3,300 depending upon limits, and the age and condition of the tank, according to Dudley B. Morrison, the pool's manager.

For coverage that would fit the requirements of the proposed Michigan law, an individual gas station with four metal or fiberglass tanks that are less than five years old would pay \$422 a year.

An individual gas station with four metal tanks that are more than 20 years old would pay \$3,300, he said. Coverage for fiberglass tanks remains \$422 a year through the life of the tank.

But, Chuck A. North, an underwriter for special risks at underwriting manager Shand, Morahan & Co. Inc. of Evanston, Ill., says his company cannot compete with the bargain pollution insurance rates other companies are offering.

The minimum premium Shand, Morahan could offer for a policy covering only gradual exposures with a \$10,000 deductible is \$5,000. ■

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Rim award to be appealed

Continued from page 2
Budd say they have substantial self-insured retentions for product liability exposures, with many different layers of excess liability coverages.

The case goes back to Oct. 4, 1977, when Mr. Hale noticed that a tire on his 1968 Ford truck was low on air. He borrowed a portable air compressor to reinflate the tire.

The multipiece rim blew out from the tire, hitting Mr. Hale in the face. Mr. Hale's injuries included a severed nose, which was later reattached, broken teeth, damaged tear ducts and fractured facial bones, according to his attorney John Risjord & Curtis in Kansas City.

Mr. Hale later filed suit against Firestone and Budd and sought \$6 million in punitive damages and \$600,000 in compensatory damages.

Multipiece rim explosions can occur if the components become misaligned, reducing support for the air pressure in the tire.

Mr. Hale's product liability suit was one of dozens that have been filed against the major rim manufacturers: Firestone, Goodyear and Fruehauf Corp.'s Kelsey-Hayes Co. unit. Those suits have been consolidated before the U.S. District Court in Kansas City under multidistrict rules.

Mr. Risjord, who has represented accident victims in about 20 multipiece rim cases, labeled the Firestone rim a "widow maker," and said it was defectively designed.

However, Firestone says accidents have been caused by inadequate precautions rather than a defective design.

Firestone points to a 1981 study by Failure Analysis, a California-based research firm, that found that 76% of fatal injuries and 71% of injuries could have been avoided if an Occupational Safety and Health Administration regulation on servicing the rims had been followed.

Mr. Hale's suit would have been thrown out if the Missouri Legislature had passed a measure, introduced several times, that would have barred personal injury suits involving products more than 10 years old. The Firestone rim that was introduced as evidence at Mr. Hale's trial was 21 years old at the time of the accident.

Mr. Perkin, Budd's assistant general counsel, says there should be some time limits on filing product liability suits. "There is something to be said for a 10-year statute

of repose."

Mr. Risjord agrees that "a manufacturer can't be held responsible forever for his products," but any time limitations on lawsuits should be decided on a case-by-case basis by courts rather than through legislation.

A statute of repose fails to make distinctions among the different life expectancies of different products, Mr. Risjord explained.

The shelf life of a can of tuna is not the same as an industrial part, he added. ■

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Businesses still in dark about blackout losses

Continued from page 1

since last year has placed it with U.S. underwriters.

While many are saying there will be lawsuits over the business interruption losses, most agree it would be hard to itemize actual damages yet and there's a good chance many of the losses will be made up.

"Economic damage is just something you can't estimate," says Mark A. Willis, an assistant to Deputy Mayor Kenneth Lipper who handles finance and economic development. "It just requires you to wait.

"There are going to be a lot of lawsuits and, to be candid, there is no way anybody wants to throw any numbers on the table right now.

"My previous experience with blackouts is most of the business is eventually made up," said Mr. Willis, who coordinated the city's request for state and federal disaster loans for affected businesses.

"Many of them (the businesses affected by the blackout) aren't calling us. What they are probably doing is trying to make up the business."

That's exactly what the district's 3,800 garment manufacturers were doing last week.

"The blackout has me six weeks behind on my work and I don't have a minute to talk to you," explained one harried manufacturer who had buyers in his showroom.

"We certainly expect to recover the lion's share of what seems to have been lost last week," said Kurt Barnard, executive director of

the Federation of Apparel Manufacturers, which has 5,500 manufacturing companies as members.

"But there still will be many millions of dollars in sales and profits lost," he added.

The actual extent of losses will depend on what happens in the next few weeks. Will the buyers that went home empty-handed when the lights went out come back or were they able to place their orders elsewhere? And will the delay in placing orders have any ripple effect on production schedules?

Jack Rubin, vp of Glenora Jrs., believes that the blackout knocked the momentum out of market week and many of the buyers went elsewhere to spend their budgets.

"I doubt if they will come back—only if they need goods," he said.

Glenora President Sam Saporta estimates his company lost \$500,000 in sales during the market week. "The loss factor will be maybe \$150,000."

But the big retail chains, like Sears, Roebuck & Co. and K mart Corp., will have to come back to New York to buy if they are going to fill their stores, explains Robert I. Parsly, vp of Parmell Industries Inc., a manufacturer of popular-priced junior sportswear.

"Whether they buy this week or last week, they have to fill their stores," he said.

But, he explains, the buyers that were looking for smaller quantities of more expensive clothing probably could tap a regional market and not return to New York. "The

higher the price line, the more you were hurt," he says.

Another industry source said even if sales losses are made up, the delay caused by the blackout will cause manufacturing problems that could affect the filling of orders.

A company has to be able to predict what kind of fabrics and colors will be popular for the next season and what patterns to start cutting, the source noted. These predictions are based on early orders, which were cut short by the blackout.

"Now manufacturers will have to gamble on what the orders will be," he said.

Matthew Love of Matthew Love Petites estimates he lost \$100,000 in sales because of the blackout.

"The losses in bookings compared to last year are substantial," Mr. Love said, explaining he compared sales of this year's market week with the sales rung up during the same week last year.

"But I'm fortunate. I have a road force, so I wasn't hurt as much," he said, explaining that his salespeople contacted the buyers in their hometowns.

"We were hurt; but it's hard to come up with a number," said Stewart Wolf, controller of the Great American Sweater Co., which has a showroom at 1811 Broadway.

Last week, the sweater manufacturer was trying to "regroup."

"Buyers are making appointments and coming back," Mr. Wolf said.

However, the manufacturers may not be able to claim any losses on business interruption insurance policies because many exclude losses caused by power failures.

A property claims executive at Commercial Union Insurance Co. said he had received one claim but had not yet decided whether an off-premises power failure would be a covered loss under the policy.

At Royal Insurance Co., Underwriting Controller D.V. Suri said direct damage to property might be required for business-interruption endorsements to afford coverage unless the policyholder had purchased a standard endorsement under the basic property policy for a "purchased power cutoff."

Otherwise, said Mr. Suri, only a policy with "contingent business interruption" coverage would be likely to respond to the power loss.

At Associated Commercial Property Insurers, claims executive Vivian Sackel said she thought consequential losses would only apply to losses to garments themselves insured under a manufactured goods policy.

"Most people would probably not

to have coverage for that sort of thing," agreed Frank Gutman, a property claims official at The Home Insurance Co.

The garment manufacturers agreed that they were not counting on insurance reimbursement for their losses.

Glenora, which has three showrooms in New York, has business interruption insurance, but Mr. Saporta wasn't hopeful that it covered the blackout losses. "I'm calling my insurance agent," he said.

John Woods Fashion Ltd. also has business interruption insurance, "but it doesn't cover utilities," a spokeswoman said.

Barclay Square Inc. doesn't have business interruption insurance. "If I did, how would I make a claim?" asked Controller Richard Williams. "It's hard to assess the loss."

"I don't believe we will make any claims because I think it is very difficult to determine at this time whether we lost anything," said Bernard Linder, comptroller for Crazy Horse Inc., a division of Russ Togs Inc., which makes junior sportswear.

To cut down on their losses, several firms set up shop on the street or used pay phones outside the garment district to service customers.

Parmell's Mr. Parsly conducted business at home using his personal phone.

Meanwhile, officials at Gimbel's and the Penta Hotel were certain they lost money because of the blackout.

Management of the Penta says its losses will be "very substantial."

The 1,700-room Penta, previously known as the New York Statler, was acquired Aug. 5 by Ascot Associates, a partnership owned by Penta Hotels Ltd. and Abelco, a company formed by New York real-estate interests. Penta is in turn owned by a consortium of three airlines and three banks, all in Europe.

Barry S. Mann, the Penta vp charged with running the hotel, said it would be up to Wausau Insurance Cos., the firm's business interruption insurer, to decide whether it would sue anyone to make up losses.

"We think we may have to, but I think that would be up to our insurance company," said Mr. Mann. The hotel was emptied after it lost power and Mr. Mann says conferences and other advanced bookings would be affected by the power loss through Aug. 20. He said he would tally up the hotel's lost profits for the 10-day period and submit the figures to Wausau.

Gimbels and Macy's were closed Aug. 10 and 11 and reopened the afternoon of Aug. 12, using genera-

tors to supply power.

Macy's officials would not comment on its expected loss and Gimbel's is still assessing its damages.

"Yes, we had losses, and yes, we have business interruption insurance; we have a variety of insurances, but we're still assessing the situation," said Robert Pittman, vp of public affairs with BATUS Inc. in Louisville, Ky., the holding and management company for Gimbel's.

"And I expect we'll still be assessing our losses for the next couple of months," he added.

Gimbels is self-insured for some losses, Mr. Pittman said.

New York Telephone, which has its headquarters in the Garment District, also brought in generators to keep its 41-story building open and operating during the blackout.

"We had emergency generators to keep our switching machines working and one or two elevators and for some light," said a spokesman.

The company has emergency generators that began to operate when commercial power went out, but it brought in additional generators to maintain service to its customers.

To deal with the blackout internally, the phone company closed the top 18 floors and confined services to the lower 23.

"But by Saturday, things were back to normal," the spokesman said.

However, nothing was normal for the company last week because of the nationwide phone workers' strike. Supervisory personnel and others were filling in for the union workers.

In fact, the phone company's insurance personnel were unable to answer questions on the company's losses due to the power outage because they had been reassigned to field jobs.

City and state officials notified the federal Small Business Administration of the power loss, seeking approval of emergency loans for businesses suffering cash-flow shortages.

"We estimated \$509,000 in physical losses due mostly to food spoilage at restaurants in the affected area," said Mario G. Rampolla, planning and operations coordinator for the city's Office of Civil Preparedness. He said the losses were tallied by 73 out of 110 restaurants operating in the afflicted area.

He said the city estimated its economic losses at \$100 million, but "some of that is recoverable, but nobody really has a good handle on what is recoverable and what isn't."

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Insurer took nibble and will pay the price

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the Illinois Insurance Exchange paid \$100,000 to a television station in Minot, N.D., after an angler there caught a tagged fish in a station promotional contest to win the \$100,000 prize (BI, Aug. 8). In that contest, the odds of the fish being caught were better than a million-to-one.

In the Puget Sound contest, the

policy will pay each of the two fishermen \$25,000 a year for 20 years through an annuity, Mr. Wertz says. Had only one fish been caught, the lucky sportsman would have been paid \$50,000 a year for 20 years.

Under the terms of the insurance policy, the payments are made directly to the winners.

But paying on an annuity plan will mean that the two winners will not actually receive \$500,000 in present-dollar value. Because the payments will be disbursed over a 20-year period, the men may eventually reel in as little as \$245,000 in present-dollar value.

The reduction in value is a result of annuity interest rates and inflation.

datebook

SEPT. 21-22. Labor/Management workshop in San Francisco, sponsored by the Health Research Institute; \$395. Also Oct. 27-28 in Los Angeles; Nov. 17-18 in New York; Dec. 8-9 in Chicago. HRI, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

SEPT. 21-23. Reinsurance Concepts conference in Chicago, sponsored by the Risk & Insurance Management Society; \$445 for members; \$545 for non-members. Editorial Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

SEPT. 21-24. International Benefits seminar in San Francisco, sponsored by the International Foundation of Employee Benefit Plans; \$470 for members; \$545 for non-members. IFEBP, Box 69, 18700 W. Bluemound Road, Brookfield, Wis. 53005; 414-786-6700.

SEPT. 22. Health Care Facilities and Occupational Health Symposium in Garfield, N.J., sponsored by O.H. Consultants Inc.; \$175; discounts available for additional registrants. Paula Evans, O.H. Consultants, Inc., 3363 Kennedy

Bldv., Jersey City, N.J. 07307; 201-795-3773.

SEPT. 22-23. Introduction to Communications Security workshop in San Diego, sponsored by the Computer Security Institute; \$495 for members; \$525 for non-members; group discounts available. Computer Security Institute Educational Resource Center, Department ERC, 43 Boston Post Road, Northborough, Mass. 01532; 617-845-5050.

SEPT. 23. Health Improvement/Prevention workshop in San Francisco, sponsored by the Health Research Institute; \$195. Also Oct. 28 in Los Angeles; Nov. 18 in New York; Dec. 9 in Chicago. HRI, 49 Quail Court, Suite 200, Walnut Creek, Calif. 94596; 415-676-2320.

Kennedy proposes faster pension vesting

Continued from page 1
 director of compensation and benefits at Dayton-Hudson Corp. in Minneapolis.

While there is sharp disagreement on what the Kennedy bill would accomplish, pressures for enactment are building, experts say.

Those pressures include:
 • The recent recession, which focused attention on workers who were permanently laid off before they met their pension plan's minimum vesting requirement.

"The recession made even executives realize that 10-year vesting is an anachronism," said Karen Ferguson, director of the Pension Rights Center, a Washington-based benefit group that represents pension plan participants.

• The feeling among some members of Congress that private pension plans should provide more benefits because the financially strapped Social Security program can no longer be expanded.

"More congressmen are focusing on vesting schedules in private pension plans because they know Social Security cannot provide any more," said Lloyd Kaye, a principal at William M. Mercer Inc. in New York.

In fact, last year in a possible precedent-setting move Congress approved legislation that will require small "top-heavy" pension plans to offer much faster vesting schedules (BI, Aug. 23, 1982).

Starting Jan. 1, top-heavy plans, in which 60% of benefits go to key employees, will have to adopt one of two rapid vesting schedules. Employees will have to be 100% vested after three years or be offered a six-year graded plan in which an employee is 20% vested after two years and 100% vested after six years.

Currently, many small pension plans offer the so-called 4-40 vesting schedule in which an employee is 40% vested after four years and 100% vested after 11 years.

• The attention women's rights groups are now focusing on the pension system. They say long vesting requirements pose a special burden on women, who are more

likely than men to leave a job after a few years because of family responsibilities.

"Virtually all of the major women's groups have made pension issues a majority priority," Ms. Ferguson says.

• The desire of both Republicans and Democrats to respond to the demands by women's groups as the 1984 elections draw near.

"If faster vesting is sold as a women's rights issue, it could be irresistible," says Richard Fay, a partner with the Washington law firm of Reed Smith, Shaw & McClay.

"If it is perceived as a women's rights issue, than it could go through Congress like Sherman went through Georgia," Mr. Fay adds.

In fact, the Reagan administration, in a move clearly aimed at attracting support from women's groups, already has urged Congress to pass legislation, S. 19, that would lower the minimum age at which an employer must allow employees to participate in pension plans to 21 from 25.

"The administration believes that women should not be denied the opportunity to participate in plans during the years they are most likely to be employed," Assistant Treasury Secretary John Chaptoun recently told the Senate Finance Committee (BI, Aug. 8).

Sen. Kennedy's proposal, which will be introduced in the House by Rep. Geraldine Ferraro, D-N.Y., follows a decade-old trend of liberalization of vesting requirements, observes Donald Grubbs, a consulting actuary in the Washington office of Buck Consultants Inc.

For example, prior to the passage of the Employee Retirement Income Security, many employers required 20 years of service for vesting.

ERISA, which passed in 1974 after nine years of debate, outlawed 20-year vesting schedules. Instead, the slowest vesting allowed under ERISA is a 5-15 schedule in which an employee must be 50% vested after five years and 100% vested after 15 years.

However, most employers opted for another ERISA vesting schedule—10-year cliff vesting—in which an employee becomes first and fully vested after 10 years.

Some experts warn that faster vesting, as Sen. Kennedy proposes, will change the nature of pension plans.

"Private pension plans are part of a system that allow the accumulation of tax-free funds to provide a significant amount of income at retirement," said Washington attorney Mr. Fay, who helped draft ERISA in 1974 as a Senate committee staff member.

But if employees can vest after a few years with a small accumulated benefit, then pension plans have been turned into a severance plan, Mr. Fay and other experts stressed.

Other experts disagree. "Faster vesting isn't the kind of thing that will overturn the world. But it will help a significant number of individuals," said Buck Consultants' Mr. Grubbs.

The pension benefit that a worker would be entitled to after five years would be small. For example, if a plan's benefit formula provided \$12 a month per year of service, an employee who left the firm after five years would be eligible for a benefit of \$60 a month at age 65.

Rather than keep the former employee in the pension plan all those years, the employer probably would give the worker at termination a lump sum equal to the value of the pension at age 65, points out Robin Holloway, a vp at Towers, Perrin, Forster & Crosby in New York.

For example, the cash value of a \$60 a month benefit to a 30-year old employee with five years of service is just \$390. "It is a nuisance benefit," Mr. Holloway says.

Some experts say that faster vesting contains implications that backers are ignoring. For example, some firms faced with higher benefit costs might lay off workers, said

Mr. Mactas.
 In addition, faster vesting might stunt the record growth in new retirement plans. "Some firms would be reluctant to offer new plans," said Kenneth Keene, senior vp at Johnson & Higgins in New York.

Furthermore, faster vesting would increase the liabilities of the Pension Benefit Guaranty Corp., the federal agency that guarantees vested benefits for workers when their companies or pension plans collapse.

The PBGC's liabilities would rise because the agency would be guaranteeing more benefits because more workers would be vested.

Employers with pension plans pay for the PBGC's liabilities through a mandatory insurance program. The cost of that PBGC insurance is \$2.60 per plan participant per year, but the PBGC has asked Congress to raise the premium to \$6 because of an increase in liabilities it has had to assume during the past several years.

Discrimination lawsuit suit sparks debate over coverage

Continued from page 2

land.
 Continental Casualty claims that the comprehensive general liability policy it wrote for the college would not cover a back-pay settlement or award because the college was unjustifiably enriched by paying women lower salaries.

Continental has written CGL coverage for AACC since 1972. The policy's limit was raised this year to \$2 million from \$1 million and the premium increased to \$10,000 from \$7,000.

AACC officials brought the coverage dispute before the State Insurance Division after Continental told them in July that it would not provide coverage, although the insurer did say it would pay the college's legal fees.

On Aug. 11, the insurance division made a preliminary ruling that Continental may have violated the state insurance code by unreasonably denying protection to AACC without just cause, said J. Frank Mayden, the division's chief of

market conduct examinations.
 After the Aug. 29 hearing, State Insurance Commissioner Edward J. Muhl will decide if the preliminary finding is justifiable.

If it is so determined, the hearing officer can order Continental to provide coverage for whatever damages the college must pay in the sex discrimination case. It also can assess a penalty of up to \$50,000 against the insurance company.

This decision can be appealed by either party to the State Circuit Court for Baltimore City.

"I'm surprised," said Stuart P. Ross, a lawyer representing Continental with the Washington, D.C., firm of Hogan & Hartson. "I guess we'll just have to go up and convince the hearing officer that Continental acted correctly."

Also surprised by the division's finding is William S. Sirola, Chicago regional manager of the Insurance Information Institute, a national clearinghouse of insurance information.

Discrimination damages have usually not been found to be covered by liability policies, he said, because "they (the damages) are not sudden or non-intentional."

"Some intent was involved with setting pay scales," he said. "They (college officials) intended to make that differential."

If Continental is required to provide coverage for sex discrimination damages, then the college should be able to reach a settlement with the women quickly, Mr. Wohlgenuth said.

The funding of back pay is the major roadblock in the settlement of the discrimination case, said Mr. Wohlgenuth.

Besides seeking back pay, the plaintiffs also say the college discriminated in the level of health benefits provided women, committee assignments and promotion opportunities. In the benefits area, the women say AACC discriminated against them by not providing reimbursement for birth control devices.

BI Industry Stock Report

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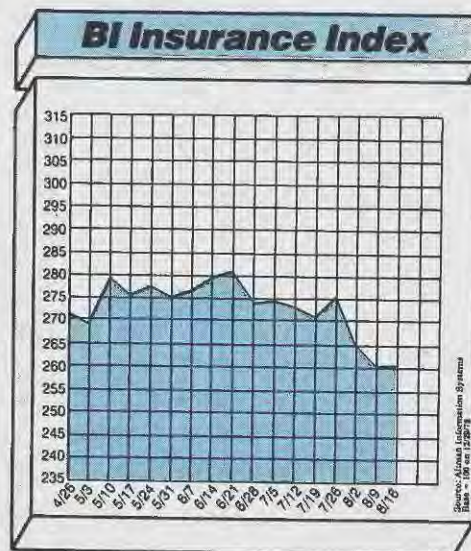
Insurance Cos.	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE 36.13	5.9	6.4	2.64	7.3	37.00	35.00	1,125.4
American Bankers Ins Group	OTC 13.38	-10.1	10.4	0.50	3.7	13.63	13.00	197.3
American Gen Ins Co	NYSE 21.75	0.6	7.4	0.80	3.7	21.75	21.50	218.5
American Indty Finl Corp	OTC 19.00	0.0	13.1	1.12	5.9	19.00	19.00	0.6
American Intl Group Inc	OTC 67.25	6.3	11.3	0.44	0.7	67.25	63.38	542.3
American Natl Ins Co	OTC 19.25	6.2	8.0	0.84	4.4	19.25	18.00	99.2
American Sts Life Ins Co	OTC 29.50	-1.7	8.1	0.88	3.0	30.00	29.50	0.0
Aneco Reins Ltd	OTC 3.75	3.4	125.0	0.00	0.0	3.75	3.75	13.3
Avenco Corp	AMEX 21.63	5.5	11.6	0.58	2.7	22.00*	20.63	8.7
Banks Iowa Inc	OTC 47.00	0.0	17.2	1.52	3.2	47.00	47.00	0.7
Bitco Corp	OTC 19.50	0.0	8.4	1.33	6.8	19.50	19.50	35.4
Carolina Cas Ins Co	OTC 9.25	0.0	27.8	0.32	3.5	9.25	9.25	7.5
Chubb Corp	OTC 61.13	1.5	7.6	3.12	5.1	61.63	61.00	43.3
Combined Intl Corp	NYSE 33.38	9.4	10.6	2.00	6.0	33.38	31.38	309.9
Continental Corp	NYSE 29.38	0.4	18.0	2.60	8.9	30.50	29.38	488.4
Crawford & Co	OTC 18.00	2.9	13.4	0.60	3.3	18.25	17.50	8.2
Crown Life Ins Co	OTC 110.00	0.0	7.2	3.10	2.8	110.00	110.00	0.0
Employers Cas Co	OTC 34.75	7.8	7.1	1.20	3.5	34.75	33.25	10.3
Equifax Inc	NYSE 33.63	2.7	14.2	1.40	4.2	33.88	33.63	43.8
Excelsior Ins Co	OTC 15.00	0.0	9.6	0.70	4.7	15.00	15.00	1.0
Farmers Group Inc	OTC 36.50	8.6	9.2	1.36	3.7	36.50	35.00	660.6
Foremost Corp Amer	OTC 50.25	6.9	15.5	1.24	2.5	50.25	47.50	61.1
Fremont Gen Corp	OTC 20.25	-15.6	96.0	0.48	2.4	23.50	20.25	674.4
Great West Life Assurn Co	OTC 225.00	0.0	10.9	1.00	4.9	225.00	225.00	0.0
Hanover Ins Co	OTC 55.25	1.4	8.9	0.88	1.6	55.25	54.50	9.3
Hartford Steam Boiler Insptn	OTC 53.50	0.0	8.4	3.00	5.6	53.50	53.50	12.6
Jefferson Natl Life Ins Co	OTC 47.00	-1.1	14.6	0.76	7.6	47.50	46.50	12.9
Kemper Corp	OTC 40.00	-3.0	7.4	1.80	4.5	41.00	40.00	74.7
Lincoln Natl Corp Ind	NYSE 53.25	6.0	8.5	3.00	5.6	53.25	50.75	110.6
Mission Ins Group Inc	NYSE 29.00	-9.7	9.4	1.00	3.4	31.63	28.75	172.6
Nationwide Group Ohio	OTC 41.75	0.0	15.3	0.70	1.7	0.00	0.00	DID NOT TRADE
Northwestern Natl Life Ins	OTC 33.38	1.9	22.1	1.50	4.5	33.38	32.88	32.0
Ohio Cas Corp	OTC 42.88	-4.2	7.9	2.52	5.9	44.63	42.88	74.2
Old Rep Intl Corp	OTC 30.00	1.7	6.9	3.90	3.0	30.13	29.63	68.3
Orion Cap Corp	NYSE 27.00	0.9	3.5	3.66	2.4	27.00	26.63	29.7
Preferred Risk Life Ins Co	OTC 30.25	-0.8	8.1	1.00	3.3	30.50	30.25	0.2
Provident Life & Acc Ins Co	OTC 60.00	5.3	7.6	2.60	4.3	60.50	58.00	49.7
St Paul Cos Inc	OTC 58.13	3.8	6.7	2.80	4.8	58.88	56.13	300.8
Safeco Corp	OTC 49.75	5.3	10.2	2.40	4.8	49.75	48.63	353.3
Sri Corp	OTC 36.75	-5.2	6.8	1.12	3.0	38.50	36.75	83.7
Seibels Bruce Group Inc	OTC 25.00	-0.5	14.8	0.80	3.2	25.25	24.88	15.8
Statesman Group Inc	OTC 9.88	1.3	7.3	0.15	1.5	10.38	9.88	102.7
Tokio Marine & Fire Ins Co	OTC 94.75	-0.3	15.2	0.92	1.0	95.25	92.75*	0.1

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	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
Travelers Corp	NYSE 28.75	2.7	7.4	1.80	6.3	28.88	27.88	973.7
United Fire & Gas Co	OTC 32.25	-3.7	11.6	0.88	2.7	32.50	32.25	1.3
United States Fid & Gty Co	NYSE 52.63	5.5	10.4	3.84	7.3	53.00	50.00	152.3
United Svcs Life Ins Co	OTC 22.25	3.5	6.4	1.00	4.5	22.50	21.38	38.3
USLife Corp	NYSE 23.75	3.3	6.6	0.88	3.7	24.00	23.13	84.0
Washington Natl Corp	NYSE 28.00	5.7	12.4	1.08	3.9	29.00	27.88	47.8
Zenith Natl Ins Corp	OTC 15.50	0.0	11.1	0.53	3.4	15.75	15.50	17.4
INSURANCE COMPANIES	AVERAGE		9.6		3.9			
Agents/Brokers								
Alexander & Alexander Svcs	NYSE 22.25	-4.3	0.0	1.00	4.5	23.00	22.25	409.3
Baldwin & Lyons Inc	OTC 41.00	0.0	13.2	0.80	2.0	41.00	41.00	0.0
Corroon & Black Corp	NYSE 22.13	-2.2	11.4	1.80	8.1	22.63	22.13*	13.6
Crump E H Cos Inc	OTC 10.63	1.2	15.4	0.40	3.8	10.63	10.50	35.8
Emett & Chandler Cas Inc	OTC 10.75	0.0	0.0	0.00	0.0	10.75	10.75	2.0
Hall Frank B & Co Inc	NYSE 26.13	-6.7	20.4	1.70	6.5	27.75	26.13*	135.7
Integrated Res Inc	AMEX 35.75	6.7	13.3	0.00	0.0	36.75	35.75	173.3
Marsh & McLennan Cos Inc	NYSE 41.88	0.3	12.1	2.20	5.3	42.38	41.75	150.7
Poe & Assoc Inc	OTC 6.00	-11.1	0.0	0.00	0.0	6.50	6.00*	2.8
Reed Stenhouse Cas Ltd	OTC 13.75	0.0	13.7	0.60	4.4	14.25	13.75	59.9
AGENTS/BROKERS	AVERAGE		19.3		3.7			
Conglomerates/Holding Cos.								
American Express (Fireman's Fd)	NYSE 44.88	4.6	13.1	1.28	2.9	45.13	42.63	1,923.2
Anderson Clayton (Ranger/PanAm)	NYSE 29.00	0.0	16.6	1.32	4.6	29.00	28.88	9.0
Arco Inc	NYSE 18.00	0.0	0.0	0.40	2.2	18.00	17.88	227.2
City Investing Co. (Home Ins.)	NYSE 34.38	3.8	8.2	1.80	5.2	34.50	33.25	199.1
GNA Finl Corp (GNA)	NYSE 20.50	1.2	7.1	0.00	0.0	20.63	20.25	42.7
Control Data (Comm. Credit)	NYSE 53.25	2.4	13.1	0.60	1.1	53.75	51.88	775.9
General Re Corp	NYSE 56.50	5.1	11.7	1.28	2.3	57.00	53.75	637.5
Gulf Utid Corp	NYSE 27.13	1.9	8.2	1.32	4.9	27.13	26.50	178.0
Cigna Corp	NYSE 41.75	4.7	6.4	2.48	5.9	41.75	40.75	746.6
JTT (Hartford Group)	NYSE 43.13	0.0	9.2	2.76	6.4	43.75	42.50	1,355.3
Optimum Hldg Corp	OTC 6.75	-5.3	21.8	0.00	0.0	7.13	6.75*	14.8
Sears Roebuck & Co. (Allstate)	NYSE 38.88	1.3	12.4	1.52	3.9	39.25	38.63	2,392.1
Baldwin Utid Corp	NYSE 7.00	1.8	3.3	0.00	0.0	7.00	6.63	361.5
Teledyne Inc (Argonaut)	NYSE 153.13	-0.1	13.6	0.00	0.0	153.75	152.88	318.8
Transamerica Corp	NYSE 25.00	-3.8	8.6	1.50	6.0	25.88	24.75	944.1
Occidental & Fred S. James	NYSE 25.00	-3.8	8.6	1.50	6.0	25.88	24.75	944.1
CONGLOMERATES/HOLDING COS.	AVERAGE		12.9		2.7			

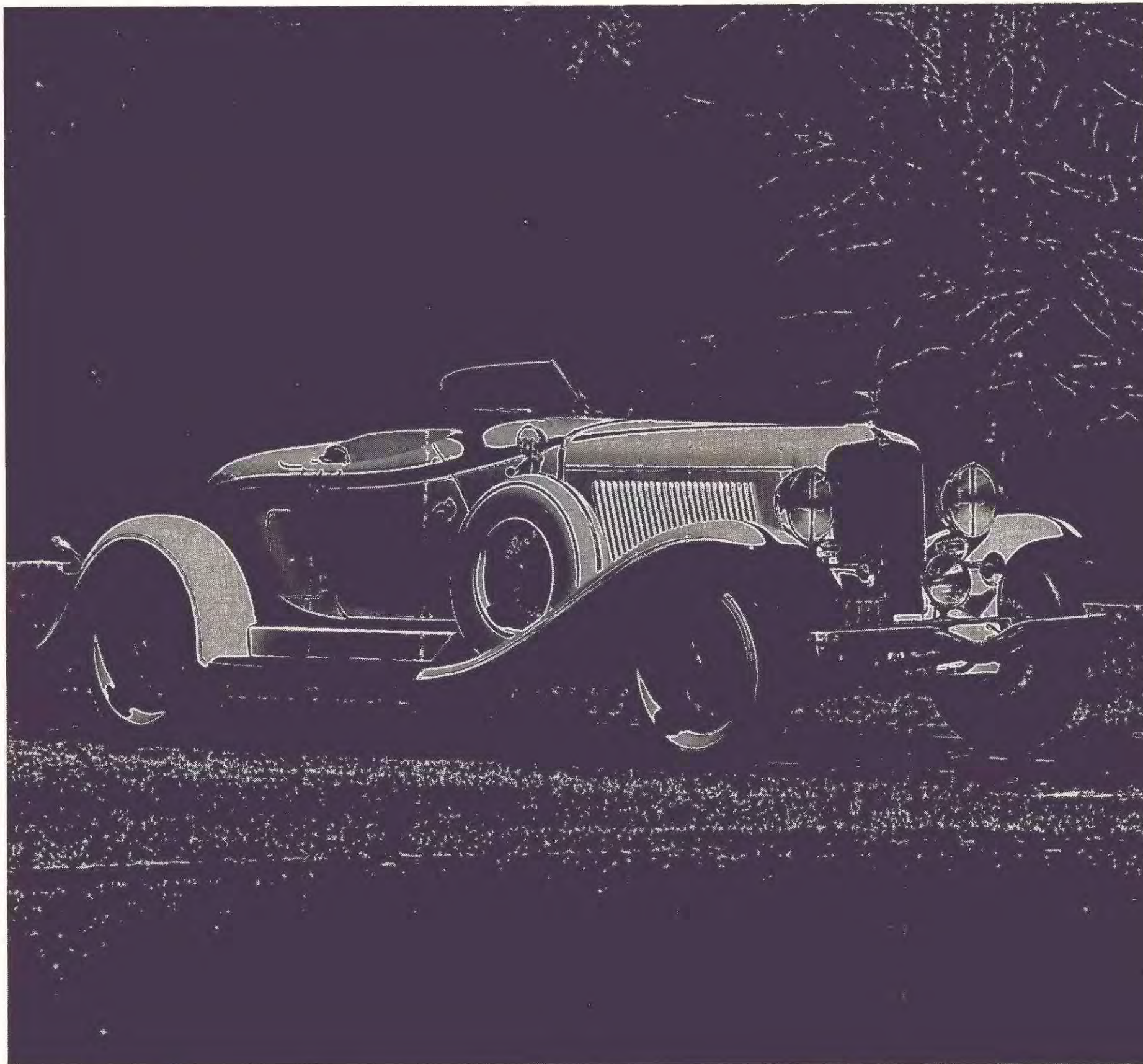
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