AUGUST 8, 1988

Business Insurance®

Reporting weekly for corporate risk, employee benefit and financial executives / $1.75 a copy; $68 a year

© Entire contents copyright 1988 by Crain Communications Inc. All rights reserved

Update

IRS issues new set of criteria for 401(k) plan withdrawals

WASHINGTON—Employees making hardship withdrawals from 401(k) salary reduction plans will have to meet a new set of criteria, according to the Internal Revenue Service.

In long-awaited regulations on 401(k) plans—to be published in the Federal Register this week—the IRS says that employees can make in-service withdrawals of funds from the plans for "immediate and heavy financial needs" including: medical expenses; purchase of a

Continued on next page

Drawing battle lines



Photo: Deborah Shalowitz

Jon Harkavy, RIMS' director of governmental affairs, Richard Heydinger, president, and Robert Esenberg, vp-governmental affairs.

RIMS defends value of antitrust immunity

By DEBORAH SHALOWITZ

WASHINGTON—Congress should not repeal or modify the insurance industry's limited exemption from federal antitrust laws, says the Risk & Insurance Management Society Inc.

However, the New York-based association of risk managers does advocate improving state regulation of the insurance industry.

RIMS, the largest organization of corporate and institutional insurance buyers, held a briefing in Washington last week in response to a congressional move earlier this summer toward modifying the McCarran-Ferguson Act. The 1945 law gives insurers limited immunity from federal antitrust laws and grants primary regulation of the industry to the states.

Continued on page 78

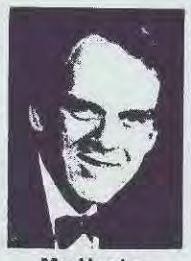
Activists declare war on insurers

By STACY ADLER

KANSAS CITY, Mo.—With the fervor of an evangelist, consumer activist J. Robert Hunter is calling on trial attorneys to strike insurers with a barrage of lawsuits charging anything from bad faith to fraud to false advertising.

"Now is the time to take the offensive against the insurers," Mr. Hunter said with force and conviction in a speech to lawyers attending the American Trial Lawyers Assn. national convention last week in Kansas City, Mo.

Trial attorneys should ride the coattails of the attorneys general who filed the massive antitrust litigation against the property/casualty insurance industry and begin hitting insurers with policyholder suits, urged Mr. Hunter, as well as several attorneys speaking at a session scheduled at the last minute during the week-long meeting.



Mr. Hunter

Mr. Hunter, president of the National Insurance Consumer Organization, and several attorneys also called on trial lawyers to support repeal of the McCarran-Ferguson Act, which grants insurers limited immunity from federal antitrust law and gives states primary regulation of the industry.

"Now is the time to go after them," Mr. Hunter said.

"The initiative after the lawsuit is ours," said West Virginia Attorney General Charles Brown, one of the 18 attorneys general who filed the antitrust litigation in federal district court in San Francisco in March. "The case puts us in the driver's seat."

"The time is right for us to go on the attack of the insurance industry, and I think we should," said William Shernoff, an attorney with Shernoff & Levine in Claremont, Calif., which handles many bad-faith cases against insurers.

Insurers are the "major adversary" of trial lawyers, said Leonard W. Schroeter, an attorney with Schroeter & Bender in Seattle, who moderated the session.

The panelists did not advise bringing additional antitrust suits against the insurance industry because they would duplicate the work of the attorneys general, but they advocated filing numerous bad-faith, fraud and false advertising cases against insurers.

The attorneys general's antitrust litigation smooths the way for such lawsuits to be successful, they suggested, because the public spotlight has been shifted to insurers' activities and away from plaintiffs' attorneys.

And, they said attorneys will find it easy to develop the facts to bring such actions.

"Every skating rink that is denied coverage is a case," said Jerry Cohen, an attorney with the Washington, D.C., firm Cohen, Milstein & Hausfeld. Mr. Cohen emphasized that attorneys could earn 25% to 30% of the award from each of these cases proving fraudulent practices by insurers denying coverage.

"The attorneys general's lawsuit gives lawyers a great opportunity to go on the offensive" against the insurance industry, Mr. Hunter said.

"The attorneys general's lawsuit against the insurance industry presents opportunities for all of us to reform the insurance industry," said Mr. Brown, who called the suit "a nuclear attack on the insurance industry." He urged all trial attorneys to help the attorneys general in their fight against insurers by offering any information they have from bad-faith insurance cases in which they are involved.

In addition, he urged trial attorneys to make sure the attorneys general's budgets are adequate to maintain their battle.

"Let us make insurance reform a big issue," Mr. Brown said. "We have to make insurers accountable. They have gotten a 40-year free ride," he said, referring to the McCarran-Ferguson Act.

"It is time insurers answer in the courts and to the public why they have done what they have done," he said.

Mr. Schroeter called the attorneys general's lawsuit

Continued on page 76

New funding plan floated for retiree care

By DEBORAH SHALOWITZ

WASHINGTON—A new proposal would give employers some tax incentives to fund future retiree health care and long-term care expenses.

However, the proposal would bar companies from recovering excess assets when they terminate overfunded defined benefit pension plans.

The draft legislation, which is expected to be introduced this fall by Rep. Rod Chandler, R-Wash., would allow employers with defined benefit or defined contribution pension plans to make tax-deductible contributions toward future retiree health care or long-term care costs.

In addition, the proposal would allow employers to transfer excess assets from overfunded pension plans into a fund to finance retiree health care costs or long-term care coverage costs.

The proposal's "intent is to stake out a starting point" for discussion about retiree health care and long-term care issues, said William R. McKenney, legislative director for Rep. Chandler.

"Reaction has been positive" among the members of Congress with whom Rep. Chandler has discussed the proposal, Mr. McKenney said. The proposal was circulated "just to have something on record," he added.

The Chandler proposal was just one of several long-term care proposals that were discussed on Capitol Hill last week (see story, page 76).

Benefit lobbyists last week said Rep. Chandler's proposal has merit, but some also criticized several provisions, especially the ban on asset reversions.

The proposal "has some really positive" aspects, says Sharon Canner, assistant vp for industrial relations for the National Assn. of Manufacturers in Washington.

However, "there is some discussion that needs to go on" concerning the prohibition on asset reversions, she said. "That gives us pain."

"We're pleased that Rep. Chandler is looking at the issue" of retiree health care, added Mark Ugoretz, executive director of the ERISA Industry Committee, a Washington-based group representing some of the country's largest companies.

Rep. Chandler's proposal would allow employers with defined benefit plans to make annual tax-deductible contributions to fund up to $2,500 in annual retiree health care benefits and another $2,500 in long-term care benefits per current employee.

Sponsors of defined contribution plans would be allowed to make a tax-deductible contribution of up to $825 annually to fund retiree health care benefits and could contribute an equal amount on a tax-deductible basis to fund long-term care benefits.

The legislation does not address employers that sponsor both defined contribution and defined benefit plans.

However, any tax-deductible contributions made to retiree health care and long-term care plans for current employees would apply against the defined benefit and defined contribution plan funding limits now imposed under the tax code.

Continued on page 76

Surplus & specialty lines report . . . Page 3

Update

IRS issues 401(k) rules

Continued from previous page
primary residence; college tuition for the employee, spouse or dependent children; and to prevent eviction of the employee from his principal residence or foreclosure of his mortgage.

An employee will be deemed to have a financial need if, among other things, the employee already has received all other distributions and non-taxable loans available from other benefit plans.

The employer must suspend an employee's contributions to a 401(k) plan for at least 12 months after a hardship withdrawal.

Aircraft claim may break record

LONDON—Aviation underwriters could face a $112.6 million claim —the largest hull claim ever—from a July 24 accident involving an Air France Boeing 747 in New Delhi, India.

The aircraft's engine caught fire during takeoff from Indira Gandhi International Airport and the jet overran the runway while trying to stop. No passengers were seriously injured.

If the aircraft is considered a total loss, it would exceed the record $100 million claim on an Air India Boeing 747, which exploded in midair off the Irish coast in 1985. However, there will be considerable "salvage" on the aircraft, which would reduce the impact of the loss.

The New Delhi loss is the second major loss this year for Air France, whose Airbus-320 jetliner crashed in late June killing three people and injuring 50 (*BI*, July 4).

Air France's hull and liability insurance, which renews Dec. 1, is led in France by Cie d'Assurances Maritimes Aeriennes & Terrestres S.A. About 25% of the reinsurance is placed in the London market by Lloyd's broker Nicholson Chamberlain & Colls Ltd. and is led by a Lloyd's of London syndicate underwritten by Barry Coleman.

Safeway insured for fire loss

OAKLAND, Calif.—Safeway Stores Inc. is fully insured for the estimated $84 million in property damage from a fire last month that leveled much of the grocery chain's Northern California warehouse space, a company spokesman says.

The July 11 fire of unknown origin destroyed about 535,000 square feet of Safeway Stores' regional warehouse facilities in Richmond, Calif., about 12 miles northeast of the company's Oakland headquarters. A final estimate of physical damages is pending.

While the spokesman declined to provide specifics of the grocery store chain's insurance, he did say that it was written in various layers by several insurers and included coverage for business interruption losses, which so far are undetermined.

Insurance industry sources said the primary property insurer was a unit of American International Group Inc. However, an AIG spokeswoman would not confirm if the company insured the property.

Safeway officials expect to take 18 months or longer to rebuild the warehouse facilities and bring the distribution system back to full operation. The buildings, which were equipped with sprinklers, contained paper goods, canned foods and other products.

Interamerica Re put into rehab

NEW YORK—Interamerica Reinsurance Corp. was ordered into rehabilitation by a state judge after the New York Insurance Department found the company insolvent by $3.7 million as of Dec. 31, 1986.

New York-based Interamerica is 51% owned by I.R.C. Holding Corp., which in turn is controlled by Joseph F. Ambriano.

Mr. Ambriano—who resigned as the reinsurer's chairman and chief executive in 1986—is named in a 1984 racketeering suit filed by American Centennial Insurance Co., which claims it was defrauded on reinsurance placements covering Associated Electric & Gas Insurance Services Ltd., a utility industry captive insurer (*BI*, Oct. 29, 1984). Interamerica was one of American Centennial's reinsurers on the business but was not named in the complaint.

Royal American Managers Inc., a unit of Kansas City, Mo.-based Kensu Holdings Inc., owns the remaining 49% of Interamerica.

Interamerica wrote gross premiums of $15.6 million in 1986 and reported policyholders surplus of $6.7 million at the end of that year, according to figures published by A.M. Best Co.

Antitrust suits may be merged

PORTLAND, Maine—Approximately 40 antitrust suits pending against the insurance industry could be consolidated in U.S. District Court in San Francisco within the next few weeks, according to a California assistant attorney general.

Jesse Markham said the attorneys general did not object to consolidation of the suits at a hearing held in Portland, Maine.

Suits have been filed by attorneys general from 18 states in U.S. District Court in San Francisco (*BI*, June 27). Another 20 essentially identical suits also have been filed on behalf of private entities in various federal courts around the country.

A few of the individual plaintiffs objected to consolidation at the hearing late last month, but it was apparent from comments made by members of the Judicial Panel of Multidistrict Litigation that they are leaning in favor of consolidation, Mr. Markham said.

The insurance industry requested the suits' consolidation because "it absolutely makes common sense," said Bart McGuire, an attorney for New York-based Davis, Polk & Wardell, who is representing the Insurance Services Office Inc., one of the defendants.

Any consolidation would not affect the suit brought by Texas'

Continued on page 77

Errors & omissions

• Alliance Brokerage Corp. acquired only the retail brokerage business of Red Hook Agencies Inc. and not the entire company, as incorrectly stated in the directory of agents and brokers in the June 20 issue. Beaufort, N.C.-based Red Hook still operates as a managing general agent.

Brokers trim expenses to offset lost revenues

By LINDA J. COLLINS

The publicly held insurance brokers' revenue growth continues to deteriorate due to competitive property/casualty insurance market forces, though the companies are doing a better job of curbing expenses to protect their bottom lines, financial analysts say.

"There were slightly worse market conditions industrywide in the second quarter than in the first quarter. Rate competition is accelerating," said Thomas G. Rosencrants, senior vp of Johnson Lane Space Smith & Co. Inc. in Atlanta.

In such a competitive market, "there is very little brokers can do to control their revenue side. The companies that make earnings progress will do so solely on the basis of expense management," he added.

"If anything, it looks like rates are continuing to spiral down, and brokers are continuing to lose market share to direct writers," noted Michael A. Smith, research analyst for Shearson Lehman Hutton Inc. in New York. However, "expense growth seems to be slowing down and brokers appear to have a handle on that."

While competition has not diminished, "the expense controls they're all showing is phenomenal," agreed Ira H. Malis, securities analyst with Alex. Brown & Sons Inc. in Baltimore.

Mr. Smith suggested that since most brokers have done all they can to retain business and curb expenses, they "are headed for the bunker and are going to hunker down and wait the cycle out."

Employee benefits consulting operations are "saving the day" for brokers that have them, Mr. Smith added. "That's a growth business, as long as we have a Congress in Washington."

Of the six public brokers that have reported first-half results—Frank B. Hall & Co. Inc. has not yet reported—the three smallest—Arthur J. Gallagher & Co.; Hilb, Rogal & Hamilton Co.; and Poe & Associates Inc. —reported the strongest revenue growth.

First-half 1988 broker results
(In thousands of dollars)

	Gross revenues	% change	Net income	% change
Marsh & McLennan	$1,165,300	6.0%	$171,100	—
Alexander & Alexander	579,800	2.8	36,600	-13.5%
Corroon & Black	206,594	5.3	95,331[1]	311.8
Arthur J. Gallagher	69,819	12.0	5,721	-10.1
Hilb, Rogal & Hamilton	21,387	16.4	2,484	37.5
Poe & Associates	18,437	14.2	2,787	49.6

[1] Includes non-recurring gain from sale of investment in Minet Holdings P.L.C.

Continued on page 78

Farmers' lawsuits charge Chubb's refunds a fraud

By LAURA MAZZUCA

Farmers in three drought-stricken states are suing Chubb Corp. in federal and state courts, charging the insurer with fraud for attempting to return double the premiums the farmers paid for drought insurance rather than binding the coverage.

In addition, noted plaintiffs' attorney Stanley M. Chesley is attempting to certify as a class the nearly 9,000 farmers in 10 states that bought the coverage.

Chubb, meanwhile, is taking its case to the public in a nationwide advertising campaign that explains how it intended the coverage to be marketed and how it has received applications for 10 times its capacity.

A total of six suits have been filed against Chubb.

Four suits were filed in the U.S. District Court for the Eastern, Western, Northern and Southern districts of Ohio on July 26, according to Mr. Chesley, who represents the 20 Ohio plaintiffs.

Another suit was filed in the Northern District of Illinois on July 18 by the firm of Washlow, Chertow & Miller in Chicago on behalf of six plaintiffs.

Except for the named plaintiffs, the cases are essentially the same, said Mr. Chesley of Waite, Schneider, Bayless & Chesley Co. L.P.A. in Cincinnati.

In addition, a similar suit filed in Indiana state court on behalf of 29 farmers is being transferred to the federal level, according to Mr. Chesley.

Mr. Chesley also said that a group of Michigan farmers plans to file suit against Chubb.

Judge Carl B. Rubin of U.S. District Court in the Southern District of Ohio is scheduled on Wednesday to hear plaintiff attorneys' motions to create a mandatory class, which automatically would include all farmers who bought the drought coverage.

"We feel this is a very important case which has national significance," Mr. Chesley said. "The way the insurance was sold is a charade."

According to Chubb, 8,711 farmers applied for the drought coverage, which was sold as an endorsement to an inland marine policy that covers perils such as drought, flood, snow, wind or excessive heat or cold (*BI*, July 18). Of the 4,739 farmers the insurer has contacted so far, 683 are eligible for the policy. Of those, 608 kept the coverage, 70 opted for the double premium offer and five haven't accepted either.

So far 2,400 farmers in all have taken the double premium option—offered to all the farmers who submitted premiums regardless of the date.

Continued on page 77

Inside

✓ Surplus lines insurers' resolve to hang tough on rates hopefully will continue through the remainder of the competitive market, no matter how fierce the competition becomes, says this week's editorial. **PAGE 8**

✓ A new risk retention group is writing environmental impairment liability insurance with limits of $1 million per claim and $2 million annual aggregate. **PAGE 75**

✓ Twenty-four risk managers are exploring formation of Earthquake Mutual Insurance Co., a mutual commercial earthquake insurer. **PAGE 75**

✓ Momentum is building in Congress to force employers to fund—at least in part—a federal long-term care program for the elderly. **PAGE 76**

Largest surplus lines insurer profiles

Admiral Insurance Co. 36
American Empire Surplus Lines Insurance Co. 26
California Union Insurance Co. 34
First State Insurance Co. 18
General Star Indemnity Co. 30
International Surplus Lines Insurance Co. 30
Lexington Insurance Co. 12
St. Paul Surplus Lines Insurance Co. 22
Scottsdale Insurance Co. 15
United National Insurance Co. 38
Directory of excess/surplus lines insurers 39

Largest wholesaler profiles

Alexander Howden North America Inc. 49
Cameron & Colby Co. Inc. 57
Crum & Forster Managers Corp. of Illinois 57
Crump E&S Group 53
General Star Management Co. 58
The London Agency Inc. 56
Montgomery & Collins Inc. 51
The Schinnerer Group Inc. 54
Swett & Crawford Group 44
Willis Faber Holdings Inc. 48
Directory of wholesalers 59

Departments

Benefit beat 72
Classifieds 74
Insurance services guide 46
Letters 8
Markets 75
Opinions 8
Risk retention roundup 75
Spotlight report 3
Ticker 79

Vol. 22, No. 32—*Business Insurance* (ISSN 0007-6864) is published weekly at 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, Circulation department, 965 E. Jefferson Ave., Detroit, Mich. 48207; 800-992-9970 or 313-446-1611. Copyright 1988 by Crain Communications Inc.

Surplus lines snubs competition

By KATHRYN J. McINTYRE

Surplus and specialty lines market leaders are dreaming of a tighter property/casualty insurance market.

Today's competitive insurance market, in which licensed insurers are cutting rates to attract and maintain business, is siphoning off more and more business from the surplus lines market—a phenomenon that started just over a year ago and has been accelerating ever since.

As a result, most of the largest surplus lines insurers generally expect to lose about one-third of their premium volume this year.

And, surplus lines and specialty underwriters say they are not slashing their rates to maintain market share, a tactic that many of them employed in the competitive market of the early 1980s to the detriment of not only profits but sometimes policyholder surplus.

"We are not interested in competing head to head with the standard lines companies" for business, said Joseph M. Walsh, president of American Empire Surplus Lines Insurance Co., a Great American Insurance Co. affiliate that lost 40% of its premium volume in 1987.

"There should be a voluntary sacrificing of the business back across the line" by surplus lines insurers to admitted insurers, Mr. Walsh said.

And, it is clear other surplus lines insurers agree that they served their role of providing capacity of last resort in the hard market and should now step to the sidelines in a competitive insurance market.

Instead of cutting prices to maintain business, surplus lines insurers say they are sticking to the basics of sound underwriting and are concentrating their efforts on the specialties of the surplus lines market: more risky business than admitted markets will underwrite and new products.

"The dynamite factory between the church and the school never leaves the surplus lines market, and that's basically what we're getting back to," said Michael Snead, president of Admiral Insurance Co., a W.R. Berkley Corp. unit that lost 8.1% of its surplus lines volume in 1987 and expects to lose even more this year.

Profits are surplus lines insurers' goal, surplus lines insurance company executives agree.

Continued on next page

Ten largest surplus lines insurers

Lexington Insurance Co. (American International Group Inc.)	**$916,834**	$674,671	**35.9%**	**$977,700**	$725,021	**34.9%**	**83.1%**	78.3%
Scottsdale Insurance Co. (Nationwide Mutual Insurance Co.)	**399,082**	308,481	**29.4**	**561,739**	485,434	**15.7**	**104.3**	111.4
First State Insurance Co. (Hartford Insurance Group/ITT Corp.)	**203,495**	163,012	**24.8**	**474,500**	420,811	**12.8**	**101.5**	101.3
St. Paul Surplus Lines Insurance Co. (The St. Paul Cos. Inc.)	**199,668**	194,921	**2.4**	**225,547**	219,495	**2.8**	**106.0**	110.3
American Empire Surplus Lines Insurance Co. (Great American Insurance Co.)	**199,001**	332,759	**-40.2**	**199,425**	333,866	**-40.3**	**79.6**	92.4
International Surplus Lines Insurance Co. (Crum & Forster/Xerox Corp.)	**195,898**	148,545	**31.9**	**202,835**	156,756	**29.4**	—	—
General Star Indemnity Co. (General Reinsurance Corp.)	**164,518**	248,234	**-33.7**	**167,950**	258,306	**-35.0**	**98.0**	98.1
California Union Insurance Co. (CIGNA Corp.)	**160,332**	154,186	**4.0**	**244,037**	301,501	**-19.1**	**105.7**	105.8
Admiral Insurance Co. (W.R. Berkley Corp.)	**150,216**	163,450	**-8.1**	**160,368**	192,169	**-16.5**	**91.8**	92.7
United National Insurance Co. (American Insurance Service Inc.)	**127,343**	157,392	**-19.1**	**159,528**	178,342	**-10.5**	**90.5**	97.0

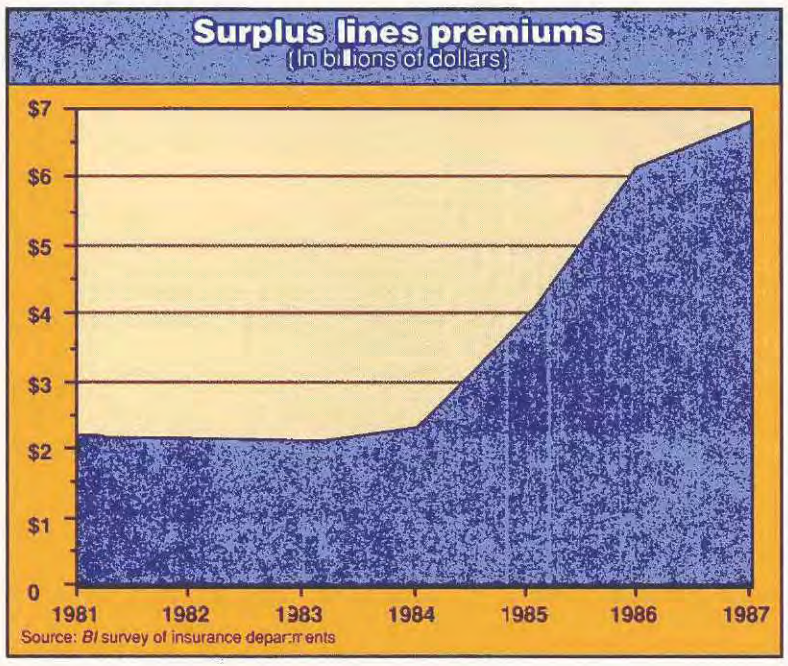
Ten largest insurance wholesalers

Swett & Crawford Group (The St. Paul Cos. Inc.)	**$642,753**	$683,836	**-6.0%**	**$58,356**	$62,515	**-6.7%**	**40.0%**	40.0%
Willis Faber Holdings Inc.[2] (Willis Faber P.L.C.)	**383,000**	511,000	**-25.0**	**23,938**[E]	33,726[E]	**-29.0**	**67.0**	79.0
Alexander Howden North America Inc. (Alexander & Alexander Services Inc.)	**369,599**	365,000	**1.3**	**24,836**	24,800	**0.1**	**57.0**	52.0[3]
Montgomery & Collins Inc. (CIGNA Corp.)	**268,381**	439,420	**-38.9**	**21,922**	37,141	**-41.0**	**30.0**	35.0
Crump E & S Group (Sedgwick Group P.L.C.)	**198,000**	260,000	**-23.8**	**20,000**	24,100	**-17.0**	**55.0**	30.0
The Schinnerer Group Inc. (Marsh & McLennan Cos. Inc.)	**$587,000**	$527,000	**11.4%**	**$49,895**[E]	$44,795[E]	**11.4%**	**5.0%**	5.0%[3]
The London Agency Inc. (Crum & Forster/Xerox Corp.)	**472,151**	466,850	**1.1**	**17,081**	16,853	**1.4**	**6.0**	7.0
Cameron & Colby Co. Inc. (Hartford Insurance Group/ITT Corp.)	**393,633**[4]	323,336[4]	**21.7**	**NM**	NM	**NM**	**52.0**	50.0
Crum & Forster Managers Corp. of Illinois (Crum & Forster/Xerox Corp.)	**319,218**	331,275	**-3.6**	**NM**	NM	**NM**	**48.8**	44.8
General Star Management Co. (General Reinsurance Corp.)	**228,006**	338,979	**-32.7**	**NM**	NM	**NM**	**72.6**	73.3

[E] Estimate based on 6.25% for Willis Faber in 1987, 6.6% in 1986; 8.5% for Schinnerer NM—Not meaningful due to affiliation with markets

[1] Percent placed with non-admitted markets [2] Includes business of Stewart Smith Holdings Inc. and McAlear Associates Inc. [3] Restated [4] Direct writings only, excludes reinsurance

Source: *BI* survey.
Chart: Amy Palmer



Surplus lines

Continued from previous page

"We're prepared to lose market share to do (business) profitably," said United National Insurance Co. Chairman Raymond L. Freudberg. "We're prepared to have a flat year or a flat two years as long as we remain profitable." United National lost almost 20% of its surplus lines premiums last year.

By maintaining profitable underwriting now, surplus lines insurers say, they will have the capacity insurance buyers will need when the admitted market insurers again start lopping unprofitable business from their books.

"We are not entertaining any business we can't make money on," said Kevin P. Brooks, president of General Star Indemnity Co., a General Reinsurance Corp. unit that let go one-third of its premiums in 1987 and is doing the same again this year.

"We don't want to have our name on one of those tombstones," Mr. Brooks added, referring to General Star advertisements that depict a graveyard of surplus lines companies killed by price competition during the soft market.

Every one of the executives at the 10 largest U.S.-based surplus lines insurance companies is preaching the same gospel.

And their producers, surplus lines insurance brokers and managing general agents applaud.

"We think that the consensus within Swett is that the surplus lines markets that we do business with have been far more disciplined than the market overall," said John R. Hartman, executive vp of Swett & Crawford Group, the largest surplus lines broker.

To illustrate, Mr. Hartman cited the account of a small general contractor whose general liability coverage was placed by Swett in the surplus lines market in 1987 for $31,500. In 1988, the same surplus lines insurer quoted a premium of $47,000, given that the contractor's revenues had doubled from the previous year.

An admitted insurer sold the contractor a package policy that includes property and casualty coverage for a premium of $11,000 —one-third of the expiring premium.

The slowdown in business for surplus lines brokers is "extremely frustrating from the standpoint of people who are fairly new to our industry," conceded Robert P. Keul, president of broker Montgomery & Collins Inc., which lost almost 40% of its premium volume last year.

"But, it is something that has occurred before. So, therefore, it's a matter of really not panicking because the day will come when there will be more stability" in the excess/surplus lines market, he said.

A new tight market could emerge as soon as mid-1989, some surplus lines experts predict. "If this cycle goes beyond mid-1989, say into 1990, then I think the next hard cycle could be as bad as. . .it was in '86," warned Rolland L. Wiegers, president of Scottsdale Insurance Co., a unit of Nationwide Insurance Co.

Nonetheless, some project the competitive insurance market will last into 1990, and a few say it could last into 1991.

In the intensified competition today, admitted insurers "are coming back at the same prices they left at, and that doesn't make any sense," said Mr. Brooks, referring to the renewed competition from fully licensed insurers.

Admitted insurers are grabbing back the less risky liability business that does not require the underwriting expertise of the surplus lines market.

For example, Admiral Insurance Co. says that it wrote the whole gamut of product liability risks in 1986 at the height of the hard market, from the least risky ranked as 1 to the most hazardous ranked as 10.

In 1987, as the market began to soften, Admiral stopped writing product liability risks in classes from 1-4, while this year it also lost Nos. 5-7, leaving it only with risks ranked from 8-10.

Admiral's current product liability policyholders include ladder manufacturers, pharmaceutical firms, electrical saw manufacturers and brake lining producers.

"We leased a lot of that casualty business. In 1987, a lot of the leases were up," observed Kevin H. Kelley, president of Lexington Insurance Co., the largest U.S.-based surplus lines insurer and a unit of American International Group Inc.

Admitted insurers also are going after excess liability and umbrella policies, sometimes with rate reductions of 50% or more, and they are landing the policies in droves.

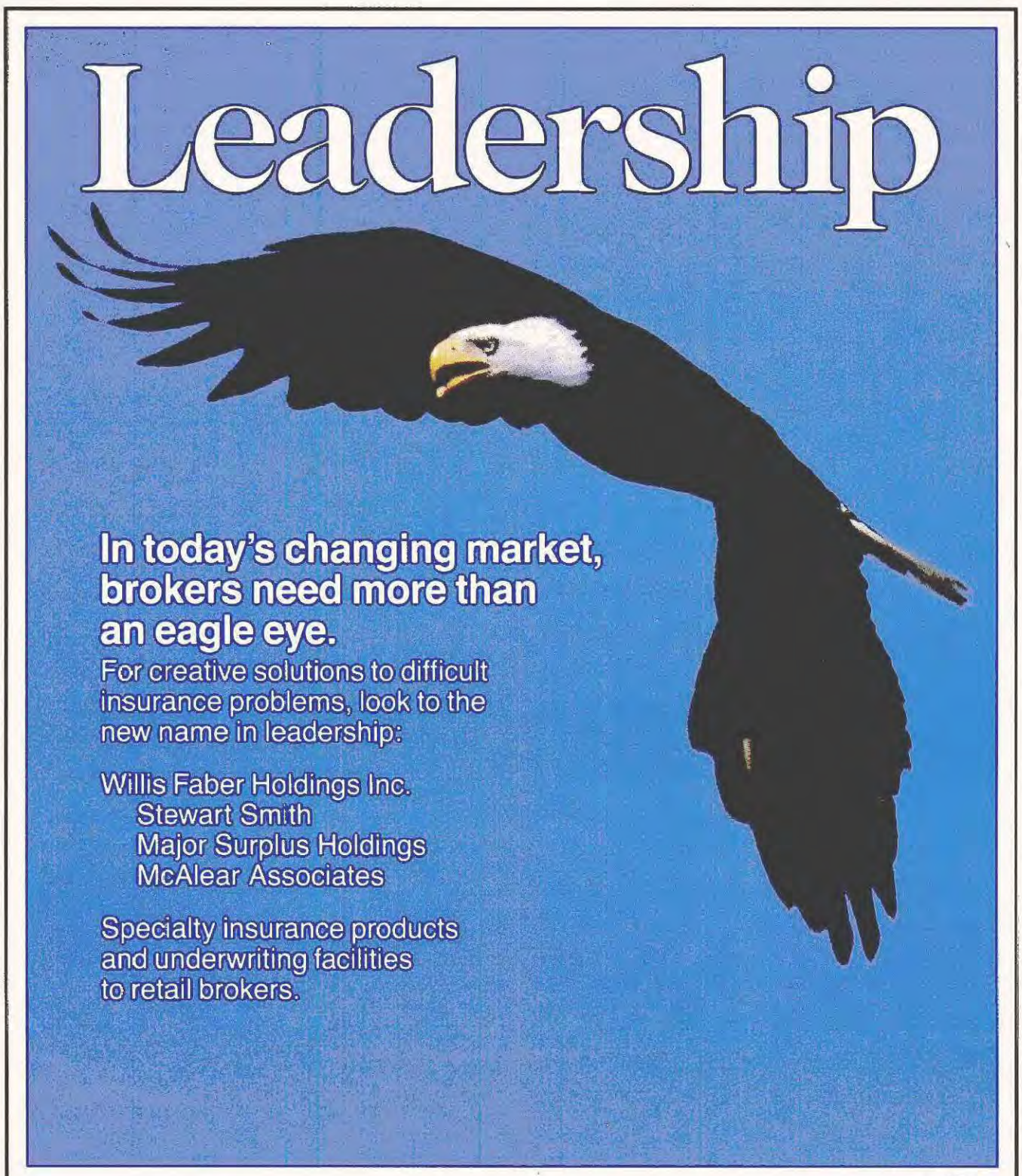
In response, many surplus lines insurers are offering their capacity at higher layers, where they are willing to accept less premium because there is less risk.

Because admitted insurers are writing so much excess liability insurance business on an admitted basis now, for the first time *Business Insurance* invited insurers writing excess liability business on an admitted basis generating at least $50 million in annual gross premiums or 50% of their volume to complete a questionnaire to be listed in this issue. The admitted insurers that responded are listed with the surplus lines insurers.

Competition from admitted insurers started cutting into the surplus lines market in the middle of last year, which reduced the growth in surplus lines premiums written.

Premiums written nationwide on a surplus lines basis increased 9.1%

Continued on page 6



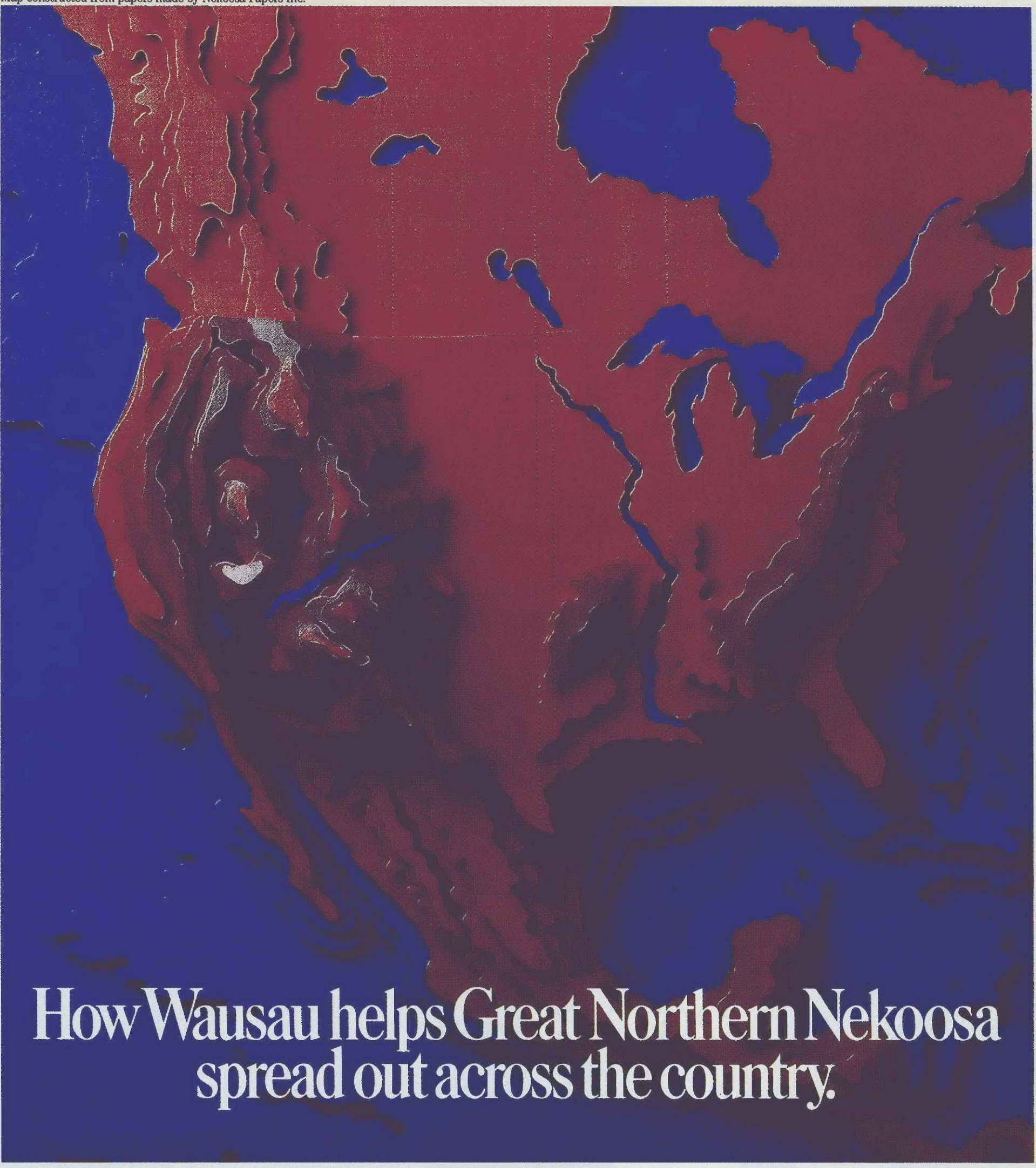
Call the Broker's Broker

STEWART SMITH
CHICAGO 312-236-7333
LOS ANGELES 213-382-6201
PITTSBURGH 412-232-0430
SAN FRANCISCO 415-777-9766
DALLAS 214-742-1313
NEW YORK 212-964-2929
PRESCOTT, AZ 602-445-2500
EDISON, NJ 201-265-9595
PHILADELPHIA 215-925-0432
SACRAMENTO 916-920-8643

MAJOR SURPLUS HOLDINGS
NEW YORK 212-285-1109
CEDAR KNOLLS, NJ 201-455-0020

McALEAR ASSOCIATES
GRAND RAPIDS, MI 616-942-8000
KANSAS CITY, KS 913-451-8050

Map constructed from papers made by Nekoosa Papers Inc.



How Wausau helps Great Northern Nekoosa spread out across the country.

Great Northern Nekoosa Corporation of Stamford, Connecticut, is a major and fast-growing producer of pulp and paper. They rely on the coordinated efforts of our network of regional offices to cover 12,000 of their employees in 120 locations.

"Wausau never fails to meet our insurance needs, and our needs change from day to day," says GNN Executive Vice President Jim Crump. "Right now, we're in the process of linking our company directly to Wausau's computer, so we can analyze any situation immediately."

American businesses choose Wausau because we give them more than insurance. We give them the best service in the business. And companies like Great Northern Nekoosa don't even mind saying so, on paper.



WAUSAU INSURANCE

Wausau Insurance Companies, 2000 Westwood Drive, Wausau, Wisconsin 54401 Telephone (715) 845-5211 A Member of the Nationwide® Group.

Surplus lines

Continued from page 4
to a record $6.8 billion in 1987.

Surplus lines premiums are calculated by *Business Insurance* based on surveys of state insurance departments, which report premiums written and taxes paid by surplus lines insurers operating in their states (see chart, page 11).

The surplus lines market grew most dramatically in the tight market of 1985 and 1986. Surplus lines premiums written in 1986 increased 58.6% to $6.3 billion and 69.7% in 1985 to nearly $4 billion from just more than $2.3 billion in 1984 (see chart, page 4).

The surplus lines market encompasses all the insurance written by insurers in states where they have not obtained a license to write insurance. Where they do not hold a license, insurers are not subject to state rate and form regulation as licensed, or admitted, insurers are. This allows surplus lines insurers to charge rates higher than approved by regulators and to use specially designed policy forms to write business that admitted insurers will not or cannot accept under regulated rates and policy forms.

However, policyholders have no protection if a surplus lines insurer becomes insolvent, except in New Jersey, which has the only surplus lines guaranty fund.

Among the Top 10 surplus lines insurers, six reported reduced or almost flat premiums in 1987 compared with 1986.

Nine of the 10 surplus lines insurers reported increases in net income in 1987; only International Surplus Lines Insurance Co. reported a decrease, due to a drop in investment income compared with high 1986 investment gains.

All 10 surplus lines insurers also reported increased policyholder surplus.

But, if they stick to their strategy, it will be unused capacity. All 10 surplus lines insurers expect to write less surplus lines business this year than in 1987.

And, as would be expected, the surplus lines brokers are losing a great deal of business in the competitive marketplace, or are barely holding their own.

Not only are the surplus lines markets refusing to cut rates to maintain accounts, but their retail producers are not turning to them for help as often in the first place.

Retail brokers, with access to plenty of admitted markets to write their business, less often are calling on a surplus lines or wholesale brokers to help them place the risk, and share the commission.

"A lot of the business simply does not get to the E&S market" today that was routinely submitted to that market in 1985 and 1986, said Sidney A. Stewart, chairman of Crump E&S Group, the fifth-largest surplus lines broker and a unit of Fred S. James & Co. Inc.

Under state law, only a licensed surplus lines broker can place business with a non-admitted insurer. Many retail brokers also hold surplus lines licenses.

The increasingly competitive marketplace and shifts in business created upheaval in the lineup of the largest surplus lines insurers and wholesalers in 1987—except for the No. 1 spots.

Lexington strengthened its lead as the largest surplus lines insurer with a 35.9% increase to $916.8 million in surplus lines premiums written in 1987.

Mr. Kelley noted that specialty casualty lines, where Lexington grew in 1987, included medical malpractice, medical products liability and pharmaceutical and chemical liability risks, all tough risks that surplus lines insurers take pride in underwriting.

Swett & Crawford Group, a unit of The St. Paul Cos. Inc., held its commanding lead as the largest surplus lines broker despite a 6% decrease in premium volume to $642.8 million in 1987.

Swett & Crawford attributes its better-than-average results among the surplus lines brokers to the development of specialized insurance programs for clients.

Among Swett's new programs are a broad commercial general liability coverage program for swimming pool management associations and swimming clubs; a package that covers physical damage to automobile dealer inventories financed through banks; and a general liability insurance program for members of the American Blood Resources Assn. that covers product liability, professional liability and personal injury.

And The Schinnerer Group Inc., a Marsh & McLennan Cos. Inc. underwriting manager in its 50th year, maintained its position as the largest underwriting manager.

Schinnerer has a commanding market share in one of its specialities: 65% of the market for architects and engineers errors and omissions insurance. And, Schinnerer writes 95% of its premiums on an admitted basis.

In addition, Schinnerer is underwriting for four risk retention groups, a unique diversification among the leading underwriting managers.

Among the insurers, lost business drove American Empire Surplus Lines Insurance Co. to fifth based on 1987 premiums, from second last year.

General Star Indemnity Co. fell to seventh from fourth; Admiral Insurance Co. fell to ninth from sixth; and United National Insurance Co. fell to 10th from eighth.

Moving up based on solid growth in 1987 were Scottsdale Insurance Co. to No. 2 from third and International Surplus Lines Insurance Co. to sixth from 10th.

Other surplus lines insurers that moved up in the rankings did so with meager growth: St. Paul Surplus Lines Insurance Co. to fourth from fifth and California Union Insurance Co. to eighth from ninth.

Among the surplus lines brokers, Willis Faber Holdings Inc. moved into the No. 2 spot after Willis Faber P.L.C. merged the former Stewart Smith Holdings Inc. with McAlear Associates Inc. and renamed the holding company.

Alexander Howden North America Inc., the only surplus lines broker to report any growth, moved up to third from fourth; Montgomery & Collins fell to fourth from second, and Crump E&S Group held onto its position as the fifth-largest E&S broker.

Crump E&S was not listed among the 10 largest wholesalers last year because the former Atwater McMillian Inc. was ranked, while this year its successor, St. Paul Specialty Underwriting Inc., is not (see story, page 22).

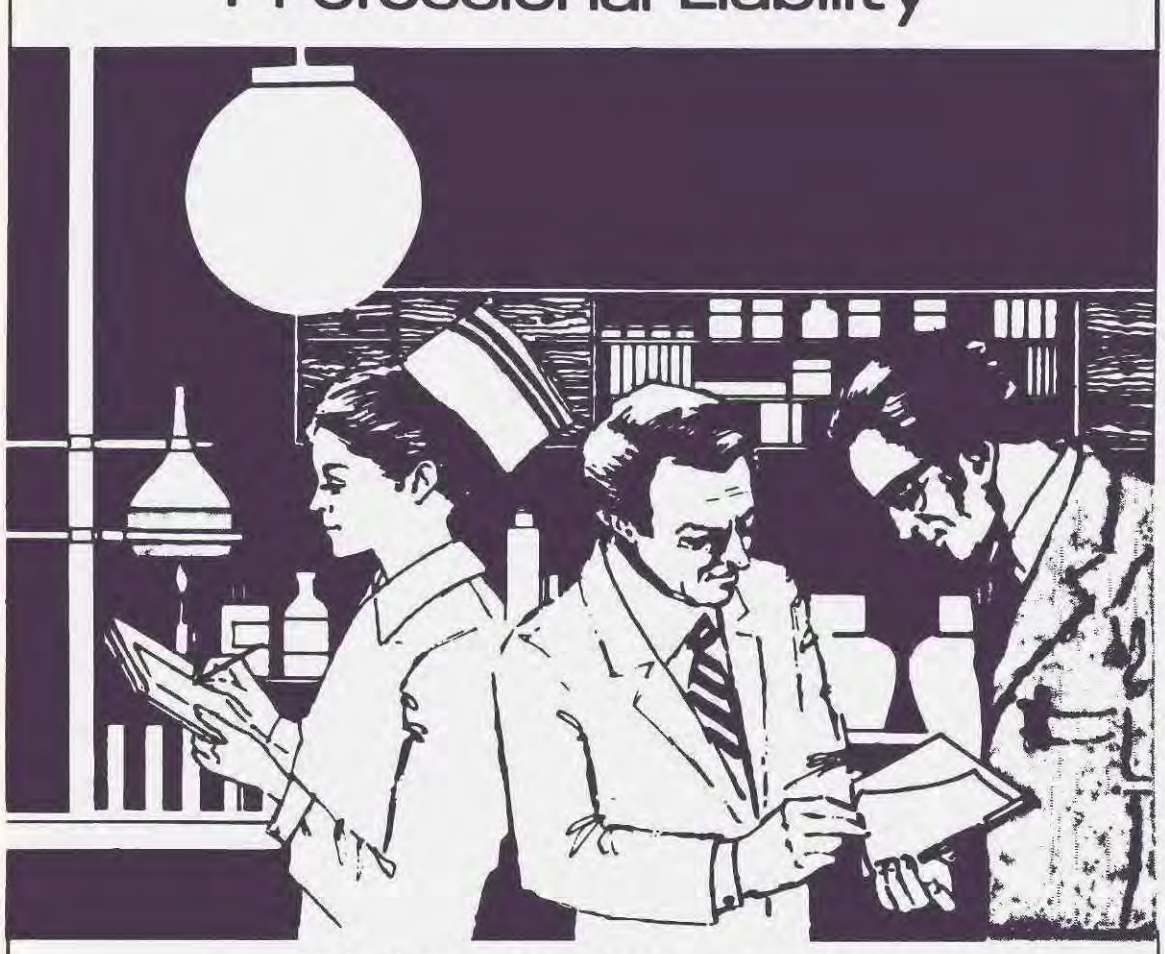
Among the underwriting managers and managing general agents, The London Agency Inc. held its No. 2 spot despite flat growth. And, Cameron & Colby moved up to third from fifth on little growth because shrinking business at Crum & Forster Managers Corp. of Illinois pushed it to fourth while General Star Management Co. dropped to fifth.

The 10 largest surplus lines insurers are ranked on the amount of gross premiums written on a non-admitted basis. Profiles of the 10 largest surplus lines insurers begin on page 12. A directory of other surplus lines and excess liability insurers begins on page 39.

The 10 largest wholesalers—five surplus lines brokers and five underwriting managers/managing general agents—are ranked on total premium volume in 1987, whether it is placed on an admitted or non-admitted basis. This is because the wholesalers provide access to markets that the retail broker otherwise cannot reach, either due to law or exclusive underwriting agreements between the wholesalers and their markets.

Profiles of the largest wholesalers begin on page 44. A directory of wholesalers begins on page 59. ■

Clinical Diagnostic Laboratories
Professional Liability



This fine program features a well respected carrier, a prudent rating basis and a wide range of optional limits of liability. In this troubled marketplace we are pleased to be able to continue to offer a viable market to our agents and brokers for their insureds.

For further information or applications call or write . . .

COVERX CORPORATION

P.O. Box 5096, Southfield, Michigan 48086
Telephone: (313) 358-4010 Telex: 23-5635

Directors & Officers coverage is just a phone call away...

Arizona	
Phoenix	602/998-1400
California	
Fresno	209/227-3535
Los Angeles	213/251-1200
Orange County	714/863-9787
	714/474-7454
San Diego	619/291-8715
	619/291-6970
San Fernando Valley	818/348-7026
	818/348-9056
San Francisco	415/989-9510
Stockton	209/948-0555
Colorado	
Denver	303/756-7444
Connecticut	
Bristol	203/582-6673
South Windsor	203/282-0881
Florida	
Miami	305/966-6433
Orlando	305/896-2691
St. Petersburg	813/521-4621
Tampa	813/287-8783
Georgia	
Atlanta	404/266-0004
Idaho	
Boise	208/336-7131
Illinois	
Chicago	312/346-7576
Iowa	
Des Moines	515/224-4511
Kansas	
Kansas City	913/451-1151
Maine	
Portland	207/774-3857
Massachusetts	
Boston	617/439-0060
Dedham	617/329-8500
Michigan	
Detroit	313/645-0500
Minnesota	
Minneapolis	612/333-0361
Missouri	
St. Louis	314/231-9470
Nebraska	
Omaha	402/393-2040
Nevada	
Reno	702/323-7297
New Jersey	
Cherry Hill	609/795-6620
Morristown	201/538-8200
New York	
New York City	212/742-9730
North Carolina	
Greensboro	919/852-7882
North Dakota	
Bismarck	701/223-1112
Ohio	
Columbus	614/436-4833
Oregon	
Portland	503/222-1735
Pennsylvania	
Philadelphia	215/896-0901
Texas	
Dallas	214/969-6800
Utah	
Salt Lake City	801/266-5199
Virginia	
Fairfax	703/385-5815
Washington	
Seattle	206/441-7938
	206/448-9400
Wisconsin	
Madison	608/833-4567

Swett & Crawford Group

John H. Crowther Inc.
Fort Hill Insurance Agency
I West Insurance Managers
Robert S. Martin Corp.
Montgomery General Agency
Dana Roehrig & Associates
SFO, Inc.
Swett & Crawford

When it's open season on Directors and Officers, don't fly blind.


© 1988, Swett & Crawford Group

Rely on Swett & Crawford Group's two decades of experience for the protection you need.

$160 million in limits with traditional domestic and international markets

Over $200 million in limits with offshore captives

Entity Reimbursement or Individual Liability on a claims made basis

Three-year contracts available depending on the account

Protecting Directors and Officers from expensive claims has been the aim of the Swett & Crawford Group for nearly 20 years. Since the early 70's when we helped to pioneer Directors & Officers Liability coverage, we've proved to be a strong and dependable marketing and consulting resource for this all-important insurance.

No one offers the resources and commitment we bring to solving your coverage needs. Our experienced D&O specialists can help you plan coverage for most classes, including Banks, Savings & Loans, Limited and General Partnerships, Real Estate and Miscellaneous Investment Trusts, Insurance or Investment Companies, Funds, Non-Profit organizations and Public and Private Commercial accounts.

Contact us before you go to market. We'll review coverage needs and significant policy features such as no participation contracts, full prior acts, extended named insured, elimination of takeover/hostile bid/green mail exclusions and legal expense advancements, so you can avoid future flak. That's a Swett & Crawford Group value-added service you can't afford to be without.

Board members don't have to be sitting ducks for expensive claims. Ask your agent or broker to contact the D&O experts at Swett & Crawford Group today. You'll find out how one of the nation's largest wholesalers of D&O coverage can make your protection bullet-proof.

Swett & Crawford Group

John H. Crowther, Inc.
Fort Hill Insurance Agency
I West Insurance Managers
Robert S. Martin Corp.
Montgomery General Agency
Dana Roehrig & Associates
Swett & Crawford

Opinions

Cooler heads

IT MUST BE DIFFICULT for an insurer to resist the urge to compete. But, that's what top executives of the nation's largest surplus lines insurers now are doing. We salute them for exercising such self-restraint.

Surplus lines insurers are letting much of their business—coverage first written during the commercial property/casualty insurance market crunch of the mid-1980s—flow back to the admitted market, where insurers are slashing rates.

The surplus lines insurers' rationale: It is better to lose business than to write it at a loss. And, that's what they say would happen if they attempted to match the admitted market's price.

The movement of some business back to the admitted market is to be expected. Much of the business that surplus lines insurers garnered during the hard market was not true surplus lines business. And, surplus lines insurers should be congratulated for refusing to compete for business at rates they consider too low to produce any profit.

What is discouraging is the depth of the competition. Wholesalers and surplus lines insurers both say that, given the underwriting debacle of the early 1980s, they are surprised that admitted insurers are again willing to offer cut rates.

We hope that the surplus lines insurers' resolve to hang tough on rates continues through the remainder of the competitive market, no matter how fierce the competition becomes. Then, when the marketplace does tighten, non-admitted insurers will not have to impose triple- and quadruple-digit



rate hikes as in 1985 to rebuild their own surplus. They will be able to charge the rate appropriate for the risk. Of course, if the admitted insurers chop rates too low, some policyholders may find that surplus lines' insurers new rates will be triple or quadruple the admitted market rates.

We hope that admitted insurers will learn from their non-admitted brethren: Cut-throat competition—followed by sky-high rate increases—need not be a fixture of the underwriting cycle.

Letters

Chubb sets bad industry example

To the editor: In the 20 years that I have been in the insurance industry, I have never felt as compelled to write a letter as I do today.

Our industry already suffers from a lack of trust by the general public and for some very good reasons. The latest nail in our coffin is Chubb Corp.'s decision to tell farmers that the drought policy they paid for was just a joke (*BI*, Aug. 1; July 25; July 18). Well, the real joke is going to be on those brilliant executives who decided to continue selling these policies even when the lead story on television each night was the lack of rain in the Midwest. Even if one does not watch TV, one surely must read Time, Newsweek, U.S. News & World Report or The Wall Street Journal.

We are perceived by most people as a group of dishonest individuals operating in a crooked industry. They believe that our only goal in life is to charge them excessive premiums and then find a way not to pay when they have a claim. Chubb has reinforced this perception and could not have found a better way to do it. Shafting one person is bad enough, but shafting a group of people that have the attention of the entire nation may be the ultimate in stupidity.

Chubb agents sold these policies in good faith believing payments would be made in the event the drought continued. Now these agents must notify their errors and omissions insurers of potential claims against them. These agents are just as much a victim as the farmers.

It is amazing that Chubb would attempt to refund premiums when it should be paying claims. I cannot help but wonder if it would have refunded premiums if the drought had suddenly ended.

In the end, Chubb will pay. But the real tragedy of the situation is that each of us associated with this industry will also pay. Our cost will be the loss of what little reputation we have left.

I hope that Chubb will realize that its position in this matter is hopeless. If it doesn't voluntarily pay up, the courts and state governments will make it. No matter what the decision, all of us in the insurance industry have already lost.

Jerry Nisker
President
North American Insurance Agency
Orange, Calif.

Company names source of confusion

To the editor: The article in your July 25 issue on Alan Teale and American Trust Insurance Co. Ltd. has caused some confusion because of name similarities.

I am president of American Trust Administrators Inc., a national third-party administrator located in the Kansas City area. My company is not related to Mr. Teale's company.

American Trust Administrators was incorporated in 1972 and is licensed as an administrator and is in good standing in all states where it transacts business. American Trust Administrators currently represents insurance companies that are rated A+ by A.M. Best Co. My company provides these insurance companies and employers with administrative services including marketing, underwriting, billing and collection of premiums, policy issue and claims processing.

Insurance products serviced include medical, dental, life and vision care. The total amount of employee benefits administered exceed $50 million annually.

T.J. McNerney
President
American Trust Administrators Inc.
Overland Park, Kan.

Section 89's mission lost in mire of delays

To the editor: Your editorial, "Overhaul Section 89," was right on the mark (*BI*, July 25). Section 89 was a well-intentioned but misguided effort to ensure that the tax incentives for group benefit plans are used to provide benefits to a broad cross-section of employees.

Realistic non-discrimination tests might go a long way toward eliminating the demand for mandatory health benefits. If all employers that provide benefits are required to provide them to employees at all income levels perhaps the "access to health care" problem could be solved through providing extra incentives to small employers who now tend not to have health plans.

I also second your complaint about the lack of regulations. Major changes are needed in the regulatory process. Inexcusable delays and missed deadlines are the norm rather than the exception.

If the Treasury Department/Internal Revenue Service had taken full advantage of the almost two years since Section 89 was enacted, we would already have regulations that might have prevented employers' clamoring for substantive changes and a delayed effective date.

We have been promised that 401(k) regulations would be released "soon" since at least 1982. Not only is the delay unconscionable, but the broken promises also reduce the credibility of senior government officials and government itself.

My favorite statement about the imminent release of regulations is that "the package is awaiting signature." Maybe the budget crunch has caused a shortage of government-issue pens.

I hope Congress delays the Section 89 effective date. Failing that, Congress should promptly pass a meaningful set of technical corrections and the Treasury Department should offer guidance soon.

Thomas D. Ucko
Vp/Director of Research
National Benefits Division
Corroon & Black Corp.
New York

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. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill., 60611.

Business Insurance®

Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki *(New York)*

Associate Publisher/Editor: Kathryn J. McIntyre, A.R.M. *(Chicago)*
Managing Editor: James M. Burcke *(Chicago)*
Senior Editor: Jerry Geisel *(Washington)*
Assistant Managing Editor: Dave Lenckus *(Chicago)*
Assistant Managing Editor/Graphics: Holly E. Seguine *(Chicago)*
CHICAGO: Stacy Adler *(Associate Editor)*
Karen Brown *(Assistant to the Editor)*
Linda J. Collins *(Agent/Broker Editor)*
Meg Fletcher, A.R.M. *(Associate Editor)*
Mark A. Hofmann *(Associate Editor)*
Karen Huelsman *(Copy Editor)*
Marilou Jones *(Directory Editor)*
Jacqueline LaSota *(Assistant Copy Editor)*
Laura Mazzuca *(Agent/Broker Topics Associate Editor)*
Amy Palmer *(Graphic Artist)*
Roger Schillerstrom *(Editorial Cartoonist)*
Paul Winston *(Copy Editor)*
Joanne Wojcik *(Copy Desk Chief)*
Christine Woolsey *(Editorial Assistant)*
DALLAS: Michael Bradford *(Associate Editor)*
LONDON: Stacy Shapiro *(International Editor)*
Carolyn Aldred *(Associate Editor)*
LOS ANGELES: Donna DiBlase *(Bureau Chief)*
Glenn Huntley *(Associate Editor)*
NEW YORK: Douglas McLeod *(Bureau Chief)*
Judy Greenwald *(Associate Editor)*
Collin Nash *(Editorial Assistant)*
WASHINGTON: Deborah Shalowitz *(Associate Editor)*

Advertising Director: Donald A. Walsh *(New York)*
Midwest Sales Manager: Robert L. Niesse *(Chicago)*
CHICAGO: Deborah D. Neale *(District Manager)*
Margaret Hikido *(District Manager/ Classified Sales)*
Elmer Kerstowske *(Production Manager)*
Eastern Advertising Manager: Martin J. Ross *(New York)*
NEW YORK: Charles A. Horvath *(District Manager)*
Jack Forrest *(District Manager)*
Courtney Bauer *(District Manager)*
Nora Reid *(District Manager)*
LOS ANGELES: Michael J. Sharpe *(Western Advertising Manager)*

Director of Communications: Ronnie I. Drachman *(New York)*

EDITORIAL: Chicago: 312-649-5398
Dallas: 214-363-1066
London: 01-404-4228
Los Angeles: 213-651-3710
New York: 212-210-0140
Washington: 202-662-7200
ADVERTISING: New York: 212-210-0133
Chicago: 312-649-5276
Los Angeles: 213-651-3710
COMMUNICATIONS: New York: 212-210-0132
CIRCULATION: Detroit: 313-446-1611

Published by Crain Communications Inc., Chicago

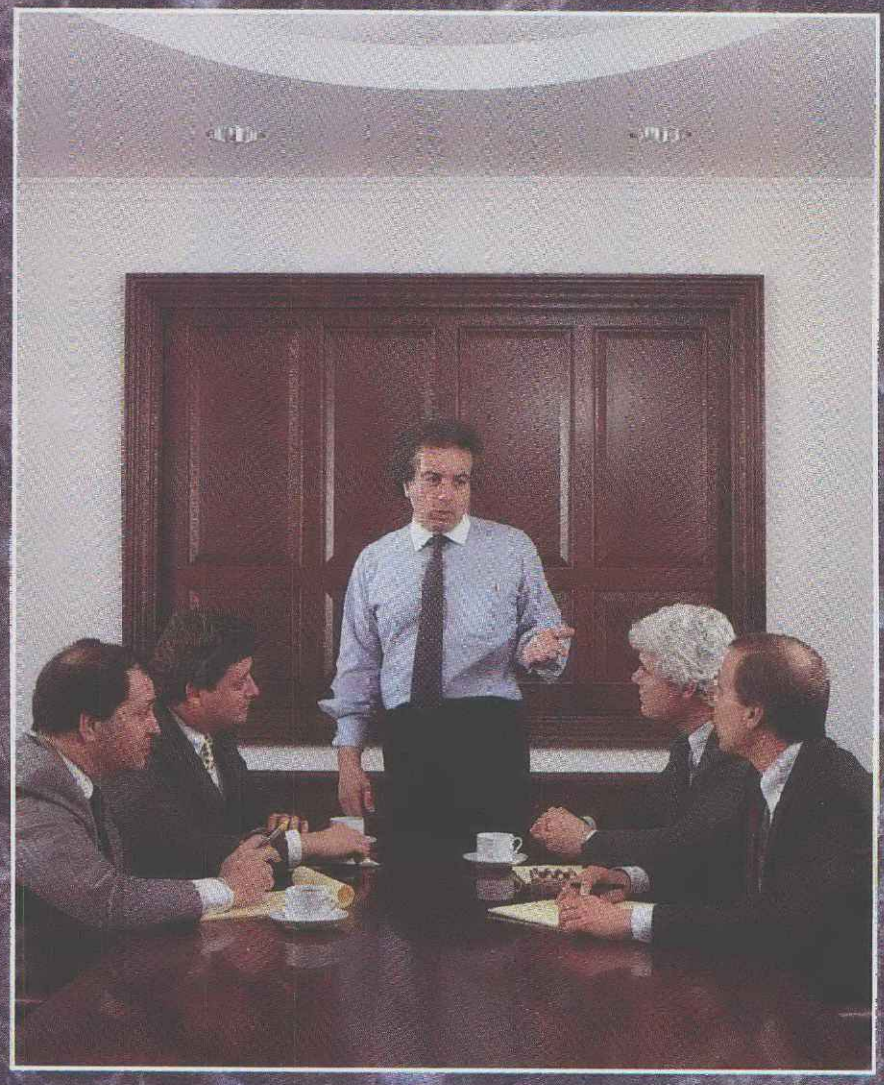
G.D. CRAIN JR.
Founder (1885-1973)

MRS. G.D. CRAIN Chairman
MERRILEE P. CRAIN Secretary
S.R. BERNSTEIN Chairman-executive committee
WILLIAM A. MORROW Senior Vp-operations
RANCE CRAIN President
ROBERT C. ADAMS Vice president-production
KEITH E. CRAIN Vice chairman
H.L. STEVENSON Corporate editor
MARY KAY CRAIN Treasurer
ALICE SIELOFF Corporate marketing manager

Published weekly at 740 Rush St., Chicago, Ill. 60611, Telex 6871241, Fax 312/280-3174, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 640207, Fax 212/210-0704, CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231, Fax 214/696-1936; Suite 814, National Press Building, Washington, D.C. 20045, Fax 202/638-3155; 6404 Wilshire Blvd., Los Angeles, Calif. 90048, Fax 213/655-8157; 20-22 Bedford Row, London WC1R 4EB, England, Fax 01/430-2176. $1.75 a copy. $68 a year in U.S. Canada and all other foreign add $32 for surface mail. Europe and Middle East only add $72 for air delivery. First-class mail to U. S., add $77; to Canada add $87. Bermuda only, $150 per year expedited delivery. WILLIAM STRONG, vp-circulation. BARBARA KISCH, circulation manager. JOHN HUFFMAN, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207, or phone 800-992-9970 or 313-446-1611, Fax 313/446-1650. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229, Fax 212/210-0780.

ABP Member of Business Publications Audit of Circulation VBPA

Seeking out the Opportunities



RELIANCE NATIONAL'S TRIPLE 'A' PERFORMANCE PROMISE TO YOU

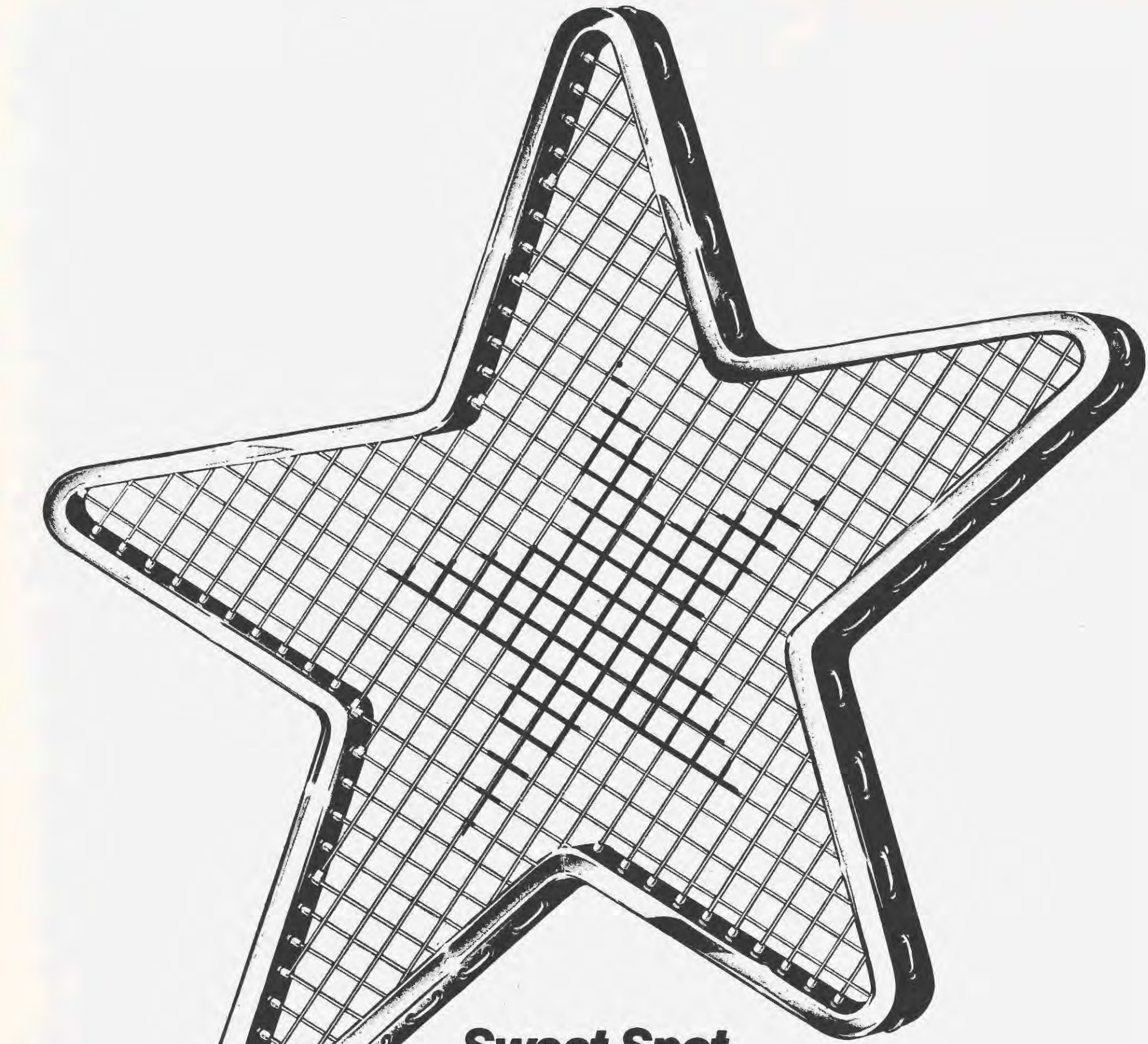
ACCEPTING THE MOMENT:
Whether we're in a soft market or a hard market, an up cycle or a down cycle, our commitment to do the best we can, no matter what the state of the market, is a full 100%. Our promise to you is not to opt for the 'easy times' and to sit back while the 'hard times' blast us all away, but to be as consistent as possible. Our determination is to write programs and policies that are productive for all the players involved.

APPRECIATING IT:
If the submission is 'Realistic,' every effort possible will be made to let the program 'Fly.' Our appreciation of our changing times, and the challenges of the moment, bring about a healthy and satisfying attitude of accomplishment. We find that attitude benefits all parties involved.

ADAPTING TO ITS OPPORTUNITIES:
Seeking out the opportunities of the moment, or of the given circumstances, is the 'Adventure' and the 'Heart' of our industry. We take pride in accomplishment. We promise you, we will not take lightly any realistic submission that crosses our paths . . . for winning the spoils in any game requires the flexibility and swiftness to recognize the opportunities of the changing times.

Give us a call at 212 858-3600

RELIANCE NATIONAL RISK SPECIALISTS is part of the Reliance Insurance group of Companies.



Sweet Spot for Specialty Risks

Get an advantage on risk placement. For primary and excess liability and excess property coverage, call the underwriting pros at General Star today.

GENERAL STAR SM

- *Market Stability*
- *Financial Strength*
- *Underwriting Quality*

General Star Management Company, Stamford, CT • Specialty underwriting for primary and excess risks through appointed surplus lines brokers
New York (212) 770-0150 • Chicago (312) 207-5400 • Los Angeles (213) 383-7734 • Stamford (203) 328-5700

A member of **General Re Group**

© General Star Management Company 1987

Spotlight report

Surplus lines premium growth fades

Most state insurance departments report that surplus lines premiums increased last year despite the flow of business back to the admitted market.

However, the increase in non-admitted premium volume has tapered off from the previous two years' growth, climbing just 9.1% in 1987 after a 58.6% surge in 1986 and a 69.7% leap in 1985 during the peak of the hard market.

Surplus lines insurers wrote more than $6.8 billion in premiums nationwide in 1987 compared with nearly $6.3 billion in 1986.

Correspondingly, premium taxes collected by state insurance departments increased 9.4% to $227.2 million in 1987 from $207.7 million the year before.

While some insurance department spokesmen attributed the increase in volume primarily to improved reporting by surplus lines insurers and marketers, others cited an increase in the number of surplus lines insurers approved to do business in their states.

"We're more aware of the filings and are auditing them more closely," said a spokeswoman in the Surplus Lines Division of the Mississippi Insurance Department, which recorded a 66.7% increase in surplus lines premiums to $49.6 million in 1987 from $29.7 million in 1986.

"We probably picked up 20 to 25 new companies and 30 new agents," said Richard Hamilton, director of surplus lines for the Indiana Insurance Department, which recorded a 54.1% increase to $131.5 million in 1987 from $85.3 million in 1986.

A total of 34 jurisdictions posted increased surplus lines premium volume in 1987, while 16 recorded declines and one state—Pennsylvania—reported no change from 1986.

For two years in a row, California generated the most surplus lines premium volume: more than $1.1 billion in 1987, up 12.7% from $989.5 million in 1986 and up 82.7% from the $610.3 million in premiums produced in 1985. California also collected the most surplus lines tax revenue last year: $33.5 million, a 12.7% increase from $29.7 million in 1986.

Texas generated the second-largest premium volume of $706.5 million, only a 2.4% increase from the $689 million in premiums the state produced in 1986.

North Dakota experienced the sharpest decline in surplus lines premium volume: It reported a 37.2% decline to $4.8 million in 1987 from $7.7 million in 1986. North Dakota also posted the least surplus lines tax revenue: $52,089 in 1987, a 31.9% decline from $76,450 in 1986.

Ohio posted the greatest increase in surplus lines premium volume: a 210.5% surge to $86.4 million in 1987 from $27.8 million the year before. ■

Surplus lines premiums and taxes by state

	Surplus lines premiums					Surplus lines taxes			
State	1987	1986	1985	87-86 % change	87-85 % change	1987	1986	1985	% Tax rate
Alabama	$108,812,625	$103,684,950	$77,949,900	4.9%	39.6%	$4,352,505	$4,147,398	$3,117,996	4.00%
Alaska	54,666,508	81,845,589	36,625,726	-33.2	49.3	1,958,187	2,301,158	1,718,017	3.70[1]
Arizona	70,239,168	75,206,565	41,024,012	-6.6	71.2	2,107,175	2,256,197	1,230,720	3.00
Arkansas	46,718,389	46,259,675	30,499,303	1.0	53.2	1,868,739	1,873,336	1,219,970	4.00
California	1,114,939,281	989,483,247	610,262,286	12.7	82.7	33,448,236	29,684,520	18,307,868	3.00
Colorado	91,000,000	82,600,000	48,592,000	10.2	87.3	1,832,000	1,642,000	972,000	2.00
Connecticut	73,334,000	76,646,775	52,505,631	-4.3	39.7	2,933,360	3,065,871	2,100,225	4.00
Delaware	5,493,057	7,430,683	3,218,469	-26.1	70.7	192,656	148,614	64,369	2.00
District of Columbia	30,000,000[2]	33,096,650	36,663,343	-9.4	-18.2	600,000[2]	661,933	733,266	2.00
Florida	469,647,589	407,347,486	285,891,644	15.3	64.3	12,605,566	11,026,380	7,547,809	3.00
Georgia[3]	182,741,142	167,301,180	105,592,977	9.2	73.1	7,309,645	6,692,047	4,235,781	4.00
Hawaii	45,740,125	41,382,585	23,894,285	10.5	91.4	2,140,637	1,936,705	1,118,252	4.68
Idaho	21,557,277	14,516,666	8,361,635	48.5	157.8	672,768	435,500	250,849	3.30[4]
Illinois	346,646,405	316,576,132	70,780,456	9.5	389.7	10,399,392	9,497,283	2,123,413	3.00
Indiana	131,468,881	85,303,390	60,180,025	54.1	118.5	3,286,722	2,049,383	1,511,246	2.50
Iowa	31,766,123	33,363,247	21,558,497	-4.8	47.3	635,322	667,265	431,170	2.00
Kansas	39,988,348	49,312,365	43,730,095	-18.9	-8.6	1,599,534	1,972,322	1,727,616	4.00[5]
Kentucky	43,270,065	33,690,878	27,650,373	28.4	56.5	1,298,101	1,010,726	829,511	3.00
Louisiana	287,808,571	330,497,445	340,890,676	-12.9	-15.6	14,167,892	16,510,439	16,665,372	5.00
Maine	15,775,924[2]	12,784,909	8,362,124	23.4	88.7	473,277[2]	383,547	250,864	3.00
Maryland	101,083,446	74,217,600	34,909,683	36.2	189.6	2,965,293	2,143,200	1,047,290	3.00
Massachusetts	175,698,725	136,029,000	99,884,250	29.2	75.9	7,027,949[2]	5,441,160	3,955,370	4.00
Michigan	355,468,543	323,410,768	218,831,866	9.9	62.4	7,436,241	6,827,644	4,695,002	2.00[6]
Minnesota	124,008,126	117,288,822	67,233,800	5.7	84.4	3,720,244	3,518,665	2,017,014	3.00
Mississippi	49,576,170	29,734,784	15,639,718	66.7	217.0	1,970,949	1,189,391	625,589	4.00
Missouri	149,595,559	132,337,316	88,709,499	13.0	68.6	7,479,778	6,616,866	4,434,475	5.00
Montana	9,875,440	9,244,769	5,893,457	6.8	67.6	315,193	261,286	162,368	2.75[7]
Nebraska	23,065,435	20,604,786	17,155,472	11.9	34.4	946,047	619,059	505,293	3.00[8]
Nevada	35,532,799	39,454,106	16,901,169	-9.9	110.2	1,069,856	1,183,480	506,583	3.00
New Hampshire	22,988,367	20,650,011	14,361,589	11.3	60.1	460,590	413,000	287,231	2.00
New Jersey	223,047,740	242,288,667	133,669,332	-7.9	66.9	6,691,432	7,268,660	4,009,810	3.00
New Mexico	22,024,399	22,598,753	9,328,162	-2.5	136.1	660,732	667,963	279,845	3.00
New York	498,151,667	402,787,905	180,509,045	23.7	176.0	17,933,460	14,500,365	6,498,325	3.60
North Carolina	70,566,898	72,647,589	47,475,802	-2.9	48.6	3,528,344	3,632,380	2,373,787	5.00
North Dakota	4,798,813	7,645,014	4,595,726	-37.2	4.4	52,089	76,450	45,774	1.25[9]
Ohio	86,379,373[2]	27,820,212	16,425,811	210.5	425.9	4,318,969[2]	1,391,011	821,277	5.00
Oklahoma	77,523,439	64,782,488	37,403,343	19.7	107.3	4,651,406	3,886,949	2,244,201	6.00
Oregon	81,292,039	71,685,901	45,848,836	13.4	77.3	1,829,085	1,612,935	1,031,639	2.25
Pennsylvania	270,000,000	270,000,000	167,500,000	0.0	61.2	7,816,345	7,876,652	5,022,935	3.00
Rhode Island[3]	20,455,676	11,573,310	5,317,866	76.7	284.7	613,670	347,199	159,536	3.00
South Carolina	43,899,007	41,020,647	28,123,350	7.0	56.1	1,755,560	1,640,826	1,124,934	4.00
South Dakota	9,212,012	8,155,195	4,464,379	13.0	106.3	237,070	219,027	181,749	2.50[10]
Tennessee	65,601,400	49,305,900[2]	46,958,000[2]	33.0	39.7	1,968,043	1,312,500[2]	1,250,000[2]	2.50[11]
Texas	706,500,000	689,919,223	478,860,441	2.4	47.5	27,200,250	26,561,890	18,436,127	4.62[12]
Utah	37,270,215	32,895,619	17,849,759	13.3	108.8	1,583,984	1,007,054	535,493	4.25[13]
Vermont	20,000,000[2]	12,000,000[2]	6,862,698	66.7	191.4	600,000[2]	360,000[2]	205,881	3.00
Virginia	62,035,050	61,771,262	44,764,000	0.4	38.6	1,690,861	1,697,721	1,231,010	2.75
Washington	137,681,584	142,372,775	78,569,164	-3.3	75.2	2,753,632	3,080,913	1,764,978	2.00[14]
West Virginia	20,655,399	17,050,737	11,002,636	21.1	87.7	826,216	1,023,044	660,158	4.00[15]
Wisconsin	95,906,920	100,529,688	58,466,933	-4.6	64.0	2,964,607	3,015,891	1,700,715	3.00[16]
Wyoming	9,000,000[2]	12,340,933	5,726,233	-27.1	57.2	270,000	372,000	170,000	3.00
Totals/Averages	6,820,507,719	6,252,494,197	3,943,475,476	9.1	73.0	227,219,609	207,727,805	134,140,703	3.29

[1] 4% before Jan. 1, 1986 [2] State Insurance Department estimate/preliminary figure [3] Fiscal years ended June 30, '87, '86, '85 [4] 3% before July 1, 1987 [5] 2% before July 1, 1985 [6] 3% of fire & marine, 2% on all others [7] 2.75 % premium tax, 1.5% firefighters' pension tax, 0.75% fire marshal tax [8] 2.75% before Jan. 1, 1987 [9] 1% before July 1, 1987 [10] 0.5% on fire, 2.5% on all others [11] 2.5% on liability, 3.25% on fire, 4.4% on workers compensation [12] 3.85% before Sept. 1, 1987 [13] 3% before July 1, 1986 [14] 2.16% before July 1, 1986 [15] 6% before Jan. 1, 1987 [16] 0.5% on ocean marine, 3% on all others

Source: *BI* survey of insurance departments.

Lexington leads surplus lines insurers

Lexington Insurance Co.

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

	1987	1986
Gross premiums	$977,700,463	$725,021,078
Non-admitted	$916,833,827	$674,670,826
Net premiums	$241,683,656	$157,702,610
Paid-in capital	$4,100,000	$1,500,000
Capital & Surplus	$137,905,716	$115,549,283
Employees	193	176
Combined ratio	83.1%	78.3%
Commercial risks	99.7%	99.7%
Net income	$10,754,719	$32,069,104
Best's rating	A+	A+

After another year of tremendous growth, Lexington Insurance Co., the largest U.S. surplus lines insurer, is preparing for a more difficult 1988.

Gross written premiums at Lexington hit nearly $1 billion last year, but volume during the first six months of this year has flattened, mainly because of price competition from licensed insurers, says President Kevin H. Kelley.

If pricing pressures continue through the end of this year, Lexington's volume may actually decline in 1988, he said.

"We haven't been surprised by very much. The areas we thought would be competitive have been," Mr. Kelley said, singling out less hazardous general casualty business written on occurrence forms and property risks as the targets of stiffest competition.

"We expect to see difficult times in the third and fourth quarters and will respond accordingly," he added.

Lexington—a unit of American International Group Inc.—has already cut back its pursuit of the sought-after property and occurrence-based casualty business "to limit the pressure on our underwriters to do things they know they shouldn't do," Mr. Kelley said.

Much of this less risky business was shut out of the admitted marketplace during the hard market but has more recently been reclaimed by licensed insurers.

"We leased a lot of that casualty business. In 1987, a lot of the leases were up," he observed.

Instead, Lexington is focusing on the high hazard liability and property risks that have been the insurer's bread and butter for years and where the relationship of price to exposure "is still pretty good depending on your knowledge of it," Mr. Kelley said.

"That has been our core business and will continue to be our core business," he pointed out.

Lexington's business in many cases is more hazardous than that underwritten by other surplus lines insurers, and the AIG unit has a long history of writing the toughest liability and property risks, Mr. Kelley maintained.

While Lexington will compete for the business it wants, its management also is intent on making that business produce an underwriting profit for the company.

Underwriting, Mr. Kelley reflected, consists of setting a rate, setting policy terms and conditions and selecting the business to be written. Setting the price is the most important of these elements, he said.

"Without the proper rate, you can't produce a profit," he observed. "The early 1980s have taught me that."

"We have a pretty good idea what certain rates will lead to in terms of profit and loss, and if we see rates dip below those levels, we will move our capacity into areas where we think the rate to exposure makes sense.

"What you can't do is drain surplus," Mr. Kelley said.

Lexington's operations last year produced another healthy gain for its surplus, though the gains of 1987 were not as impressive as those of 1986.

Gross written premiums last year jumped 34.9% to $977.7 million from $725 million in 1986, a significant increase but smaller than the near-doubling of 1986 premiums from $377.1 million in 1985.

Liability lines continued to produce the biggest growth last year and still account for the bulk of Lexington's volume: Gross premiums written in liability lines grew 43.8% last year to $788.2 million from $548.3 million in 1986. Property gross premiums, however, expanded by only 7.8% to $189.8 million from $176 million in 1986.

The liability business represented 80.6% of Lexington's gross premiums in 1987, up from 75.6% in 1986. Property business, meanwhile, shrank to 19.4% of total gross volume in 1987 from 24.3% the previous year, according to Lexington's annual statement.

Of Lexington's total gross premiums last year, $918.8 million represented direct insurance business, while $58.9 million represented assumed reinsurance, nearly all of which was written for other AIG units.

All of the direct business was written on a non-admitted basis except for $2 million written in Delaware, the only state where Lexington is licensed.

While Lexington has traditionally ceded a substantial portion of its book to reinsurers, the company's net premium volume continued to rise as a percentage of gross premiums last year.

Net written premiums in 1987 totaled $241.7 million, or 24.7% of gross volume, compared with $157.7 million, or 21.8% of gross writings in 1986.

For liability lines only, net premiums last year amounted to $215 million, or 27.3% of gross liability premiums, while net premiums for property lines hit $26.8 million, or 14.1% of gross property writings.

As he did last year, Mr. Kelley noted that net premium figures in Lexington's annual statement are skewed by fronting programs written for captive insurance companies and that the insurer's actual net retentions on casualty and property business are higher than the statement indicates.

For example, Lexington's net line on casualty business is a little more than 50%, he said.

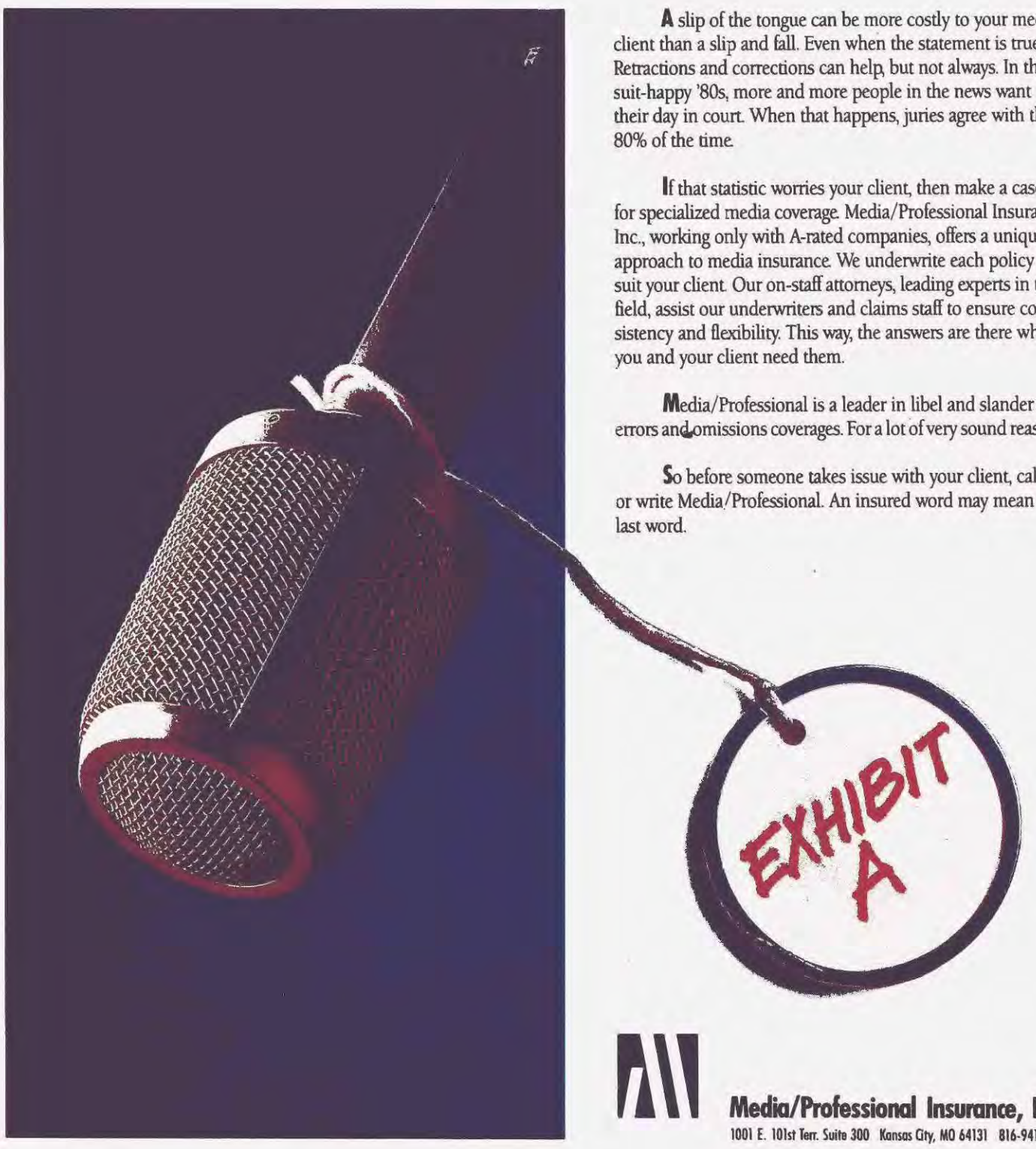
Lexington, like other surplus lines insurers, continued to rack up gains in underwriting and net income last year, though the rate of the improvement slowed from the feverish pace of 1986.

Earned premiums shot up 67.4% last year to $219.9 million from $131.4 million in 1986. Meanwhile, losses and loss expenses incurred jumped 66.8% to $182.7 million from $109.5 million in 1986.

This translated into a loss ratio of 83.1%, a slight improvement from 1986's loss ratio of 83.4%.

Continued on page 14

When a minor statement becomes a major issue.



A slip of the tongue can be more costly to your media client than a slip and fall. Even when the statement is true. Retractions and corrections can help, but not always. In the suit-happy '80s, more and more people in the news want their day in court. When that happens, juries agree with them 80% of the time.

If that statistic worries your client, then make a case for specialized media coverage. Media/Professional Insurance, Inc., working only with A-rated companies, offers a unique approach to media insurance. We underwrite each policy to suit your client. Our on-staff attorneys, leading experts in their field, assist our underwriters and claims staff to ensure consistency and flexibility. This way, the answers are there when you and your client need them.

Media/Professional is a leader in libel and slander and errors and omissions coverages. For a lot of very sound reasons.

So before someone takes issue with your client, call or write Media/Professional. An insured word may mean the last word.

Media/Professional Insurance, Inc.
1001 E. 101st Terr. Suite 300 Kansas City, MO 64131 816-941-3880

Our Approach To Difficult Insurance Risks Can Be Just As Revolutionary.



The Battle of Lexington touched off the American Revolution.

At the Lexington Insurance Company, we've taken part in an insurance revolution, with new and innovative ways to handle extraordinary risks.

This explains why we're the largest Excess and Surplus lines insurer in the U.S., offering more types of protection than anyone else in the country.

It also explains our willingness to *create* a policy, if that's what it takes to get your business.

To learn more, call (617) 330-1100. Or write Lexington Insurance Co., 200 State St., Boston, Mass. 02109.

We'll get right back to you. After all, it's what you'd expect of a minuteman.

Lexington *Insurance Company*

Continued from page 12

Lexington traditionally has earned huge ceding commissions on the reinsurance it cedes to its hundreds of authorized and unauthorized reinsurers. Last year, as in previous years, these commissions were enough to offset all of the insurer's other underwriting expenses.

Unlike previous years, however, Lexington's ceding commission income of $125.6 million last year was just enough to offset the other underwriting expenses almost exactly and produce an expense ratio of zero. In 1986, ceding commissions of $96.2 million had produced expenses of negative $10.5 million and an expense ratio of negative 5.1%.

Because of the expense ratio increase to zero, Lexington's combined ratio climbed slightly last year to 83.1% from 78.3% in 1986.


Mr. Kelley

After deducting losses, loss expenses and other underwriting expenses from earned premiums, Lexington finished 1987 with an underwriting gain of $37.4 million, a 15.5% increase from the 1986 underwriting income of $32.4 million.

While impressive, last year's gain was smaller than the 139.5% gain in 1986 underwriting income from $13.5 million in 1985.

Investment income more than doubled last year to $35.5 million from $16.9 million in 1986.

After taxes and other gains and losses, Lexington finished the year with net income of $40.8 million, a 27.1% gain from $32.1 million in 1986. Again, this represented a smaller gain than the 182% increase in 1986 income from $11.4 million in 1985.

Lexington's surplus did not increase by the amount of its net gain last year: About half the gain was offset by other losses, including an $11.7 million capital loss on common stock investments and a $5.3 million cash dividend paid to AIG.

Lexington finished the year with a $22.4 million increase in its surplus, which stood at $137.9 million as of Dec. 31 compared with $115.5 million at the end of the previous year.

While competition heated up for the less hazardous general liability and property business last year, life has become even tougher for Lexington's underwriters this year, Mr. Kelley said.

Property volume has dropped about 17% so far this year from the same period last year, he reported. Property business for all of 1988 may make up only 16% or 17% of Lexington's total written premiums as the competition continues to take business away at lower rates.

Lexington can provide a gross limit on property risks of $7.5 million to $10 million, and it prefers to participate in the first layer on "tough" property business, Mr. Kelley said.

The insurer also is trying to maintain its casualty volume, not by increasing policy count, but by writing larger limits on individual risks and expanding its underwriting in specialty lines where capacity is still relatively scarce, he added.

Specialty casualty lines where Lexington grew in 1987 included medical malpractice, medical products liability and pharmaceutical and chemical liability risks, Mr. Kelley noted.

The average limit Lexington writes on casualty risks is up 25% this year over last, Mr. Kelley said. Lexington now provides an average gross liability limit of $7.5 million to $10 million, though it can range as high as $25 million with facultative reinsurance support, he said.

Lexington's excess policies can attach above $1 million in underlying coverage, though a more typical attachment point is $5 million, according to Mr. Kelley.

The insurer also writes primary liability coverage above deductibles or self-insured retentions ranging from $5,000 to $100,000.

Overall, about 55% of Lexington's casualty book consists of excess and umbrella business, unchanged from a year ago, Mr. Kelley said. Another 30% consists of transportation risks, while the remaining 15% comprises primary liability business, he said.

About 67% of Lexington's nontransportation casualty business is still written on a claims-made form, down slightly from a 75% claims-made book a year ago.

The transportation business, made up primarily of short-tail risks, is largely written on an occurrence form.

Other occurrence-based business includes the relatively small portfolio of less hazardous general liability risks that Lexington has been losing to admitted market competition.

Along with its property and casualty divisions, Lexington maintains:

- A special accident division, which offers stop-loss coverages to self-insurers of employee benefit programs. The division wrote more than $6 million in gross premiums last year and is doing well this year, Mr. Kelley said.
- An international division, which handles domestic and foreign exposures of multinational corporations. As part of this division, Lexington's London office writes North American multinational business that has gravitated to the London market.

International division business has roughly doubled through the first half of this year, Mr. Kelley said. Gross premium volume for the first six months amounted to about $8 million, up from about $4 million for the same period in 1987. Volume for all of last year was about $11.3 million.

- A program division, which writes primary and excess property and casualty coverages for trade groups and professional organizations. Lexington's program business includes coverage for mental health clinics and social service agencies; "negligent entrustment," a narrow form of medical malpractice, for health maintenance organizations; liquor law liability; and insurance agents errors and omissions and life insurance agents and brokers E&O.

Program business produced a little more than $125 million in gross premiums last year, up from $85 million to $90 million in 1986, Mr. Kelley said.

However, the division's volume probably will drop this year as business like liquor law liability returns to admitted markets, he added.

"We are seeing some decline in growth in 1988," he acknowledged.

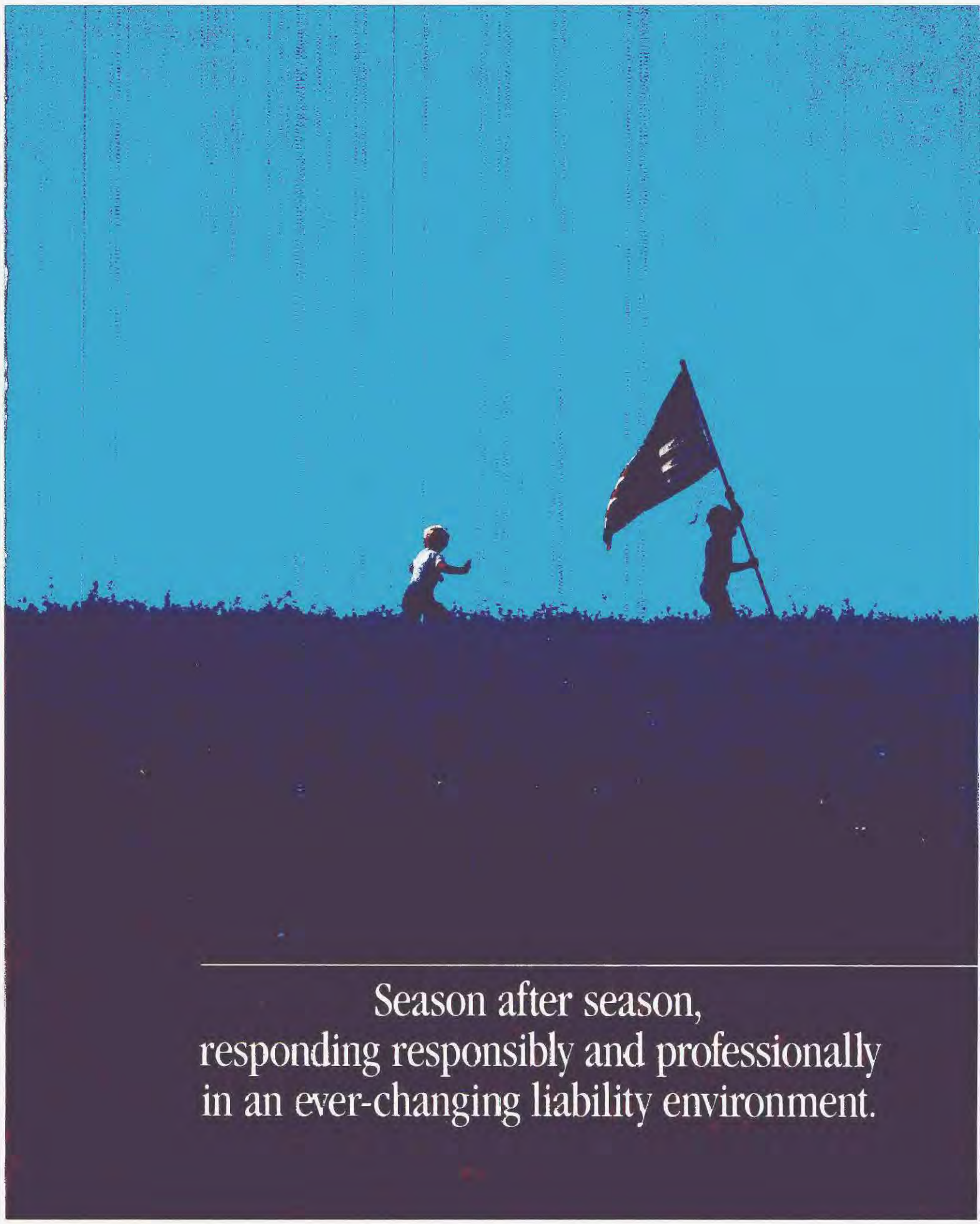
In addition to these types of businesses, Lexington also specializes in energy risks, hospital and related facilities, construction risks, architects and engineers coverages, communications industry risks and lawyers professional liability coverage.

Lexington introduced one new product this year: a facility for hard-to-place directors and officers liability risks, a category which could include financial institutions and younger companies without management track records, Mr. Kelley said.

The new facility provides a primary D&O limit of $2 million excess of a deductible, he said.

Lexington also is working on a new property-related product, though Mr. Kelley declined to provide any details.

Continued on next page



Continued from previous page

Mr. Kelley cited the development of new products as one of the challenges facing surplus lines insurers, noting this is necessary to "keep major brokers interested in us."

About half of Lexington's business is produced by wholesalers and the other half by retailers, according to Mr. Kelley. He added that of the insurer's top 10 producers, four are wholesalers, four are surplus lines licensed retailers and two are London brokers.

The major challenge facing the surplus lines market, though, is weathering yet another soft property/casualty market, he suggested.

Lexington's staff increased to 193 employees last year from 176 in 1986, and Mr. Kelley said no staff cutbacks are expected this year despite the need to contain expenses.

"Companies that are thinking right are going to say, 'What do we do well and how do we expand on what we do well,'" he noted. "The last time around, people forgot that and looked at areas they knew nothing about and entered into those areas at the most inopportune time."

"We all learned some lessons," he observed.

The lessons have apparently sunk in more deeply among surplus lines insurers than among their licensed counterparts, Mr. Kelley suggested.

Lexington's competition recently has come mainly from the admitted market, he said.

"I do believe that the surplus lines market is fairly well disciplined this time around," he said. Mr. Kelley noted that most surplus lines executives have been with their companies for many years and "as a consequence lived through the dismal results of the 1930s and have learned."

Several factors should make admitted and non-admitted insurers alike wary of rate-cutting on casualty business, he said.

The Tax Reform Act of 1986 will affect cash flow, income and return on equity for all insurers, he pointed out.

Meanwhile, tort reform has not proved to be a significant cost-saver, and uncollectible reinsurance is still a problem "hanging over everyone's head."

"You add those three pieces together and there is no reason to be bullish" about the outcome of another competitive market cycle, he warned.

In addition to Mr. Kelley, Lexington officers include Nicholas Anselmo, Walter Mooney and Edward E. Matthews, senior vps; and Patrick J. Foley, senior vp and general counsel.

Lexington, founded in 1965, carries a rating of A+ from A.M. Best Co.

—By Douglas McLeod

Scottsdale Insurance Co.

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

	1987	1986
Gross premiums	$561,739,009	$485,434,126
Non-admitted	$399,081,525	$308,480,783
Net premiums	$22,452,616	$22,455,496
Paid-in capital	$6,000,200	$6,000,000
Capital & Surplus	$13,116,936	$10,897,293
Employees	371	299
Combined ratio	104.3%*	111.4%
Commercial risks	71%	63.5%
Net income	$4,617,758	$3,032,933
Best's rating	A+**	A+**

* Pooled.
** Contingent, pooled.

The soft commercial property/casualty insurance market may finally slow the steady growth Scottsdale Insurance Co. has enjoyed since its formation six years ago.

In 1987, the insurer's gross premiums written on a direct, non-admitted basis continued to climb, rising 29.4% to $399 million from $308.5 million the year before. The increase pushes the Scottsdale, Ariz.-based subsidiary of Nationwide Insurance Co. to the No. 2 spot among *Business Insurance's* ranking of surplus lines insurers, up from third place a year ago.

Gross premium volume written last year jumped 15.7% to $561.7 million from $485.4 million in 1986.

Those numbers are right in line with what the insurer expected, said President Rolland L. Wiegers. "1987 figures are almost exactly what we planned on coming in. We were a little short, but we were just about on target."

However, Mr. Wiegers said, the continuing soft market will make it hard to duplicate past growth.

So far, 1988 premium growth has been flat, Mr. Wiegers said. "We're substantially less than our predictions, but we're about 2% up over last year. We've seen a real softening of the rates and what's becoming pretty fierce competition, mainly from the standard companies," he added.

Admitted insurers are gobbling up business in all classes, but "the hardest hit. . .is property, which usually tracks with the down cycles," he said.

Casualty rates, he noted, are down substantially from last year but appear to have stabilized at levels that generally are reasonable.

'The umbrella market seems to be the most competitive of the casualty lines,' says Mr. Wiegers.

"The umbrella market seems to be the most competitive of the casualty lines," Mr. Wiegers remarked. Some standard companies are offering umbrella coverages at very low rates when buyers purchase primary coverage that generates premiums of about $75,000 or more, he said.

"Commercial auto is not seeing quite as fierce rate-cutting as property but a little more than the casualty lines. . .it is one class that usually has rates trending down when the cycle gets soft. It's a tough class and there's no real justification for it, but it always happens," he said.

The competition probably will last at least until mid-1989, said Mr. Wiegers. "Then I think the effects of the lower rates will start showing up."

Other factors also affect lengths of cycles, he noted. "Interest rates, obviously, have a definite impact on cycles," Mr. Wiegers observed, "and if rates remain at current levels, I think the cycle will have to turn by mid-1989. Should interest rates go sky-high again, then that will prolong the soft cycle."

He added, "If this cycle goes beyond mid-1989, say into 1990, then I think the next hard cycle could be as bad as. . .it was in '86."

Although most states have passed tort and insurance reform legislation intended to ward off another round of rate hikes and coverage scarcity, Mr. Wiegers said he believes those safeguards will have little effect if another severe crunch hits.

Tort reform laws passed in recent years are a good start but not substantial enough, he remarked. "They have put some caps on awards in certain situations, but they're so far away from tort reform that is needed that I don't see that this will have any drastic change on rates."

What is needed, he said, is to

Continued on next page



Continued from previous page
"face this issue that no one seems to want to face: the giveaway system on large awards. Companies just can't keep bringing in enough premium dollars to pay these."

Soft cycles compound the problem because insurers collect fewer dollars with which to pay large awards, he said, and legislators tend to relax their efforts toward tort reform when capacity is plentiful and policyholders are relatively happy.

"We're seeing a lot more regulation by states in the last 12 months than we did in the 24 months prior to that. They were more interested in making coverage available to the insureds than in making sure every 'i' was dotted on rate filings and other regulations" during the hard market, said Mr. Wiegers. "Now you've got more capacity available and the insurance departments are spending more time on regulation."

On the casualty side, 'we still target the smaller general liability risks,' says Scottsdale President Rolland L. Wiegers. 'A million-dollar limit is generally written, but we can go up to $5 million now if we want to.'

Scottsdale garnered most of its growth during the last hard market. The company first broke into the *Business Insurance* Top 10 rankings when it piled up $150.9 million in non-admitted premiums in 1985—a 639% increase from 1984—and landed in fourth place among the largest surplus lines companies.

Around 22%—or $118.6 million—of Scottsdale's 1987 gross premiums were written by National Casualty Co., another Nationwide Insurance Co. affiliate that cedes business to Scottsdale. In 1986, National Casualty wrote $135.3 million or 28% of Scottsdale's gross premiums.

In past years, Scottsdale had intentionally decreased the percentage of business written by National Casualty while increasing the amount written on a non-admitted basis. In 1987, 71% of gross premiums were written on a direct, non-admitted basis, up from 63.5% in 1986.

That trend is beginning to swing slightly the other way, Mr. Wiegers pointed out.

"Now we're seeing kind of a reverse trend where we'll still write the majority through Scottsdale, but there are certain classes that states require be written on an admitted basis. So there's kind of a little swing back, not a drastic one."

Although Scottsdale previously wrote exclusively through National Casualty in New York, Scottsdale is now approved as a surplus lines insurer in all states and the District of Columbia. The insurer is admitted in Arizona, Delaware and Ohio.

Since Scottsdale's business is pooled with other Nationwide companies, the 104.3% combined ratio on a statutory basis reported for the pool in 1987 does not truly reflect the insurer's individual performance, Mr. Wiegers pointed out.

On its own, Scottsdale's combined ratio improved to 89.2% last year from 98.5% in 1986.

Scottsdale's net income after pooling jumped 52% last year to $4.6 million from $3 million in 1986. The company's surplus increased 20.4% to $13.1 million in 1987 from $10.9 million in 1986.

Net premium volume, which reflects the pooling arrangement, was virtually flat at $22.45 million in 1987 compared with $22.46 million in 1986.

Scottsdale has carved its niche by concentrating on smaller property/casualty accounts.

"The smaller property lines are still our target area," Mr. Wiegers said. "We've gone up a little on the limits there."

Limits for most property accounts average around $350,000, he said, but Mr. Wiegers added that the insurer can provide up to $1.5 million in property capacity, an increased from $1 million last year.


Mr. Wiegers

On the casualty side, "we still target the smaller general liability risks," Mr. Wiegers said. "A million-dollar limit is generally written, but we can go up to $5 million now if we want to."

Scottsdale has resumed writing new umbrella accounts, an area it de-emphasized after meeting premium goals in 1986.

"We set a limit on how much we wanted to write and (when we reached the limit we) stopped for six months," said Mr. Wiegers.

"In the latter part of 1987, we started again. We have no caps for any lines this year," he said.

Umbrella business is not a large part of Scottsdale's book, he pointed out, making up less than 5% of the insurer's casualty business.

Scottsdale writes commercial automobile coverage with limits up to $1 million, and the insurer also writes personal lines coverage for lower-valued dwellings with limits of $50,000 to $75,000.

The insurer retains up to $250,000 on casualty risks and up to $200,000 on property risks before reinsuring its business through three reinsurance intermediaries.

E.W. Blanch Co. in Minneapolis handles Scottsdale's property reinsurance, Reinsurance Agency Inc. in Chicago places casualty reinsurance and Inter Re Co. of San Francisco brokers the insurer's commercial auto reinsurance.

Scottsdale earlier this year formed a "brokerage department" in its headquarters to write business that the insurer has neglected in the past, Mr. Wiegers said. The department is headed by Vickie Kartchner, vp-brokerage and reinsurance.

"It's a brokerage facility that's only available to our managing general agents," Mr. Wiegers explained. "And the purpose of this is to write risks that normally are not within the general agent's binding authority."

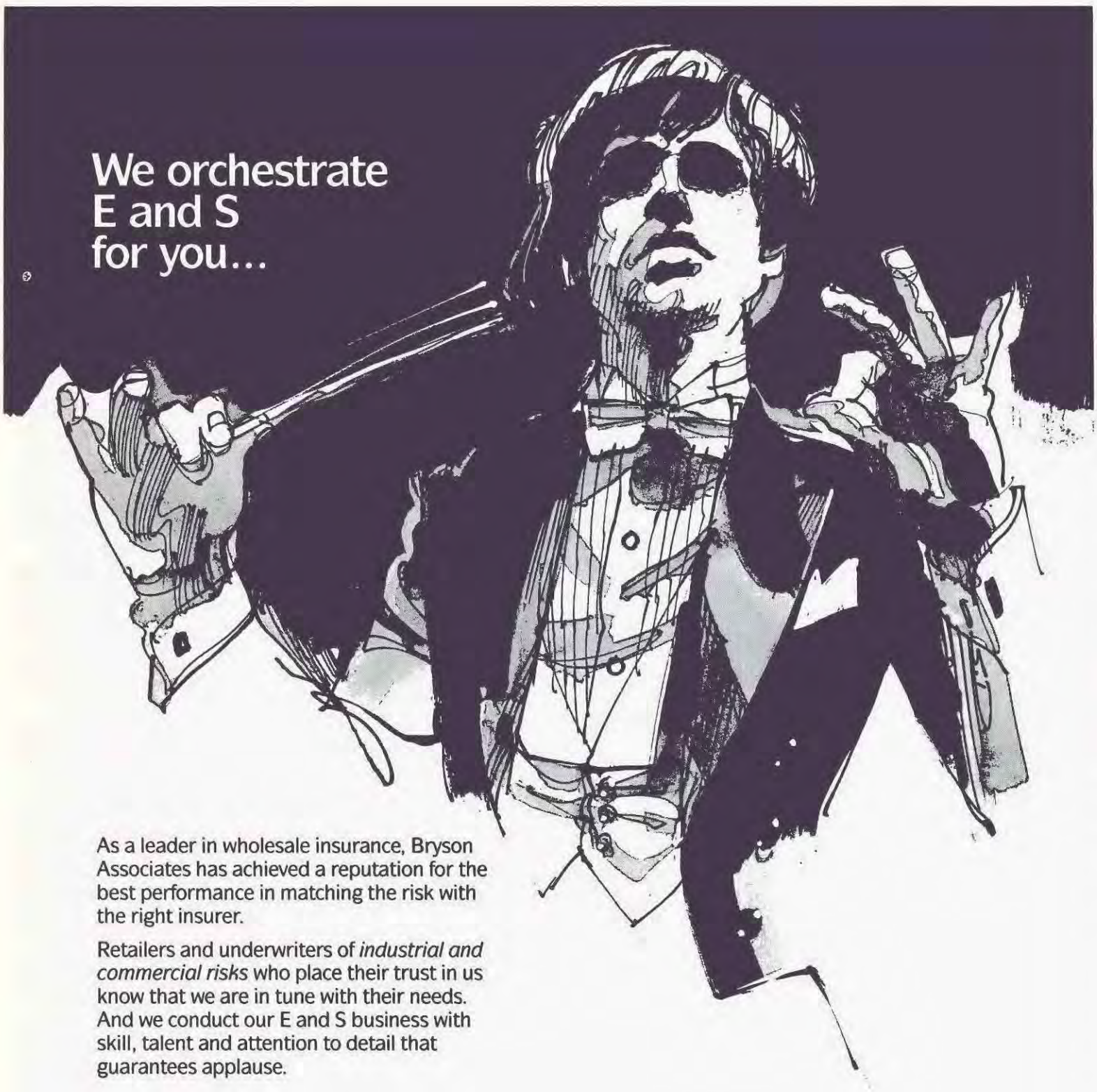
The risks usually fall outside the general agent's authority because they require limits higher than the agent is authorized to write or are part of a class the agent is restricted from writing, Mr. Wiegers pointed out.

In such a case, the MGA would send the business to Ms. Kartchner's department, according to Mr. Wiegers. "Her department would underwrite it. . .after they determine that this could be written."

Most of the business bound by the brokerage department "requires special reinsurance terms," said Mr. Wiegers. Scottsdale usually retains about 15% to 20% of the risk.

The brokerage facility offers up to $5 million in limits for liability insurance for professionals like police officers and municipal employees. Those limits are also available

Continued on page 18



As a leader in wholesale insurance, Bryson Associates has achieved a reputation for the best performance in matching the risk with the right insurer.

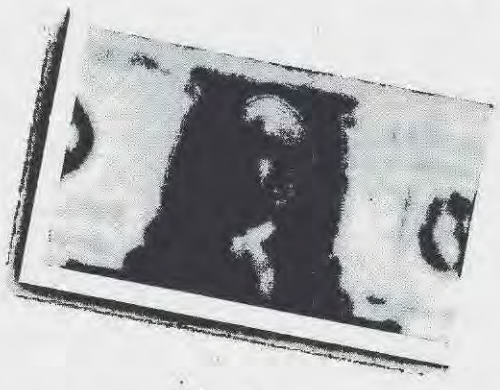
Retailers and underwriters of *industrial and commercial risks* who place their trust in us know that we are in tune with their needs. And we conduct our E and S business with skill, talent and attention to detail that guarantees applause.

Bryson Associates Incorporated
INSURANCE INTERMEDIARY

P.O. Box 545
Beaver Hill South
Jenkintown, PA 19046
215-576-1500

111 John Street
New York, NY 10038
212-791-9745

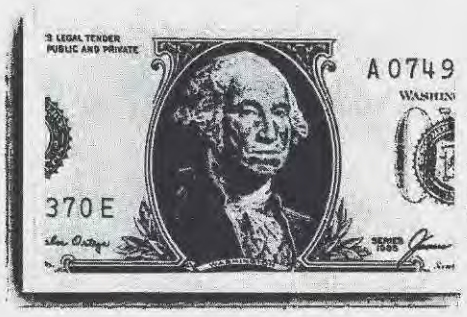
REINSURANCE AND THE RIGHT FOCUS



When you select a reinsurer, it's important that you get a clear picture of its financial stability. You might start by considering a company's policyholders' surplus. But don't make it your only focus. Today's large surplus could be compromised by liberal underwriting policies, leading to overexposure and future instability.



A reinsurer's Best's rating will help sharpen the image. But today's rating isn't meant to tell you everything you should know to predict where the company will be in ten years — when you may need it to pay a claim.



The clearest picture of a reinsurer's financial stability includes not only surplus and rating, but people, too. After all, it's people who shape the company's future.

At NAC, you'll find seasoned reinsurance professionals with a wealth of diversified experience. People whose sound management skills and judicious underwriting complement a Best's rating of "A" and a surplus in excess of $165 million. NAC, a solid, secure company worth focusing on. Greenwich, Hartford and New York. *We'll be there when you need us.*

- Treaty Reinsurance Written Through Intermediaries
- Facultative Reinsurance Written Directly

North American Company
for Property and Casualty Insurance

A Member of the NAC Re Group.

NAC Re

Continued from page 16
for "anything involving any malpractice exposure," said Mr. Wiegers.

Since its inception last March, the brokerage facility has written around $20 million in gross premiums.

Mr. Wiegers said he expects the department to record premiums of around $40 million by the end of the year.

The brokerage department employs about 12 people, a workforce that is expected to double by the end of the year, Mr. Wiegers predicted.

In Scottsdale's six-year existence, the formation of the brokerage department is one its most dramatic changes.

As Mr. Wiegers pointed out, the company's goals and plans for meeting them have remained fairly stable over the years.

"We're doing about the same things we've done in the past and we don't anticipate that changing," he said. "Our primary goal is to produce an underwriting profit and continue our first-rate service to our general agents. I guess it is mainly to continue with the product lines we have."

As business has grown, so have the number of employees at Scottsdale.

The insurer boasts a workforce of 400, up 7.8% from 371 at the end of 1987 and up 33.8% from 299 at year-end 1986.

Scottsdale's President Rolland L. Wiegers says: 'Our primary goal is to produce an underwriting profit and continue our first-rate service to our general agents.'

"I think we're right on target to where we are projecting in the amount of premium or policy count per-employee," said Mr. Wiegers.

The insurer moved into its current 75,000 square-foot location from a smaller building two years ago and already has plans to build its own 140,000 square-foot facility. That building, also in Scottsdale, is targeted for completion in July 1990.

In addition to Mr. Wiegers and Ms. Kartchner, Scottsdale's principal officers are: Thomas D. Stamm, vp-underwriting/marketing; James R. Kapeller, vp/treasurer; William D. DeMoss, vp-claims; Ronald L. Pieper, vp-data processing; Jack A. King, vp-legal and Barbara D. Nasworthy, vp-administration.

—By Michael Bradford

First State Insurance Co.

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

	1987	1986
Gross premiums	$474,500,426	$420,811,452
Non-admitted	$203,494,792	$163 million*
Net premiums	$157,067,079	$175,492,860
Paid-in capital	$5,000,000	$5,000,000
Capital & Surplus	$85,456,363	$68,074,473
Employees	0	0
Combined ratio	101.5%	101.3%
Commercial risks	NA	NA
Net income	$18,030,493	$-1,429,254
Best's rating	A+**	A+***

* Restated.
** Contingent, pooled.
*** Pooled.

Like several other surplus lines insurers, First State Insurance Co. believes that less is more.

First State, a unit of Hartford Fire Insurance Co., currently is allowing its premium volume to fall rather than compete with admitted market insurers for business, Chief Executive Officer Lawrence S. Doyle says.

While First State is seeing premium volume slip in 1988, its direct non-admitted premium volume jumped nearly 25% last year to $203.5 million from $163 million in 1986, boosting it to third from seventh place in the *Business Insurance* ranking of surplus lines insurers.

However, in the first six months of 1988, the Boston-based insurer's direct non-admitted premium volume has dropped because the insurer refuses to follow rate-cutting in the admitted market, according to Mr. Doyle. For the first half, First State's direct non-admitted volume is off 32.8% to $84.7 million, compared with $126 million for the same period last year, he said.

First State has lost about one-third of its casualty book to price competition so far this year and is still seeing casualty business move to admitted markets at 50% rate reductions, according to Mr. Doyle.

The insurer's property book is down about 18%, he said.

Mr. Doyle noted that property insurance rates are stabilizing somewhat but have fallen to the point where the business is only "marginally profitable."

Surplus lines insurers 'are not making the attempt to hang onto market share,' says Mr. Doyle.

"The market softened sooner than anyone anticipated," Mr. Doyle observed. "Declines in price have been steeper than most underwriters expected," he said.

"Ironically, the competition has been from the standard companies," he said, while surplus lines insurers have behaved "reasonably responsibly."

Surplus lines insurers "are not making the attempt to hang onto market share," he said.

Rather than follow the admitted market's lead in cutting prices on liability and property business, First State is "just walking away from it," Mr. Doyle said.

"We have to be prepared to downsize in a soft market," he explained.

After being battered by disastrous underwriting losses in the early 1980s, First State completely re-underwrote its book starting in 1984.

And, the insurer is sticking to that underwriting plan, according to Mr. Doyle.

Among other things, First State has targeted smaller insurance buyers whose business is less price-competitive and has lowered its minimum premium to $5,000 from $15,000, he said.

"We are downsizing not just in terms of premium volume but in terms of pursuing medium-sized commercial companies," Mr. Doyle pointed out. The majority of the insurer's policyholders are corporations with annual sales of between $50 million and $200 million, he said.

First State also has continued to move toward writing higher-hazard risks as admitted markets more aggressively seek "Main Street" casualty business.

And, while First State has traditionally preferred writing the $5 million excess of $5 million layer of excess casualty programs, the insurer has recently started writing excess of $10 million, Mr. Doyle said.

He explained that admitted markets have been absorbing much of

Continued on page 20



WHAT HAS REINSURANCE IN COMMON WITH GOTTFRIED W. LEIBNIZ?



Gottfried W. Leibniz – the famous philosopher and mathematical genius (1646 – 1716) lived most of his life in Hannover. Many epoch-making ideas, like the world's first viable calculator, are connected with his name. This calculator was the first to incorporate the four basic modes of mathematics.

He also pioneered the binary system, reducing calculations to 0 and 1. His logic is an indispensable part of today's computer technology. We are dedicated to this legacy of innovation and excellence. In the spirit of Leibniz, we aspire to be in the forefront of advancing computer application, thus responding effectively and expeditiously to the increasing complexities of Reinsurance.

HR

HANNOVER RE · EISEN UND STAHL RE
Karl-Wiechert-Allee 50 · D-3000 Hannover 61 · West Germany
Telephone 011-49-511-5604-0 · Telex 841-922599 hres

A Commitment To Innovation And Excellence

Crum & Forster Managers Corporation (Ill.) is the Underwriting Manager for International and International Surplus Lines insurance companies. We are part of Crum and Forster, the 14th largest multiple-line property and casualty insurance group in the United States.

We are committed to providing innovative solutions for your unique product needs. Our current expertise includes:

Monoline Fire • Primary & Excess Umbrella • Non-Profit D&O Liability • Attorneys Professional Liability • Educators Legal Liability • Real Estate E&O • For-Profit D&O Liability • Insurance Agents E&O • Public Officials E&O • Excess Liability • Pension Actuaries E&O • Specified Classes E&O • Municipal Liability • Religious Institutions • Commercial Multi-Peril • Stamp Dealers • Accountants Professional • Architects & Engineers Professional • Stamp Collectors • Coin Dealers • Plate Glass

Let us know what we can do for you!

Crum & Forster Managers Corporation (Ill.)

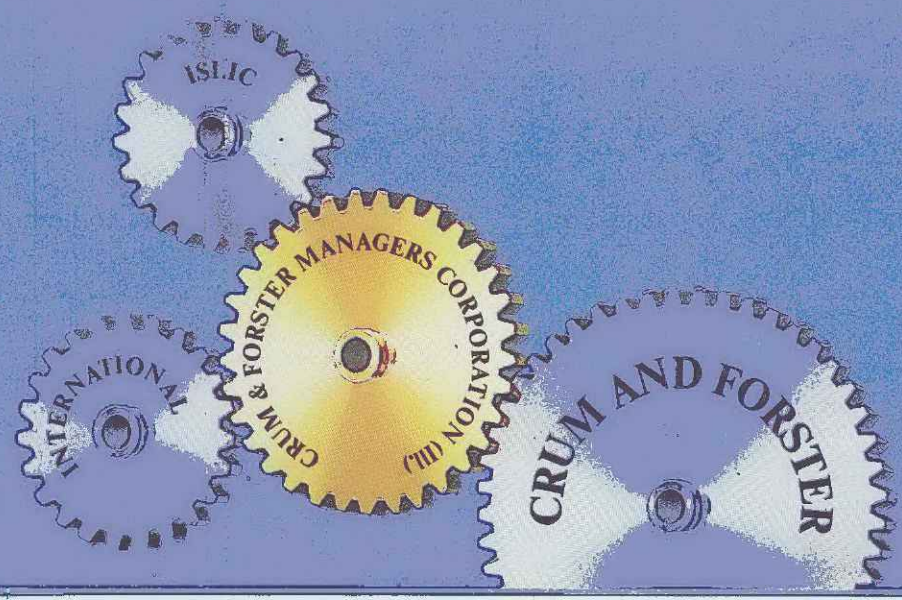
A XEROX Financial Services Company

Crum & Forster Managers Corporation (Ill.)
200 South Wacker Drive
Chicago, Illinois 60606
(312) 993-6300

Crum & Forster Insurance Managers and Brokers
3435 Wilshire Boulevard
Los Angeles, California 90010
(213) 387-7143

Crum & Forster Managers Corporation (Fla.)
6161 Blue Lagoon
Miami, Florida 33126
(305) 261-1500

Marketed through a select group of producers



Continued from page 18
the first excess layer business.

The maximum limits available from First State have not changed since last year: The insurer can write a gross line of $5 million and a net line of $2 million on casualty risks and a gross line of $7.5 million and a net line of $1.5 million on property risks, Mr. Doyle pointed out.

Meanwhile, First State also continued to expand its specialty property and liability insurance programs, which include a nursing home liability program, a truck physical damage program, a liability program for the Massachusetts Bar Assn. and a property program for the entertainment industry written through a California managing general agent.

Unlike its core property/casualty book, the specialty programs have seen rate reductions of only about 10% in the last year, meaning that a "reasonable profit margin" is still available on the business, Mr. Doyle noted.

The specialty programs produced about $50 million in gross premiums last year and will probably produce about the same amount this year, he said.

Rate pressure is not the only sign of competition on casualty business, Mr. Doyle pointed out: First State currently is writing only about 2% of its overall liability book on a claims-made form, down from about 10% last year.


Mr. Doyle

Despite the increasingly competitive market and a continued bolstering of reserves for losses and uncollectible reinsurance from prior years, First State last year "had the best year in the history of the company," Mr. Doyle said.

The results of First State's own business, however, are difficult to discern from its 1987 statutory financial statement because it participates in a pooling arrangement with other Hartford Insurance Group affiliates.

Under the pooling arrangement, First State cedes all of its direct written premiums to Hartford Fire, while assuming as reinsurance a portion of the pool's premiums. Losses and expenses also are pooled and a proportional share is allocated to First State.

The pooling arrangement allows Hartford Fire greater flexibility in allocating business to the companies whose surplus can support it, a process that is easier than shifting surplus from one Hartford Fire affiliate to another, Mr. Doyle explained.

Last year, First State wrote total direct insurance premiums of $317.4 million, up 29.4% from $245.3 million in 1986.

The direct premium volume included a total of $113.9 million written in California, Massachusetts and Delaware, where First State is licensed.

Direct admitted premiums totaled $62.6 million in California, $50.7 million in Massachusetts and $554,697 in Delaware.

In addition to its direct insurance premiums, First State also assumed pool reinsurance premiums of $157.1 million last year, resulting in total gross premiums of $474.5 million, up 12.8% from $420.8 million in 1986.

The majority of First State's gross written premium volume—$348 million, or 73.3%—comprises liability business, according to its 1987 annual statement. Another $91.8 million, or 19.3% of the total, was drawn from property lines; $32.9 million, or 6.9%, represents property and liability combined lines; and $1.8 million represents other lines.

First State assumes several lines of business through the Hartford Fire pool that it does not write on a direct basis, its annual statement shows.

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

Rate pressure is not the only sign of competition on casualty business, points out Chief Executive Officer Lawrence S. Doyle: First State currently is writing only about 2% of its overall liability book on a claims-made form, down from about 10% last year.

Pool reinsurance assumed by First State includes business in all these lines plus substantial amounts of auto liability, workers compensation and commercial and homeowners multiple peril business, according to the statement.

After ceding its $317.4 million in direct premiums to Hartford Fire, First State was left last year with net premiums of $157.1 million, representing its share of the pool business. The insurer's net volume last year was down 10.5% from $175.5 million in net premiums written in 1986.

First State's earned premiums—again reflecting pooled business—amounted to $151 million last year, up 18.1% from $127.8 million in 1986.

Meanwhile, losses, loss adjustment expenses and other underwriting expenses climbed 8.1% to $154.9 million from $143.3 million in 1986.

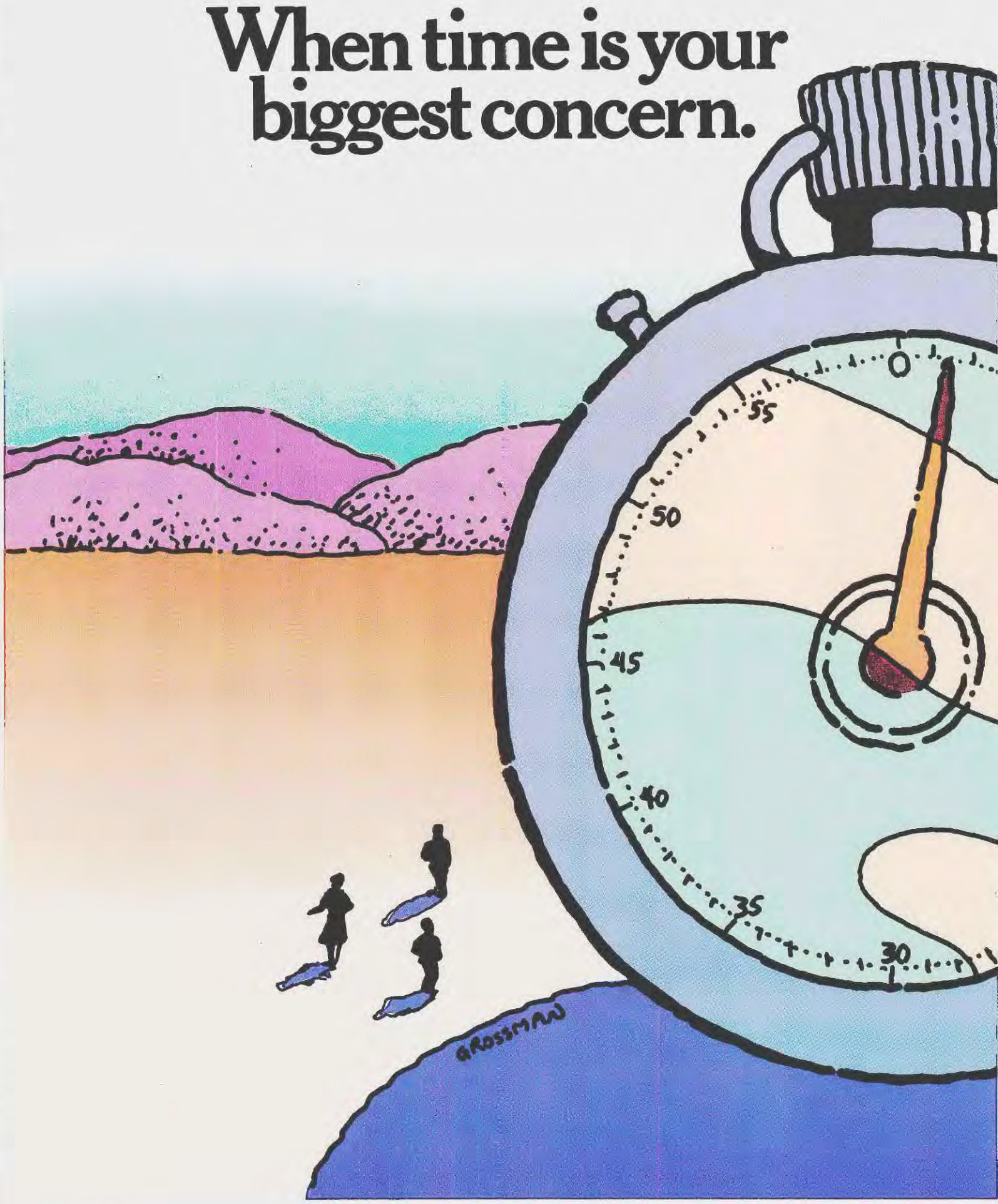
Losses incurred last year climbed 17.7% to $95.5 million from $81.1 million in 1986, while loss expenses incurred rose 21.6% to $14 million last year from $11.5 the previous year.

Meanwhile, other underwriting expenses shrank by 10.2% to $45.5 million last year from $50.6 million in 1986.

This produced an underwriting loss of $3.9 million for First State, an improvement from the $15.4 million underwriting loss it sustained in 1986.

First State's loss ratio was 72.5% last year, unchanged from 1986, while its expense ratio was up marginally to 29% from 28.8% in 1986.

Continued on next page



Continued from previous page

Overall, the insurer's combined ratio was 101.5% in 1987, compared with 101.3% the previous year.

In both cases, the result was a dramatic improvement from the combined ratios reported in 1985 and 1984: 179% and 357.9%, respectively.

Investment gains more than doubled to $24.1 million last year from $11.7 million the previous year. And, after taxes and other gains and losses, First State finished last year with net income of $18 million, compared with a net loss of $1.4 million in 1986.

Policyholder surplus jumped 25.5% to $85.5 million at year-end 1987 from $68.1 million at year-end 1986.

First State continued last year to strengthen its reserves for losses on business it wrote during the soft market, adding about as much as it did during 1986, according to Mr. Doyle, who declined to specify how much was contributed.

Hartford Fire also has written off a "substantial amount" of uncollectible reinsurance on business previously written by First State, Mr. Doyle noted.

When Hartford commenced the reinsurance pooling arrangement for its affiliates in 1985, First State assigned its rights under dozens of authorized and unauthorized reinsurance contracts to its parent.

Last year was the first time since 1984 that First State reported net income instead of a net loss. Now, Mr. Doyle says, 'we are waiting patiently for the market to turn' hard again. The '$64,000 question' is just when that will be, he said.

However, Hartford Fire charges First State for losses it incurs if claims under the assigned reinsurance contracts prove uncollectible

Last year, First State reported $525.8 million in reinsurance recoverable from Hartford Fire on unpaid losses. Premiums in force amounted to $219 million, while unearned premiums totaled $30.6 million.

Hartford Fire is First State's only reinsurer.

Despite loss reserve and uncollectible reinsurance provisions, First State's performance last year was still a record-setter, Mr. Doyle noted.

It was the first time since 1984 that the company reported net income instead of a net loss.

"We've had a very good run," Mr. Doyle observed.

Now, he added, "we are waiting patiently for the market to turn" hard again.

The "$64,000 question" is just when that will be, he said.

First State is guessing 1990, but a change in the admitted market climate will depend to some extent on whether admitted insurers are hit with a major catastrophe loss in the next couple of years, Mr. Doyle predicted.

The scarcity of reinsurance has left admitted insurers with larger net retentions, and a catastrophe could shock the market into stabilizing premiums, he explained.

There is little rationale for the current round of price-cutting by admitted insurers, Mr. Doyle said. He noted that few of the factors that fueled the last soft market—high interest rates and abundant reinsurance capacity, for example—are present now.

With only a few exceptions, surplus lines insurers have resisted rate-cutting in the face of admitted market competition, he said.

One explanation for the greater discipline of surplus lines underwriters is the relatively small size of most surplus lines operations compared with their admitted market counterparts, he observed.

The smaller size of surplus lines underwriting staffs makes underwriting practices easier to control. Large admitted insurers, by contrast, have a more difficult time controlling the business written by a far-flung staff of underwriters working to meet premium volume objectives, Mr. Doyle explained.

"Once that momentum builds up, there is generally execution in accordance with their game plan" to grow, he said.

Surplus lines insurers also were more seriously injured by the last soft market and have taken its lessons more to heart, he said.

"The memories of the past soft cycle have been engrained," Mr. Doyle noted.

First State is also keeping in mind the fact that the 1986 Tax Reform Act has practically required insurers to maintain lower combined ratios or face the possibility of being stung by tax bills even in years that produce underwriting losses.

He said the most difficult of the tax law's provisions is a requirement that reserves be discounted to reflect future investment earnings, a provision that is especially onerous on long-tail liability business.

First State has no employees of its own and is managed by Boston-based Cameron & Colby Co. Inc., another Hartford unit (see story, page 57). Cameron & Colby also manages New England Insurance Co., First State's admitted market counterpart, and New England Reinsurance Corp.

About 85% of First State's business is produced by wholesalers, while 15% is produced by retail brokers, Mr. Doyle said.

Ralph J. Palmieri was recently promoted to president and chief operating officer of Cameron & Colby, First State and New England Insurance Co. Mr. Palmieri was formerly executive vp of the three companies.

In addition to Mr. Doyle and Mr. Palmieri, the principal officers of First State are David R. Robb, William Griffiths and Lynford M. Richardson, all executive vps.

First State carries a rating from A.M. Best Co. of contingent A+.

—By Douglas McLeod

That's when to call Affiliated FM and Appalachian Insurance Companies. We can tailor a property policy and get it out the door quickly. That's one reason brokers are starting to see us from a different perspective.

Affiliated FM and Appalachian are rated A+ by Best's. We offer a complete product line for property risks—including an "all risk" policy that's simple, comprehensive, and flexible. We have a proven track record of serving brokers who require fast, competitive, and complete service.

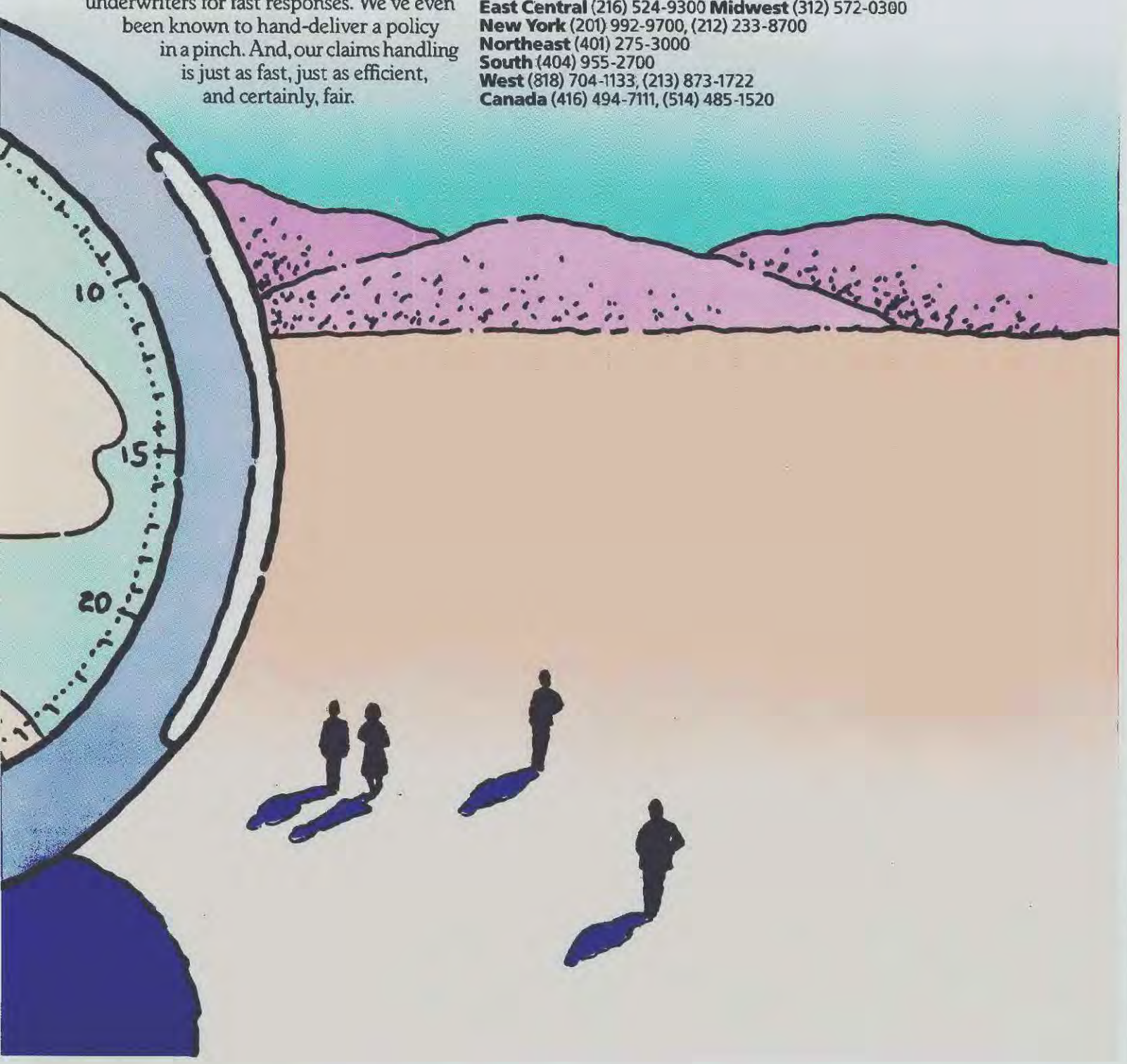
We put you directly in touch with our underwriters for fast responses. We've even been known to hand-deliver a policy in a pinch. And, our claims handling is just as fast, just as efficient, and certainly, fair.

We can also make available our engineering resources—resources helpful in reducing or controlling property losses and in satisfying your clients' needs.

So, if you want insurers who provide flexibility, service, and financial stability, talk to one of our Commercial Property Operations Managers. And get a new perspective on property insurance.

Affiliated FM Insurance Company
Appalachian Insurance Company
Associated with Allendale Mutual Insurance Co.
A member of the Factory Mutual System.

East Central (216) 524-9300 **Midwest** (312) 572-0300
New York (201) 992-9700, (212) 233-8700
Northeast (401) 275-3000
South (404) 955-2700
West (818) 704-1133, (213) 873-1722
Canada (416) 494-7111, (514) 485-1520



St. Paul Surplus Lines Insurance Co.

445 Minnesota St., Suite 900, St. Paul, Minn. 55101; 612-221-8829

	1987	1986
Gross premiums	$225,546,793	$219,494,669
Non-admitted	$199,668,101	$194,921,150
Net premiums	$25,878,692	$24,534,109
Paid-in capital	$4,100,000	$2,000,000
Capital & Surplus	$13,189,273	$9,645,196
Employees	227	205
Combined ratio	106.0%	110.3%
Commercial risks	100%	100%
Net income	$3,744,122	$2,410,488
Best's rating	A*	A*

*Pooled.

Accelerated market competition stunted St. Paul Surplus Lines Insurance Co.'s premium growth in 1987 compared with previous years, and the stagnation is continuing into 1988.

"We're seeing continued pressure on rates for certain classes of business . . . throughout 1987 and into 1988," said Kenneth F. Goldstein, president and chief operating officer of The St. Paul Cos. Inc. unit

"A lot of the business that was in the surplus lines marketplace in 1985, 1986 and the beginning of 1987 is now flowing back into the standard markets, and the surplus lines arena is seeing more of the traditional, complex, difficult-type risks, which is what we normally should be looking at," he observed.

Mr. Goldstein noted that because surplus lines insurers as a rule are more disciplined in their pricing, "by and large we are seeing our volume drop."

And since surplus lines insurers do not always compete on the basis of price, St. Paul Surplus Lines is emphasizing service to wholesale brokers and policyholders, Mr. Goldstein said.

"If we provide good service, that's going to make a difference. . . . We have some accounts that have longevity and are looking to buy stability," he explained.

"Excess casualty business is the area where we are seeing the most loss of business," added Senior Vp Janet R. Nelson. "Our growth area is primary product liability. In primary property, our near-term prospects are flatter."

Gross premiums written by St. Paul Surplus Lines on a direct, non-admitted basis grew only 2.4% to $199.7 million from $194.9 million in 1986. This compares with 1986 growth of 87.2% from $104.2 million in 1985.

Despite the small increase in surplus lines premium volume, St. Paul Surplus Lines now is the fourth-largest U.S. surplus lines insurer ranked by *Business Insurance*, up one notch from a year ago.

St. Paul Surplus Lines' total gross premium volume rose just 2.8% to $225.5 million in 1987 from $219.5 million in 1986. Net written premium volume grew 5.5% to $25.9 million in 1987 from $24.5 million in 1986.

So far this year, St. Paul Surplus Lines' volume is plunging, and executives expect the decline to grow steeper as 1988 progresses.

Direct, non-admitted premiums for the first half of 1988 totaled $65.1 million, down 39.7% from $108 million in the first half of 1987.

The decline "may even be a little bit more by the time we get through 1988," Mr. Goldstein said, though both he and Ms. Nelson stressed that would not be out of line with their expectations for the year.

While St. Paul Surplus Lines' premium volume was flat last year, its underwriting performance and profitability improved measureably.

The surplus lines insurer's loss ratio improved to 77.3% last year from 82.7% in 1986, while the expense ratio rose to 28.7% from 27.6%. Overall, the combined ratio improved to 106% from 110.3% in 1986 as the company cut its underwriting loss to $1.6 million from $2.6 million.


Mr. Goldstein

Investment income rose 6.5% to $5.4 million last year from just more than $5 million in 1986, while net income at St. Paul Surplus Lines rose 55.3% in 1987 to $3.7 million from $2.4 million in 1986.

Policyholder surplus jumped 36.7% to $13.2 million in 1987 from $9.6 million in 1986 on the basis of retained earnings.

"The 1987 numbers are a reflection of what ultimately took place place in 1987 and the fact that rates had been increasing over the past few years. We think we've done a better underwriting job in controls, procedures, claims handling and everything that goes into producing good bottom line results," Mr. Goldstein commented.

In 1988, "our loss ratios are holding up, but we may see some increase in our expense ratios," he predicted.

"Right now, the trick is to make sure we have good perceptions and the tools are in place (to determine) if what we are doing is going to generate profits," pointed out Ms. Nelson.

For example, "our price monitoring systems are worlds more sophisticated than the price monitoring systems we had three to four years ago," she said, noting that the insurer's systems are tailored specifically for surplus lines underwriting.

St. Paul Surplus Lines is a subsidiary of St. Paul Specialty Underwriting Inc., the new name for underwriting manager Atwater McMillian Inc.

Atwater McMillian, which generated a premium volume of $306 million in 1987, ranked as the nation's 10th-largest wholesaler last year (*BI*, Aug. 10, 1987).

However, St. Paul Specialty Underwriting is not ranked by *Business Insurance* among the nation's largest underwriting managers this year because the company's three divisions—including its Large Accounts division that writes on behalf of St. Paul Fire & Marine Insurance Co.—have their own underwriting staffs.

Access to St. Paul Surplus Lines also is only through one of the 43 wholesalers under contract with the insurer.

In addition, St. Paul Specialty

Continued on page 24

The insurance company that pioneered construction-site field hospitals, is the insurance company with the most innovative Medical Cost Containment program today.

In 1934, Industrial Indemnity responded to the need for prompt medical attention for injured workers at isolated construction sites with a pioneering concept—the on-site field hospital, staffed with resident doctors and nurses.

Today, that same kind of progressive thinking is behind Industrial's response to skyrocketing medical costs. Agents, brokers and their policyholders all benefit from an aggressive program that provides quality medical care and saves money.



A 3-step plan to control workers compensation expenses.

1. The Preferred Provider Network consists of selected hospitals, physicians and other medical care providers who offer their services at reduced rates in exchange for participation in the Network. The result—injured workers receive quality care at affordable prices.

2. Industrial's special Audit Program provides thorough screening of all bills, protecting employers from invalid charges.

3. Hospital Utilization Review evaluates non-emergency admissions and excessive lengths of stay, so needless hospitalization is identified and prevented.

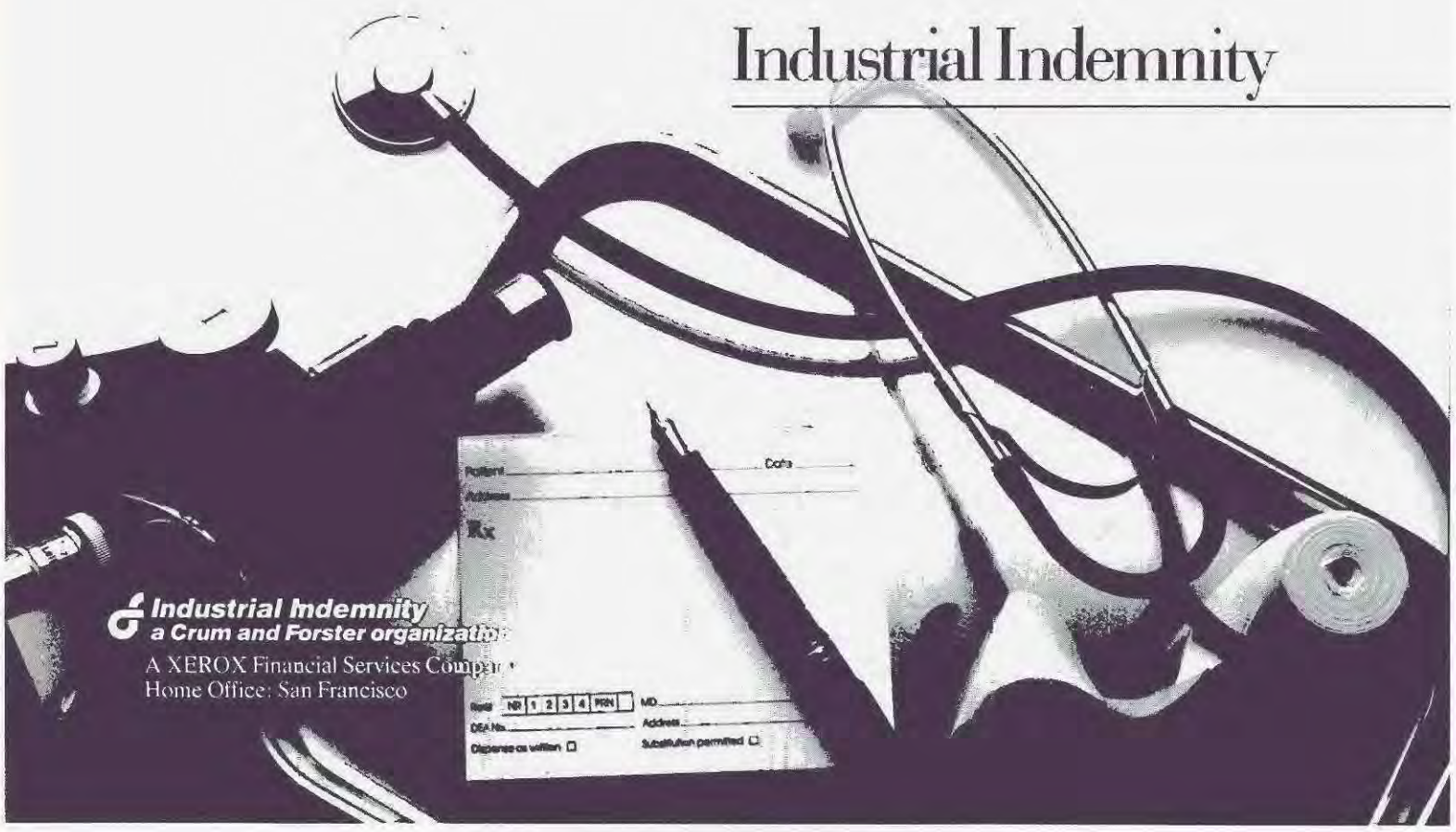
Lower expenses mean lower costs.

By helping control workers compensation claim expenses, Industrial can also help lower premiums and increase the potential for policyholder dividends.

Industrial Indemnity, working closely with a select group of independent agents and brokers, not only helps prevent injuries, but also provides control over medical costs after they occur.

Constantly looking for new means to keep check on costs for its policyholders is one more way Industrial Indemnity keeps its commitment to be the best in commercial insurance.

Industrial Indemnity



Industrial Indemnity
a Crum and Forster organization
A XEROX Financial Services Company
Home Office: San Francisco



Home Transportation Agency: The driving force in truck insurance.

When it comes to a fully dedicated fleet facility, there's no place like it. That's because we've got the talent – in underwriting, in claims, in loss control. So if you're looking for real, time sensitive service from quotation to policy issuance, there's only one place to go, Home Transportation Agency. Call us at 1-800-241-3795 or 1-404-351-9463 or mail your business card to 1705 Commerce Drive, NW, Atlanta, GA. 30318

Home Insurance

There's no place like it.

The Home Insurance Company is a member of The Home Group, Inc.

Continued from page 22
Underwriting considers the Large Accounts division as a centralized national accounts underwriting facility for St. Paul Fire & Marine that any retail broker under contract with the insurer can access, according to Kathryn I. Scott, vp-marketing of St. Paul Surplus Lines.

Besides the Large Accounts division, St. Paul Specialty Underwriting also includes the Surplus Lines division, which writes a variety of specialty business on behalf of St. Paul Surplus Lines and Ramsey Insurance Co., and the Athena division, which primarily writes program business on behalf of St. Paul Surplus Lines and Athena Assurance Co.

The Athena division's business is exclusively produced by Swett & Crawford Group, another St. Paul Cos. unit (see story, page 44).

Ramsey and Athena are admitted St. Paul Cos. units that each generated about $1 million in gross written premiums in 1987, according to Ms. Nelson.

The name change to St. Paul Specialty Underwriting Inc. from Atwater McMillian Inc. was made to address 'confusion that existed not only outside our organization, but inside as well,' explains Kenneth F. Goldstein.

Mr. Goldstein explained that the name change to St. Paul Specialty Underwriting from Atwater McMillian was made to address "confusion that existed not only outside our organization, but inside as well."

According to Mr. Goldstein, "our insureds wanted to see the name St. Paul, and they kept saying 'Who is this Atwater McMillian?' So we decided to change the name and become more closely aligned with our parent."

St. Paul Specialty Underwriting had 227 employees at year-end 1987, including those working for the Large Accounts division, Athena Assurance and Ramsey. By midyear, head count had increased to 238.

St. Paul Surplus Lines specializes in writing primary and first-layer excess property business, stand-alone primary product liability insurance, and excess and umbrella liability coverage.

While the insurer has focused its liability underwriting on excess and umbrella coverages, which have comprised about 90% of its casualty book, it is now "looking more at primary business than in the past" to address changes in the marketplace, Ms. Nelson explained.

She predicted that primary business may grow to 20% to 30% of St. Paul Surplus Lines' casualty book, largely due to competition for excess liability risks.

"Standard markets are viewing the excess market as an area that has more profit opportunity," she said. "Primary products liability (for hazardous product lines) is for the most part difficult to place, but there are ways that it can be written profitably," Ms. Nelson added.

Primary liability coverage for medical product manufacturers is the biggest growth area for St. Paul Surplus Lines, but Ms. Nelson noted: "We look at almost any kind of manufacturing" risk, except for chemical or pharmaceutical manufacturers.

In the liability area, "we are writing excess over a broad range of general business corporations—some Fortune 1,000 companies. Our excess book is not skewed toward product liability," Ms. Nelson explained.

On the property side, St. Paul Surplus Lines writes primary insurance for industrial, manufacturing and processing companies. These clients tend to be smaller corporations, she said.

"We are not a capacity property market," she noted. "On the property side, we view ourselves as an underwriter of primary, high-hazard exposures."

Ms. Nelson stressed that the insurer wants to see "good claims information and loss control information related to those exposures and is better able to respond to businesses that have not had a lot of buy or sell activity. We are also more responsive where the client's primary program has been relatively stable."

Of the $225.5 million in gross premiums written by St. Paul Surplus Lines in 1987, about 10% was primary property business, while about 5% was directors and officers liability business, said Ms. Nelson. "Of what is left, 90% was excess casualty and 10% was primary casualty business," Ms. Nelson estimated.


Ms. Nelson

The business written on behalf of St. Paul Surplus Lines for the Athena division—all of which is produced by Swett & Crawford—consists mostly of specialized programs that include such coverages as D&O liability, liquor liability and umbrella liability insurance. It also specializes in programs for oil wells and offshore oil processing companies, explained Senior Vp Brian Jarman.

Mr. Jarman, formerly a senior vp of underwriting at Swett & Crawford, was hired in June to supervise business produced by the Athena division.

"On the casualty side, our major volume is small umbrella business—mostly Main Street businesses. In the property area, our focus is on primary layers," Mr. Jarman explained.

In the past few months, the Athena division has begun offering insurance company errors and omissions coverage, with limits of up to $5 million over a minimum $225,000 deductible, he said. The coverage, written on a claims-made form, is marketed to regional insurers.

"We started out with a fairly narrow scope, and as we learn more about this product, we will probably expand our writings," Ms. Nelson added.

Of the $58 million in premium volume underwritten in 1987 on behalf of St. Paul Surplus Lines through the Athena division, $18 million was D&O business, $31 million was other casualty business and $9 million was property business, according to Mr. Jarman.

Even though St. Paul Surplus Lines offers primary D&O capacity of $10 million per risk, the insurer has found in many cases "we are unable to compete" because of a glut of D&O capacity and competitive pricing, Mr. Jarman said. "Consequently our D&O volume has declined."

He predicted that the division's D&O premium volume will drop to about $12 million in 1988.

Rates for all business generated by the Athena division are being reduced by an average of about 15%, Mr. Jarman said.

Rate reductions for business generated through the Surplus Lines

Continued on page 26

The Galaher Settlements Concept begins with three chairs.

And ends with three satisfied parties.



It is from an objective position in The Third Chair that the Galaher Specialist creates on-the-spot periodic payment settlement programs custom tailored to the individual needs of the plaintiff yet within the established boundaries of the defense in resolving all types of catastrophic claims.

It is nearly impossible to know a "sure thing" in today's complex financial arena. Investment managers who have analyzed for years are at odds with the unpredictable economy. Rates of return no longer maintain the consistency once enjoyed. In bodily injury and wrongful death claims, the Galaher Specialist, each of whom has extensive primary and excess claims experience through the purchase of Single Premium Immediate Annuities paid over a lifetime, ensures that current *and* future needs of the claimant and his family are met. Annuities from the most highly rated life insurance companies guarantee long-term payments free from dependence on volatile markets, ongoing management and possible squandering. In 90% of jury verdict awards and lump sum settlements, funds are dissipated in less than five years). Future medical needs, college education/family support, home modifications—all are taken into consideration in developing a periodic payment schedule—a schedule that will be adhered to without fail.

To complete the program, Galaher Settlements handles all administrative responsibilities pre- and post-settlement. Our knowledgeable staff is readily available to answer any questions that might arise, at any time. The Eastern Headquarters 800 number further facilitates communication processes.

Fundamental to the Galaher Settlements Concept is our commitment to providing the highest level of "Good Service," a hallmark of our company since its inception in 1981. In conjunction with this, we ONLY accept cases from the defense. Galaher's concern for ethics and dedication to the continued positive growth of the industry led to our voting membership in the National Structured Settlements Trade Association (NSSTA). Galaher Settlements is actively represented in several of its committees and complies with the NSSTA code of ethics.

Settle with the best. For the Galaher Settlements office nearest you, call (800) 426-0385 (outside MA) or (617) 439-6260.

GOOD SERVICE

NSSTA member

With offices in major cities throughout the U.S.



EXCESS INDEMNITY POLICY
Policy Number: _____

Excess Liability Policy

American Excess Insurance Association

The Patchwork Quilt Vs. Our $75 Million Blanket.

A single policy of $75 million over $25 million in excess liability coverage is now available from the American Excess Insurance Association.* We're a new facility comprised of domestically admitted insurance companies. Within our policy you can avoid missing layers, inconsistent language, offshore captives or disputes among multiple carriers.

You enjoy the benefits of one claim manager, one underwriting facility, one policy of $75 million beginning at $25 million. You may choose $50 million or $25 million policies (also in excess of $25 million) if they represent your top layer of coverage.*

The members of the American Excess Insurance Association (you may have heard us called the "American Slip") are among the nation's largest and strongest insurance institutions, with the capacity to finally bring stability, consistency and permanence to the excess liability market. The association is qualified to do business in almost every state of the union.

Your premiums are tax deductible and there's no added investment or "reserve premium" to lock you in. Our underwriting standards are designed to satisfy a broad spectrum of American business.

If you're interested in the advantages of stable and uniform excess liability coverage, ask your broker or company agent to call this number: (203) 528-1931.

American Excess Insurance Association

*Note: A few classes are restricted to $50 million in excess of $50 million.

Each member is severally and not jointly liable for its share, as specified in the policy, of any assumed risk. Terms and conditions of coverage are as stated in the policy.

Ætna Life & Casualty; American International Group; CNA Insurance Companies; Chubb Group of Insurance Companies; The Continental Corp.; Crum and Forster Insurance Organizations; General Accident Insurance; General Star National Insurance Company, Subsidiary of General Re; The Home Insurance Company; Insurance Company of North America, a CIGNA company; Maryland Casualty Company, a subsidiary of American General Corporation; NAC Re Group; Royal Insurance Company of America, a member company of Royal Insurance group; The Travelers; Zurich-American Insurance Group.
(Underwriting member companies: The Ætna Casualty and Surety Company; American Home Assurance Company; Continental Casualty Company; Federal Insurance Company; The Continental Insurance Company; United States Fire Insurance Company; General Accident Insurance Company of America; General Star National Insurance Company; The Home Insurance Company; Insurance Company of North America; Maryland Casualty Company; North American Company for Property and Casualty Insurance; Royal Insurance Company of America; The Travelers Indemnity Company; Zurich Insurance Company, U.S. Branch.)

Continued from page 24
division are "about 20% on the casualty side, with closer to 10% reductions on the property side," Ms. Nelson said, explaining that property rate reductions are more modest because most property accounts already have seen at least one rate reduction.

Despite these rate cuts, Mr. Goldstein points out that St. Paul Surplus Lines' price frequently is undercut by competitors, but he adds that he hasn't tracked at what rates competitors are writing the business.

"We aren't attempting to monitor pricing of the market as a whole—just our business," Ms. Scott added.

St. Paul Surplus Lines has not increased its capacity during the past year because it did not reduce its capacity during the hard property/casualty insurance market of the mid-1980s, the executives explained.

The St. Paul, Minn.-based insurer also has not changed deductible requirements over the past year.

The insurer generally offers up to $5 million in casualty capacity, with the exceptions of the $10 million directors and officers liability limit and typically a $1 million limit for liquor liability coverage.

'Where there is not really a long-tail exposure, we are willing to write on an occurrence basis,' explained Senior Vp Janet R. Nelson.

Occasionally, St. Paul Surplus Lines will offer up to $10 million in umbrella capacity, backed by facultative reinsurance, through the Athena division, Mr. Jarman noted.

The insurer offers up to $7.5 million in property capacity.

Coverage written by St. Paul Surplus Lines generally falls within the first $25 million layer of a policyholder's program, according to Ms. Nelson.

St. Paul Surplus Lines insurer does not write political risk coverage, aviation, wet marine, medical malpractice insurance or environmental impairment liability coverage, Ms. Nelson pointed out.

"Other than that, we will be pretty flexible," Mr. Goldstein noted.

St. Paul Surplus Lines has increased the types of product liability risks it will write on an occurrence basis as opposed to a claims-made basis by reviewing each account and "looking at the latency issue," Ms. Nelson said.

"Where there is not really a long-tail exposure, we are willing to write on an occurrence basis," Ms. Nelson explained.

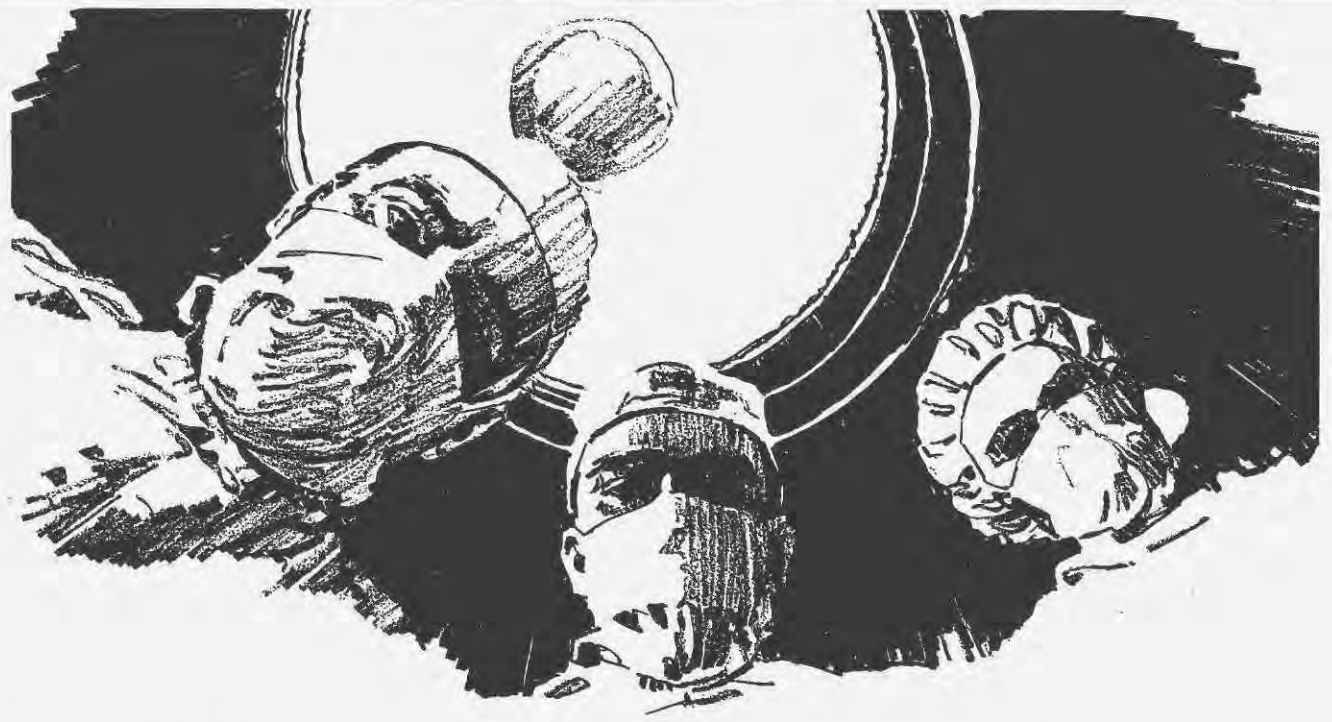
In addition to Swett & Crawford, major producers for St. Paul Surplus Lines include: New York-based Willis Faber Holdings Inc.; Atlanta-based Alexander Howden North America Inc.; Travis-Pedersen & Associates Inc. in Chicago; PCM Excess Ltd. in New York; and Anexco Insurance Agency Inc. in Boston.

St. Paul Surplus Lines is an admitted insurer in Delaware, in which it wrote no business in 1987, and an approved, non-admitted insurer in all other states.

In addition to Mr. Goldstein, Ms. Nelson and Mr. Jarman, George Tsui is a senior vp of St. Paul Surplus Lines.

St. Paul Surplus Lines is assigned an A rating by A.M. Best Co.

—By Linda J. Collins



AVRECO has an interesting, new prescription for your Hospital Professional Liability risks!



We are acknowledged specialists in handling Hospital Umbrella Liability accounts including Malpractice. Our long-term experience and unique capabilities in this area have enabled us to provide coverage for some of the country's largest and most prestigious institutions. We offer these important advantages for your hospital accounts:

✔ **Our markets are stable,** financially sound and have expertise in handling malpractice claims. We can also offer quality insurance companies willing to establish long-term relationships for a hospital's malpractice business.

✔ **We competitively write** individual hospitals as well as groups of hospitals or an association of hospitals or clinics.

✔ **We are flexible** in providing excess coverage over various underlying retention levels.

✔ **We have been successful** in marketing excess hospital malpractice insurance to include attending physicians' malpractice coverage on a 24-hour basis.

For complete information on how to capitalize on this lucrative business, call William Yurek, executive vice president, at 312/346-6161.

AVRECO, Inc.
PROFESSIONALS IN SPECIAL RISK MARKETING
10 South LaSalle Street · Chicago, IL 60603-1099
312/346-6161 · TLX 25-3553 · FAX 312/580-0106

American Empire Surplus Lines Insurance Co.

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

	1987	1986
Gross premiums	$199,425,422	$333,865,549
Non-admitted	$199,001,149	$332,759,042
Net premiums	$135,738,932	$193,214,557
Paid-in capital	$2,000,000	$2,000,000
Capital & Surplus	$126,574,752	$105,533,762
Employees	108	110
Combined ratio	79.6%	92.4%
Commercial risks	99.3%	99.4%
Net income	$42,540,357	$13,032,770
Best's rating	A	A

Following a record 1986, American Empire Surplus Lines Insurance Co.'s gross premium volume plummeted last year—just as President Joseph M. Walsh had predicted.

The Cincinnati-based insurer's gross premium volume dropped 40.3% in 1987 to $199.4 million from $333.9 million in 1986. Likewise, gross premiums written on a direct, non-admitted basis fell 40.2% in 1987 to $199 million from $332.8 million in 1986.


Mr. Walsh

That decline—the largest among the 10 largest U.S. surplus lines insurers—dropped American Empire to fifth place in the *Business Insurance* rankings, down from the No. 2 spot last year.

American Empire could sink farther in the rankings next year because of another anticipated decline in premium volume.

Mr. Walsh says he expects gross premiums to drop about 37% to $125 million this year because of continued competition.

First-half 1988 results for American Empire support Mr. Walsh's forecast. Gross premiums dropped 31% to $85 million from $123.6 million in the first half of 1987.

Mr. Walsh says the reduction in premium volume primarily is caused by admitted insurers gobbling up business that was exiled to surplus lines underwriters during the hard property/casualty market of the mid-1980s.

"We are not interested in competing head to head with the standard lines companies" for this business, Mr. Walsh said. "There should be a voluntary sacrificing of the business back across the line" by surplus lines insurers, he said.

Surplus lines is "a reaction market, not an action market," agreed Executive Vp Walter E. Snyder.


Mr. Snyder

And while Mr. Snyder admitted "it's difficult sitting back" while business walks out the door, he said the insurer's employees are "disciplining" themselves as best they can.

Mr. Snyder noted that besides feeling the pinch of competition from the admitted insurance market, American Empire is losing a small amount of specialty liability business to other surplus lines companies that are more "willing to cut the rates."

American Empire is "more conservative," Mr. Snyder explained. "We can't get any more competitive than we do."

American Empire's net written premium volume dropped 30% to $135.7 million in 1987 from $193.2 million in 1986.

Net premiums dropped more gradually than gross volume because business was strongest in the

Continued on page 28



Responsive Reinsurance

National Reinsurance Corporation
777 Long Ridge Road, P.O. Box 10167, Stamford, CT 06904 203-329-7700 Telex: 965938

Atlanta • Chicago • Dallas • Hartford • Los Angeles • New York

Continued from page 26
lines in which American Empire retains the most risk.

For example, American Empire retains less umbrella business compared with other lines, and there was a "dramatic drop in umbrella writings" in 1987, Mr. Walsh explained. American Empire wrote only $20 million in gross premiums for umbrellas last year, compared with about $64 million in 1986. And, this year Mr. Walsh expects the insurer will write only about $10 million in umbrella premiums.

This change is merely a "product of the business cycle," not something American Empire planned, he added.

While American Empire's premium volume has shrunk, its underwriting profits have increased. The insurer reported an underwriting gain of $42 million in 1987, up dramatically from $3.6 million in 1986.

Among the specialty risks written by American Empire Surplus Lines Insurance Co. are asbestos abatement liability coverage, large fixed amusement park liability insurance, racetrack liability coverage and product liability coverage.

American Empire's loss ratio improved to 61.6% in 1987 from 79.9% the previous year, while its expense ratio increased to 18% from 12.5%. Overall, its combined ratio stood at 79.6% last year, an improvement from 92.4% in 1986.

Investment income grew 70.7% to $35.5 million in 1987 from $20.8 million the previous year.

Net income surged 226% to $42.5 million in 1987 from $13 million in 1986, with a hefty $34.4 million in taxes paid in 1987.

Surplus rose 19.9% to $126.6 million as of Dec. 31, 1987, from $105.5 million at year-end 1986, following a $15.9 million dividend paid to parent Great American Insurance Co., a unit of American Financial Co., the Cincinnati-based holding company controlled by financier Carl Lindner.

In addition, American Empire reported $5.3 million in unrealized capital losses.

Policyholder surplus as of June 30 totaled $137.2 million, according to Mr. Walsh.

American Empire's business, all of which is related to commercial risks, is divided into four categories: specialty risks; binding authority business; umbrella and excess liability risks; and property business.

Speciality liability risks accounted for about 51%, or $102 million, of the insurer's gross premium volume in 1987, though Mr. Snyder said he expects volume from this segment to to drop to $60 million this year.

Among the specialty risks written by American Empire are asbestos abatement liability coverage, large fixed amusement park liability insurance, racetrack liability coverage and product liability coverage. It also writes errors and omissions policies for public officials in California and other Western states.

However, the insurer will not write errors and omissions policies for architects, engineers, accountants or attorneys, Mr. Snyder noted.

American Empire also will not write environmental impairment liability, earthquake, directors and officers liability, and medical malpractice insurance.

Limits vary with the line, but generally up to $2 million in limits is available for most specialty liability risks, according to Mr. Snyder. Of that amount, American Empire retains up to $800,000 of the risk, with the remainder ceded to treaty and facultative reinsurers.

Primary asbestos abatement liability coverage, though, generally is available up to a $3 million per-occurrence/$10 million aggregate limit. The coverage is written with a $2,500 deductible.

Binding authority business written by wholesalers is American Empire's second-largest segment, accounting for about 32%, or $63 million, of its gross premium volume in 1987. Mr. Snyder expects this segment to account for about $40 million in premiums this year.

The business written for American Empire by its wholesalers basically consists of small, uncomplicated risks like owners, landlords and tenants coverage for small business, restaurants and retail stores, Mr. Snyder explained.

About 50 of American Empire's 90 wholesalers have authority to bind up to $200,000 in primary property coverage for protected risks and up to $100,000 in limits for unprotected properties.

Wholesalers have authority to bind primary liability coverage with up to $500,000 in limits.

Meanwhile, American Empire staff underwriters can write up to $1 million in primary liability coverage for these risks, with the insurer retaining up to $550,000 and reinsuring the remainder.

The third-largest segment of American Empire's business, umbrella and excess liability insurance, accounted for almost 10%, or $20 million, of its gross premium volume in 1987. Mr. Snyder expects this business to drop to $10 million in premiums this year.

American Empire offers $5 million in excess liability capacity. It retains $550,000, cedes $450,000 to treaty reinsurers and reinsures the remainder through automatic facultative contracts, Mr. Snyder explained.

American Empire's smallest business segment—high-level excess property insurance—accounted for 7%, or $14 million, of the insurer's gross premium volume in 1987. Gross premium volume from this segment will drop to about $12 million in 1988, Mr. Snyder predicted. He explained that this decline will be relatively small since American Empire already has lost most of the business it is going to lose in this line.

American Empire writes excess property insurance for policyholders including department stores, warehouses and light manufacturing facilities. It can provide up to $2.5 million in capacity, retaining $150,000 and ceding the rest to treaty reinsurers.

American Empire's major reinsurers include Zenith Insurance Co., Hanseco Insurance Co. and General Reinsurance Corp.

American Empire writes coverage on a non-admitted basis in all states except Delaware, where it is licensed. It wrote only $424,273 in premiums on an admitted basis last year.

American Empire's workforce dropped to 108 employees at year-end 1987 from 110 at year-end 1986. Attrition so far this year has reduced the number of employees to 93, Mr. Walsh said.

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

American Empire has an A rating from A.M. Best Co., which is unchanged from last year.

—By Deborah Shalowitz



Those who deal regularly with just one of our regional offices can be excused for thinking that Crump E & S specializes in a particular variety of risk.

After all, with the emphasis we place on local service, it's only natural that each of our offices would develop an edge in a particular specialty, to meet the needs of its area clients.

But it's this regional specialization, in fact, that makes Crump E & S an exceptionally resourceful national organization.

By combining the well-honed skills of our 18 offices, we can offer expertise in any risk category, enhanced by the convenience of local service.

And with immediate access to more than 100 domestic and international markets, Crump E & S can provide faster, easier placement. Plus inventive solutions for especially difficult prospects.

Which can open up a lot of new opportunities for your company.

At Crump E & S, we have the tools that extend and strengthen your reach.

CRUMP E&S GROUP

1-800-52 CRUMP

AAMGA

Atlanta, GA • Bellevue, WA • Burbank, CA • Casselberry, FL • Chicago, IL • Dallas, TX • Denver, CO • Dublin, OH
G & M Marine, New Orleans, LA • Houston, TX • Huntington Harbor, CA • Memphis, TN • New Orleans, LA • New York, NY
Portland, OR • San Diego, CA • San Francisco, CA • Waukesha, WI

If your ad message is set adrift with the tides...



your sales may get all washed up!

When the bottom line is your top priority, share of market is a critical issue. And when your market spans the diverse universe of commercial insurance, the best way to get your ad message across is in Business Insurance. That's because everyone who's anyone in the world of business insurance reads Business Insurance.

First with the news.
First in readership.
And, first among advertisers.

Business Insurance

For reach, readership, response and results.

International Surplus Lines Insurance Co.

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

	1987	1986
Gross premiums	$202,834,680	$156,755,754
Non-admitted	$195,898,347	$148,545,040
Net premiums	NA	NA
Paid-in capital	$1,500,000	$1,500,000
Capital & Surplus	$21,534,649	$15,411,792
Employees	0	0
Combined ratio	NA	NA%
Commercial risks	96.6%	94.8%
Net income	$7,424,610	$12,005,982
Best's rating	A*	A**

* Contingent, reinsured.
** Reinsured.

A 31.9% surge in gross premiums written on a non-admitted basis boosted International Surplus Lines Insurance Co. to sixth place among the Top 10 surplus lines insurers.

Surplus lines premiums grew to $195.9 million in 1987 from $148.5 million in 1986, when it was ranked ninth. ISLIC's gross premium volume also leaped 29.4% last year to $202.8 million from $156.8 million in 1986.

The Chicago-based insurer's net income, however, fell 38.2% to $7.4 million from more than $12 million in 1986, primarily because investment income plunged 91.6% to $881,311 from $10.5 million in 1986.

However, officials in ISLIC's financial department pointed out that ISLIC in 1986 sold all of its stocks other than stocks of affiliates, which gave ISLIC an $8.7 million capital gain that year. In addition, by entering the Crum & Forster pool, ISLIC was given an allocation of investment income. However, that allocation was adversely affected by the performance of the securities markets.

But, "We're very happy with the business that was underwritten by ISLIC," said President David N. Thompson.

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

ISLIC is 100% reinsured through International Insurance Co.—a Chicago-based sister company in the Crum & Forster pool—under a portfolio agreement established in 1985. Under the agreement, ISLIC ceded all loss reserves to International.

"The business that ISLIC wrote, 100% reinsured by International, was very profitable on an accident-year basis," Mr. Thompson said. "The results were considerably better than break-even," he added.

Dennis C. Gibbs, ISLIC's senior vp and chief financial officer, said the insurer's net income stemmed from $2 million in management fees for underwriting services ISLIC provided to International and other Crum & Forster pool members; an intercompany tax benefit of $4.5 million from the allocation of corporate-wide taxes; and investment income.

An unrealized capital loss of $1.3 million brought the addition to surplus down to $6.1 million. Capital and surplus grew 39.7% to $21.5 million from $15.4 million in 1986.

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

The insurer offers $5 million in capacity for professional and D&O liability, the same as in 1987. However, capacity for some other ISLIC lines, including property, has doubled to $5 million since last year.

ISLIC has no employees. Its operations are managed by Crum & Forster Managers Corp. (Ill.) (see profile, page 57).

—By Mark A. Hofmann

Very few people need $25,000,000 in D&O protection.

Fewer yet are able to provide it.

The fact is, only a few D&O insurers offer liability limits up to $25,000,000. And Great American is one of them.

Our expert marketing and underwriting staff is readily available to assist you with sales calls. And we have a superior reputation for fast, efficient claims handling, as well.

So the next time a significant D&O opportunity comes along, make sure you're ready.

Make sure Great American is part of your D&O book.

GREAT AMERICAN INSURANCE COMPANIES®

D & O DIVISION • P.O. BOX 66943, CHICAGO, ILLINOIS 60666 • (312) 490-7550

The D&O Division welcomes inquiries from all retail producers and select wholesalers. A+ (Superior) Rating – A.M. Best Company

General Star Indemnity Co.

Financial Centre, P.O. Box 10354, Stamford, Conn. 06904-2354; 203-328-5700

	1987	1986
Gross premiums	$167,949,565	$258,306,093
Non-admitted	$164,518,211	$248,233,798
Net premiums	$75,333,318	$100,028,679
Paid-in capital	$2,000,000	$2,000,000
Capital & Surplus	$87,871,312	$74,524,132
Employees	0	0
Combined ratio	98%	98.1%
Commercial risks	100%	100%
Net income	$15,678,458	$9,348,815
Best's rating	A+	A+

General Star Indemnity Co.'s premium volume is continuing to erode as the insurer relinquishes business to price-cutting admitted markets, President Kevin P. Brooks says.

Gross premiums written fell 35% last year to $167.9 million from $258.3 million in 1986, while direct non-admitted premiums—the vast majority of General Star Indemnity's gross volume—fell 33.7% to $164.5 million in 1987 from $248.2 million in 1986.

The decline in non-admitted premiums dropped General Star Indemnity—a unit of General Re Corp.—to the No. 7 spot in the *Business Insurance* rankings of the largest surplus lines insurers from the No. 4 spot based on 1986 premium volume.

Volume at General Star Indemnity, which primarily writes liability insurance, has continued to decline during the first six months of 1988, with gross premiums falling 38.6% to $60.5 million from $98.5 million during the same period in 1987.

"Cumulatively, the two-year loss is going to be very significant and disappointing. But it's not surprising and I don't think we would do anything differently," Mr. Brooks said.

The problem, he explained, continues to be competition from admitted insurers, which now are winning back excess liability business—and more recently primary liability business—that they abandoned to non-admitted insurers during the tight commercial insurance market of the mid-1980s.

General Star Indemnity's Chicago branch office recently lost three out of four major excess casualty renewals to licensed insurers, Mr. Brooks reported. In one case, a program that had carried a $231,000 premium was renewed by a standard market insurer for $115,000, Mr. Brooks said.

In another case, General Star Indemnity—which had written a limit of $6 million excess of $4 million for a $102,000 premium—lost the account to an admitted insurer that agreed to write a full $10 million limit "from the ground up" for $170,000 premium, he added.

Admitted insurers "are coming back at the same prices they left at, and that doesn't make any sense," Mr. Brooks observed.

General Star Indemnity has allowed underwriters in its branch offices to reduce premiums up to 15% without approval from headquarters, but in many cases this underwiting freedom hasn't made much difference, he said.

"The simple fact is that a 15% cut was not enough to hold on to the business we lost," he noted.

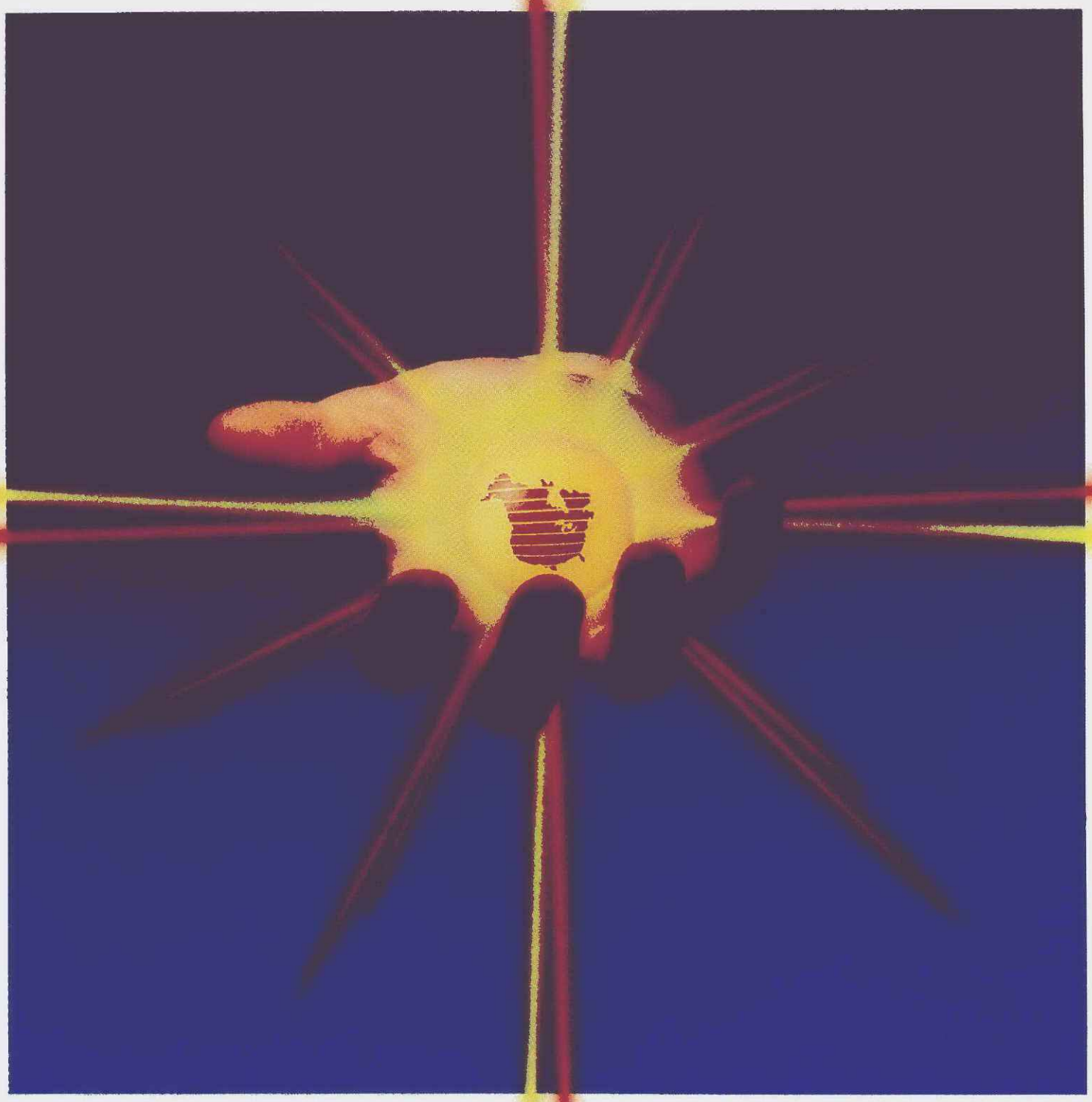
Overall, roughly 15% of General Star Indemnity's accounts renewing in the past year have been granted rate reductions of more than 15%, while 40% have received smaller reductions, 35% have been offered renewals at expiring premiums and about 10% have seen their rates increased, Mr. Brooks reported.

While admitted insurers first targeted excess liability business more than a year ago as a way to

Continued on page 32

WHAT CAN ALEXANDER HOWDEN'S NATIONAL NETWORK DO FOR YOU?

EXTEND YOUR REACH FROM COAST TO COAST!



Because each of our offices can provide not only the most receptive market for that special risk, but the skill and savvy of an internal network of professionals to effectively put the whole program together.

...So now you can pinpoint national markets and company strengths while gaining collective brokering expertise right in your own back yard.

National networking from AHNA. Another reason why we're one of the largest, fastest growing wholesalers in the industry.

Why not find out for yourself. One call to your local office gives you access to a world of capabilities.

ahna

ALEXANDER HOWDEN NORTH AMERICA

Atlanta(404)351-5880/Boston(617)241-7207/Chicago(312)993-0505/Cleveland(216)447-0858/
Dallas(214)368-2500/Newport Beach, CA(714)476-0520/New York(212)730-7746/Philadelphia-
New Jersey(609)482-2522

Continued from page 30
grow, primary liability programs have since become a target and are moving to licensed insurers at rate reductions of up to 40%, Mr. Brooks said.

All of this has made life difficult for General Star Indemnity's staff, he observed.

"When you get an underwriter who is losing these things right and left and tell him, 'You're doing the right thing'—that's very tough," he said.

At the same time, General Star Indemnity—like many other surplus lines insurers—insists on holding the line against large rate reductions.

"We are not entertaining any business we can't make money on," Mr. Brooks explained.

"We don't want to have our name on one of those tombstones," he added, referring to General Star advertisements that depict a graveyard of surplus lines companies killed by price competition during the soft market.

One ray of hope for General Star Indemnity, Mr. Brooks said, is an expected slowdown in price competition for excess liability business, a slowdown that would leave the insurer in a better competitive position.

"I would lose all respect for standard lines underwriters if we saw 20% to 40% reductions across the board for a third renewal year," he said.

Meanwhile, General Star Indemnity has made other adjustments in an attempt to shore up further erosion of its volume.

The insurer continues to offer a maximum limit of $10 million on umbrella and excess liability risks but about a month ago started offering the $10 million limit excess of underlying first-layer umbrella coverages written by admitted market insurers, Mr. Brooks said.

'We are not entertaining any business we can't make money on,' says Mr. Brooks.

Until now, General Star Indemnity had considered itself strictly a first-layer market on such programs, but surplus lines brokers reported that they were losing the first-layer business to admitted insurers, he explained.

General Star Indemnity, however, will not write excess or umbrella coverage above other nonadmitted insurers.

As admitted markets have lured away less hazardous primary and excess liability business, General Star Indemnity has also expanded its appetite for tougher risks, Mr. Brooks said.

The insurer hasn't started writing classes of risks it wasn't writing before, but has shifted towards more hazardous business within the classes it writes.

For example, General Star Indemnity already was writing contractors' liability business but is now writing contractors handling more hazardous jobs, Mr. Brooks noted. Likewise, the insurer is looking at risks in geographical areas—like Texas—that it previously had avoided because of large jury awards.

Mr. Brooks said he regards this shift in focus as a natural phase in the surplus lines market cycle. Surplus lines insurers, he noted, can only get themselves in trouble by chasing business that inevitably shifts back to admitted insurers during a soft market.

"In the scheme of things, the surplus lines marketplace can not view itself as owning that business," he observed.

This particular phase of the surplus lines market cycle was clearly reflected by the 35% drop in General Star Indemnity's gross premiums last year.

The $167.9 million in gross premiums includes $1.5 million in direct admitted premiums written in Connecticut, the only state where the insurer is licensed, and $1.9 million in assumed reinsurance premiums.

General Star Indemnity assumed runoff reinsurance last year from North Star Syndicate Inc. and Polaris Syndicate Corp., two underwriting members of the now-shuttered New York Insurance Exchange, according to the insurer's annual statement.

The vast majority—$160.1 million—of General Star Indemnity's gross premium volume was liability business, while the insurer wrote $6 million in property business and $1.9 million in other lines last year.

More than half of the insurer's gross premiums—including all of its property business—consisted of excess and umbrella risks, according to Mr. Brooks, who added that General Star Indemnity started writing primary quota-share property business excess of deductibles as of last week.

About $70 million of last year's premiums came from primary insurance programs, much of which were written over large deductibles or retentions, Mr. Brooks said.

Much of the primary business has consisted of owners, landlords and tenants liability and manufacturers and contractors coverages, though many OL&T risks have recently returned to admitted insurers, he said.

All of General Star Indemnity's business is underwritten by General Star Management Co., another General Re unit. General Star Management also underwrites for General Star National Insurance Co., an admitted subsidiary of General Re Corp. (see story, page 58).

General Star Indemnity has no employees of its own.

Net written premiums amounted to $75.3 million last year, or 44.9% of gross premiums, down from $100 million, or 38.7% of gross premiums in 1986. General Star Indemnity cedes the largest portion of its reinsurance program to parent General Re.

Earned premiums, meanwhile, increased 44.8% to $101.7 million in 1987 from $70.2 million in 1986. Losses, loss expenses and other underwriting expenses also climbed to $93.6 million last year from $70.6 million in 1986.

General Star Indemnity recorded a loss ratio of 75% and an expense ratio of 23% last year, creating a combined ratio of 98%. This was basically unchanged from the 1986 combined ratio of 98.1%.

General Star Indemnity finished 1987 with an underwriting gain of $8.1 million, a significant improvement from the marginal $367,046 underwriting loss of 1986.

Investment income, meanwhile, increased 52.8% to $17.1 million last year from $11.2 million in 1986.

After taxes and other gains and losses, General Star Indemnity reported net income of $15.7 million in 1987, up 68.8% from $9.3 million in 1986.

Policyholders surplus climbed 17.9% to $87.9 million last year from $74.5 million at year-end 1986.

In addition to Mr. Brooks, General Star Indemnity's principal officers include Sam C. Anderson, vp; Ronald S. Austin and Scott H. Lockett, second vps; and Thomas P. Bowie, assistant vp.

General Star Indemnity, founded in 1978, carries a rating of A-plus from A.M. Best Co.

—By Douglas McLeod



SPEAKING OF NORTHLAND

What do we have that these agents want?

"Service. Northland is always willing to answer my questions, discuss my options. I appreciate their sound judgment and underwriting ability. They're responsive to my needs, and I think that's very important."
—Wes Duesenberg Jr., Southern Insurance Underwriters

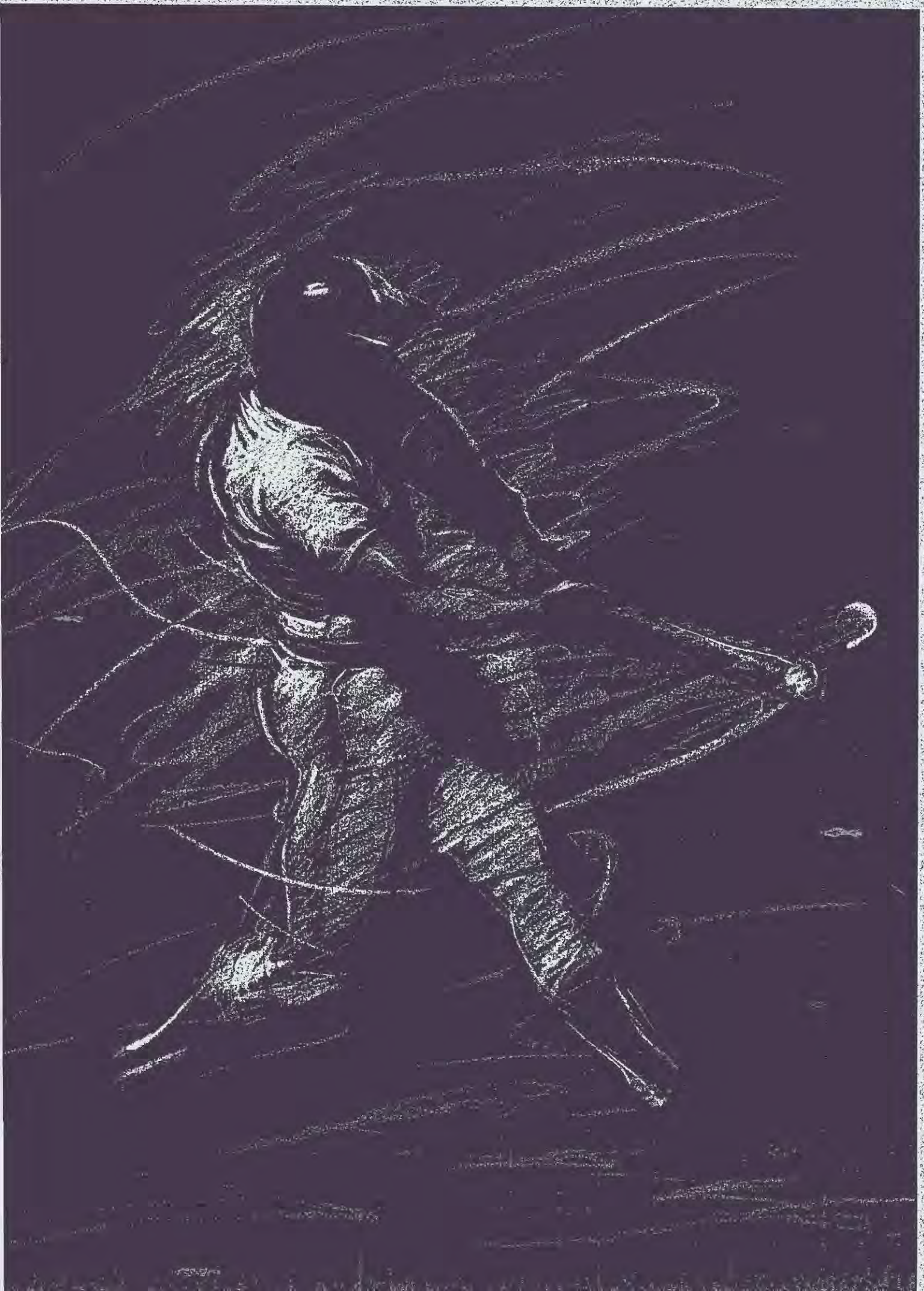
"Northland writes very carefully. They're not a company that appears on the scene, making all types of promises, then retracting them when times get rough. That's the kind of consistency I want from a specialty lines writer."
—Ron Wartick, John H. Crowther, Inc.

"I'm comfortable doing business with Northland. I don't worry about the markets I need because I know Northland will always be there. Their strong financial ratings make me even more secure."
—John Graham, Graham-Rogers, Inc.

Northland Insurance Companies®
St. Paul, MN

Our name speaks for itself!

Let every man practice the art that he knows best.
—Cicero



CAPABILITY

Excess & Special Risk

The field of excess and special risks is no place for amateurs. It's a hard-ball business with extraordinary stakes. And as an independent broker or agent, you can't afford to take unnecessary chances with your carriers. You need confidence in their ability to write complex coverages, provide consistently higher limits and, whenever necessary, honor multi-million dollar claims.

Fireman's Fund Excess and Special Risk offers you all that and more.

We're the leader in this business. Our E&SR operation is ready to provide $25 million excess liability limits and as much as $85 million excess property capacity. We offer producers a wider range of specialty products including E & O coverage for broadcasters and newspapers, excess workers' comp and excess unemployment compensation. You'll even find hole-in-one insurance for golf tournaments.

We also offer greater expertise in E&SR than most carriers. We've been in the business for over 30 years, providing consistent capacity through good times and bad.

Today we have top E&SR experts in each of our field offices throughout North America. Each one has many years of experience and, most importantly, the local authority to write maximum limits. So you get fast service from people who understand your specific needs.

When you're looking for expert capacity, look to the leader. Fireman's Fund. For over 125 years we've been helping brokers and agents turn today's potential into tomorrow's profit.

FIREMAN'S FUND
INSURANCE COMPANIES
125 years of tomorrows.

California Union Insurance Co.

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

	1987	1986
Gross premiums	$244,037,089	$301,501,432
Non-admitted	$160,332,232	$154,186,409
Net premiums	$55,866,849	$52,307,484
Paid-in capital	$4,500,000	$1,800,000
Capital & Surplus	$26,171,544	$17,691,886
Employees	92	92
Combined ratio	105.7%	105.8%
Commercial risks	95%	94%
Net income	$7,338,607	$4,490,750
Best's rating	A	A

California Union Insurance Co. is facing tough competition from admitted insurers.

However, the CIGNA Corp. surplus lines subsidiary is not going to resort to rate cutting to maintain business. Instead, it is striving for underwriting profit by maintaining stable prices and is expanding market niches to reduce dependency on business driven by market cycles, Cal Union executives say.

"We've been holding the line on our premium rates, and we've been tracking them throughout the year. As a result of the softening marketplace, we've lost quite a bit of business, especially in our property lines, which are down about $60 million," said Michael P. Fujii, president of CIGNA Excess & Surplus Insurance Services Inc., which since January has underwritten all of Cal Union's business.

By tracking its rates and comparing them against rates competitors in the admitted market are charging, Cal Union found that "our competition wrote casualty rates 59% lower than our rates in 1987. And 1988 isn't getting any better," said Nicolas Yuschenkoff, vp and secretary for the insurer.

Nonetheless, Cal Union moved up to eighth place in the 1988 *Business Insurance* ranking of the 10 largest surplus lines insurers, reporting 1987 gross premiums written on a direct, non-admitted basis of $160.3 million, a 4% increase from $154.2 million in 1986.


Mr. Fujii

Cal Union was the ninth-largest surplus lines insurer last year.

Gross premiums decreased about 19% in 1987 to $244 million from $301.5 million in 1986, primarily due to a loss of property business written on an admitted basis in California.

About two-thirds of Cal Union's gross premiums were written on a direct, non-admitted basis in 1987, with 95% of those premiums for commercial risks.

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

Net premiums increased 6.8% in 1987 to $55.9 million, up from $52.3 million in 1986.

Net income leaped 63.4% to $7.3 million in 1987 from $4.5 million in 1986.

Cal Union trimmed its underwriting loss to $3.1 million from $3.8 million while investment income rose to $11 million from $9.6 million. The net income was boosted by tax credits.

Retaining its earnings, capital and surplus in 1987 increased to $26.2 million, compared with $17.7 million in 1986.

Cal Union reported a combined ratio of 105.7% in 1987, nearly unchanged from 1986. The insurer retained its A rating from the A.M. Best Co.

Cal Union last year kept most of its specialty business, but lost significant business in two markets.

"The bulk of our business is still in railroads, heavy products exposures and construction," said Kenneth W. Woods, president of Cal Union and president of the Excess and Surplus Division of Insurance Co. of North America. The division includes five CIGNA surplus lines operations.

However, "we lost a good part of the utility business we wrote" to Energy Insurance Mutual Ltd. Co., a captive facility in Barbados, said Mr. Fujii. About $8 million in premiums was lost.

In addition, about $40 million in property insurance premiums were lost to competition.

And, although construction risks continue as a specialty, "the combination of the soft insurance market and the decline in the construction industry itself has reduced the amount of this coverage we write. It's still an emphasis area for us, but it's not as strong as it used to be," Mr. Woods said.

Despite the loss of some accounts during the current soft market, Cal Union has retained some risks that have traditionally stayed with the insurer through both hard and soft market cycles, the insurer's executives said.

"This starts with the wholesalers who stay with us. They sort of control the accounts and prefer to stay with one market. We have some accounts that we've had for 10 years or more" like railroads and heavy product liability accounts, explained Mr. Yuschenkoff.

Cal Union did not write any types of coverage in 1987 that it had not previously written, nor did it withdraw from writing any lines of insurance, the executives said.

However, "we are pursuing some new specialities this year," said Mr. Fujii, declining to identify them because it would be "premature."

Still, Cal Union is committed to its developed specialities. "The railroad business has always been a very successful specialty for us. But, we now are looking to emphasize and expand that as a market niche," Mr. Fujii explained.

"We would like to get the railroad business up to 35% of our total book of business. We would like to have 35% to 50% of our business be our specialty lines because we see that as a vehicle with which to stabilize our earnings and carry us through the soft and hard market cycles," he said.

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

The insurer writes coverage on three types of policies, Mr. Fujii said: a strict claims-made policy; a less restrictive claims-made form similar to the form developed by the Insurance Services Office Inc.; and an occurrence form.

About 20% to 25% of the 2,000 policies in force are claims-made, down from 80% last year, he said. Cal Union's commitment to the claims-made form in 1986 cost it 80% of its renewals.

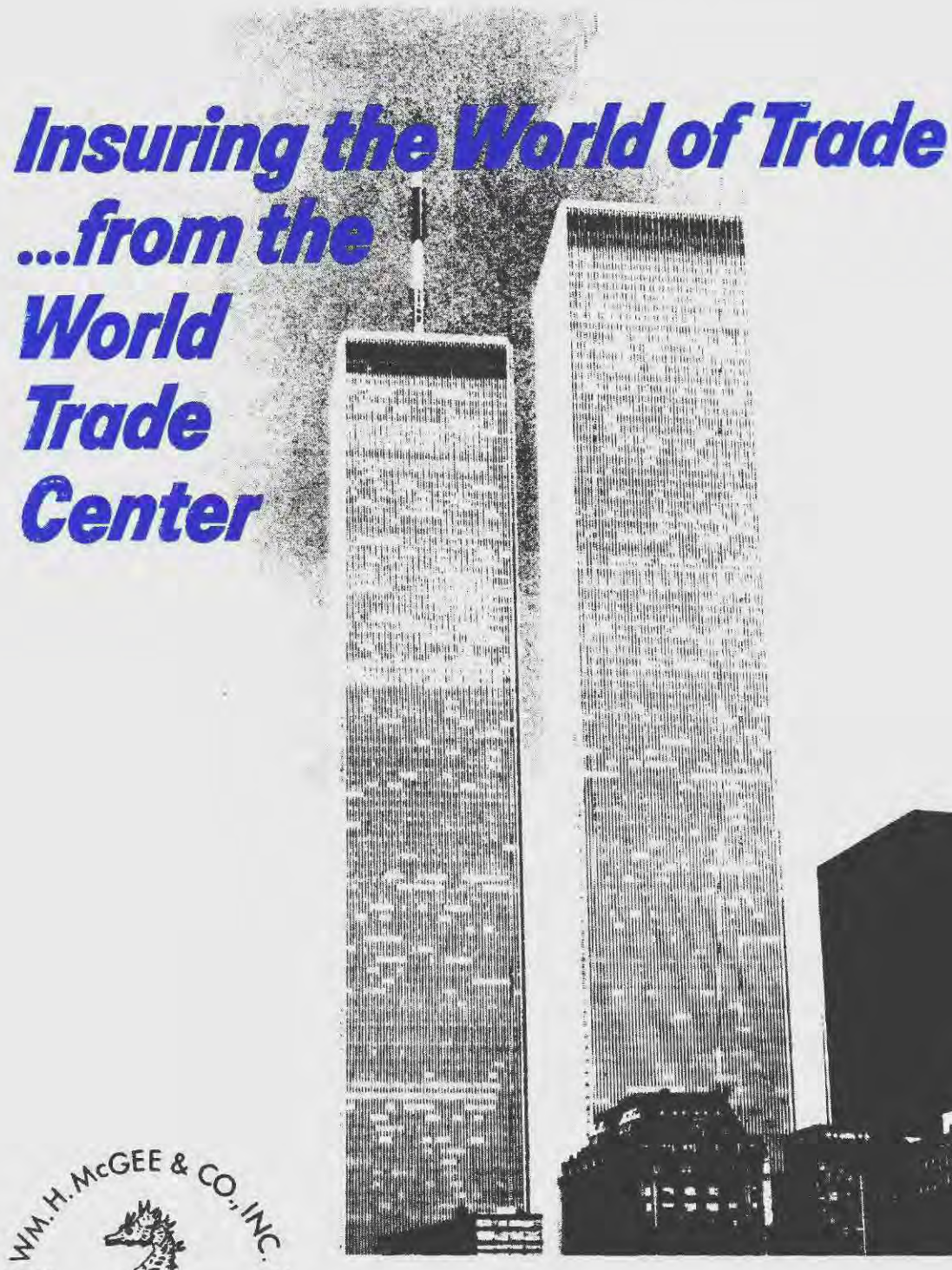
About 75% of Cal Union's policies are casualty policies, the same as in 1986.

"There was a time when our book of business was 50% property/50% casualty, but that has changed as a result of competition on property rates from the admitted market," Mr. Fujii said, referring to more competition for property business since late 1986.

Cal Union has maintained capacity, with treaty reinsurance, of $7.5 million for its excess casualty and umbrella classes of business.

The insurer has capacity, with treaty reinsurance, of $10 million for high-risk products coverage, also unchanged from last year.

Continued on page 36



WM. H. McGEE & CO., INC. SINCE 1887 UNDERWRITING MANAGERS

WORLDWIDE INSURANCE COVERAGE FROM

WM. H. McGEE & CO., INC.

UNDERWRITING MANAGERS SINCE 1887

Four World Trade Center, New York, N.Y. 10048
Telephone: 212-775-1300 • Telex: 12-9249 • Fax: 212-524-6805

Atlanta • Baltimore • Boston • Charlotte • Chicago • Clifton • Columbus • Dallas • Detroit
Hamilton, Bermuda • Hato Rey, P.R. • Houston • Los Angeles • Melville, L.I. • New Orleans
New York Regional • Philadelphia • Pittsburgh • San Francisco • Seattle • Syracuse
Toronto • Vancouver

Correspondents throughout the world



Home Insurance isn't afraid of risks. For us, they mean opportunities.

We welcome clients who manufacture power tools, pharmaceuticals, pools, amusement park rides. Risks other insurance companies can't even understand.

The greater the hazard, the more imagination our skilled underwriters bring to bear.

We specialize in writing difficult-to-place casualty risks. And we're determined to provide clients with the most responsive service in the market today.

Home has been giving clients that kind of service since our first days in business, back in 1853.

If you've got a "dangerous" risk, call Charles Abruzzo at (212) 530-7110 or Robert Spiro at (404) 980-8308. Or write them at The Home Insurance Company, 59 Maiden Lane, New York, New York 10038.

Home Insurance

There's no place like it.

The Home Insurance Company is a member of The Home Group, Inc.

Continued from page 34

With facultative reinsurance, limits vary according to the risk, the executives said.

"We have in the past put out policies of $50 million, but most frequently, they are under $25 million," Mr. Woods said.

Cal Union prides itself on its longstanding relationships with treaty reinsurers, noting that it has worked with some for 10 years or more. "We regard this as one of our assets and it is one of the critical points of our success," Mr. Fujii said.

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

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

Montgomery & Collins is Cal Union's exclusive producer of California business. The wholesaler also is Cal Union's largest producer, bringing in about 15% to 20% of the insurer's premiums.

While Mr. Fujii assumed the title of CIGNA E&S in August 1987, the underwriting manager became fully operational in January.

To better serve its producers, CIGNA E&S reorganized its underwriting operations in January into two regions. The Western region, based in Los Angeles, is under Robert Cernok, Western regional vp. Mr. Cernok previously was Cal Union's vp in charge of property lines.

The Eastern region, based in Chicago is under John Rugee, Eastern regional vp. He previously was Cal Union's vp in charge of casualty lines.

CIGNA E&S also has an underwriting office in Lawrenceville, N.J.

The new CIGNA E&S offices bring underwriting expertise closer to producers of business, something Cal Union could not do as a surplus lines insurer.

CIGNA E&S also underwrites for Illinois Union Insurance Co., a surplus lines insurer based in Chicago with 1987 gross premiums of $70.4 million and non-admitted direct premiums of $30.7 million.

CIGNA E&S named Harold Steinberg to the newly created position of vp-marketing. Mr. Steinberg is based in Los Angeles and his responsibilities include targeting wholesale producers, specialty lines of business and exploring potential opportunities for Cal Union and CIGNA E&S in other geographic locations, Mr. Fujii said.

"The key to our success is our producers, and we want to focus on the ones who support us during the soft market to make sure that they receive priority when the market turns," Mr. Fujii said.

Along with Messrs. Woods, Yuschenkoff and the above-named officers of Cal Union and CIGNA E&S, I. Kenneth Kitagawa is vp-finance for Cal Union.

Cal Union had 92 employees at year-end 1987, unchanged from 1986. Of these, 48 are members of the underwriting staff and employees of CIGNA E&S.

—By Donna DiBlase

Admiral Insurance Co.

P.O. Box 5725, Cherry Hill, N.J. 08034-3220; 609-429-9200

	1987	1986
Gross premiums	$160,367,555	$192,169,386
Non-admitted	$150,216,190	$163,450,124
Net premiums	$107,024,806	$114,886,718
Paid-in capital	$3,000,000	$2,000,000
Capital & Surplus	$66,498,519	$50,086,731
Employees	125	125
Combined ratio	91.8%	92.7%
Commercial risks	94.4%	95.5%
Net income	$21,843,514	$13,991,839
Best's rating	A+*	A+*

* Contingent.

Admiral Insurance Co. is getting back to basics.

With admitted insurers now seeking much of the business that Admiral had written during the hard market, Admiral once again is left with its core specialties, such as primary heavy product liability and professional liability for clients like medical laboratories, said President Michael Snead.

"The dynamite factory between the church and the school never leaves the surplus lines market, and that's basically what we're getting back to," he said.

Admiral's retrenchment is reflected in its premium volume. Premiums written on a direct, non-admitted basis fell 8.1% last year to $150.2 million from $163.5 million in 1986. As a result Admiral dropped to ninth place in *Business Insurance's* ranking of the largest U.S. surplus lines insurers from fifth place a year ago.

Gross premium fell 16.5% to $160.4 million from $192.2 million in 1986. This reflects, in part, business written in Delaware and New Jersey, where Admiral is admitted.

Despite the decline, Admiral's net income increased 56.1% to $21.8 million in 1987 from $14 million. Its combined ratio also improved to 91.8% from 92.7%.

Admiral generated a healthy profit despite the softening market, both because of premiums earned from business written in previous years and because some of the standard risks Admiral had written during the hard market still remained on the books as of year-end 1987. "It goes back slowly," Mr. Snead said.

He noted that after the last competitive market, business that had been written by admitted insurers started to flow to Admiral in 1985, the bulk of it appeared in 1986 and the flow began to reverse last year. In 1988, "it seems to be disappearing at a more rapid rate."


Mr. Snead

Underwriting income increased to almost $14 million in 1987 from $2.3 million in 1986. Investment income rose to $17.5 million from $12.3 million.

Capital and surplus at year-end 1987 totaled $66.5 million, compared with $50.1 million in 1986, after retaining earnings but charging off $11.1 million. More than half of the $11.1 million, or $6.1 million, relates to the difference between reserves established based on Admiral's analysis of its business and those required by regulation. Other charges related to unrealized capital losses, changes in admitted assets and unauthorized reinsurance.

Another $4.9 million was paid into surplus in 1987 from intracompany transfers involving Admiral's parent, W.R. Berkley Corp.

Admiral fulfilled its role as a "safety value" during the hard market, Mr. Snead observed. Now, "we're writing much tougher classes, and we have some competition among the surplus lines insurers as well."

For the first six months of this year, Admiral wrote $62 million in gross premiums, a 32.6% decline from the $92 million written for the comparable period a year ago. Net premiums for the first six months of this year totaled $41 million, down 33.9% from $62 million for the comparable period in 1987.

Admiral's combined ratio edged up to 93.1% in the first six months of 1988 from 86.7% ratio in last year's first half.

For the year, Admiral expects to write about $125 million in gross premium volume, down 22.1% from the $160.4 million posted in 1987.

In 1987, Mr. Snead had predicted a 14% decline in premium volume, slightly off the actual 16% decline (*BI*, Aug. 10, 1987).

Mr. Snead explained that Admiral tries to set goals that are "reachable and attainable without doing stupid things," adding that caution is essential in a soft market.

"We're basically a primary market, either from the ground up, or the first layer over a self-insured retention," Mr. Snead said. Out of the $62 million in gross premiums Admiral wrote during the first half of 1988, only $1 million was excess or umbrella coverage, he said. "So you can see we're not a very big excess market—we like the primary."

"We're just doing the same thing we've always done, where we feel comfortable, except we're seeing fewer submissions and we're getting fewer orders," Mr. Snead said.

He noted that in addition to losing business to the standard market, surplus lines insurers have lost business to alternative markets, including captives, risk retention groups, purchasing groups and offshore markets.

Each of these competitors may not be a problem in and of itself, "but when you add it up, it becomes significant," he said.

Continued on next page

Consider—

TRAVIS-PEDERSEN
and Associates, inc.

Your Property and Casualty Brokers for Excess and Surplus Insurance needs

100 South Wacker Drive
Suite 1925
Chicago, Illinois 60606
Phone 312/372-3393
Telex 28-0436



California Earthquake Insurance

Sherwood Insurance Services is the leading wholesale broker of California Earthquake and D.I.C. coverage, specializing in the placement of California properties since 1978.

Capacity up to $100,000,000 representing 100 companies and reinsurers. Call Jim Barnes or Dick Nahas today for competitive quotations on "All Risk" and D.I.C. coverage at **(415) 956-3236.**

SI SHERWOOD INSURANCE SERVICES

201 California St., Suite 900 • San Francisco, CA 94111 • (415)956-3236 • Telex 171719 • SHERINSUR SFO
3435 Wilshire Blvd., Suite 2930 • Los Angeles, CA 90010 • (213) 487-3260 • Telex 71275568 • SILAUR
10 So. Riverside Plaza, #1610 • Chicago, IL 60606 • (312)648-0700 • Telex 282-113 • SHERINSUR CGO

Continued from previous page

"There're fewer risks out there, and so there has been a market dislocation," he said.

E&S insurers that had previously focused on excess and umbrella business "all of a sudden think they're smart enough to understand heavy product liability," he said, adding that they are writing it at "bad" prices.

Ninety-five percent of Admiral's book of business is casualty lines, with most of the rest non-standard property insurance, he said. Of the casualty business, 39% is product liability with the remaining about evenly divided between professional liability coverage and other general liability lines, including owners, landlords and tenants and manufacturers and contractors liability.

The product liability risks now written by Admiral are "the most hazardous classes," he noted.

For instance, if product liability risks were ranked on a 1-to-10 scale, with 10 the most hazardous, coverage, Admiral wrote the whole gamut in 1986 at the height of the hard market, he said. In 1987, as the market began to soften, Admiral stopped writings risks in classes from 1-4, while this year it also lost Nos. 5-7, leaving it only with product liability risks ranked from 8-10.

Admiral's current product liability policyholders include ladder manufacturers, pharmaceutical firms, electrical saw manufacturers and brake lining producers.

In the medical professional liability area, Admiral writes coverage for testing labs, drug and rehabilitation centers, mental health clinics, X-ray facilities, home health care agencies and dialysis centers.

However, it will not write medical malpractice coverage for doctors, hospitals, blood banks or freestanding emergency rooms.

Admiral also writes professional liability coverage for real estate agents, third-party administrators, travel agents, geologists and home inspection services, and still writes some OL&T coverage.

In addition, Admiral continues to insure difficult manufacturers and contractors risks, some of which never are written by admitted insurers "because they don't feel comfortable with it."

Other lines that Admiral will not write include liquor liability, directors and offices liability and day-care center liability coverage.

Admiral has cut its prices an average of 10% overall except for professional liability lines. Mr. Snead explained that, as long-tail business, "it's not a class where you should reduce prices."

Property business has been particularly hard hit by competition, Mr. Snead said.

Despite the 10% price cuts by Admiral, "we're losing a lot of business, because other people are pricing it over 40% below what we feel is necessary."

Admiral has no current plans to cut prices more than 10%, he said.

He noted that with provisions in the Tax Reform Act of 1986 "coming home to roost" this year, property/casualty insurers need to charge higher prices to pay new, additional tax liabilities. While the market competition will not permit insurers to raise rates, slashing prices beyond a certain point "doesn't make economic sense."

Admiral offers up to $1 million in limits on a gross basis for all lines of coverage it writes, and it retains up to $200,000 per risk, the same as last year. However, it uses its full $1 million capacity for about 20% of the accounts written, up from about 5% a year ago.

"In order to compete today, unfortunately, we have to put higher limits" on policies, Mr. Snead said.

Admiral is collecting more premium from some policyholders, despite the rate cuts, because it is offering higher limits, he said.

Admiral essentially cedes its business to three reinsurers: Prudential Reinsurance Corp., USF&G Corp. and Constitution Reinsurance Corp.

Admiral deals with 220 wholesalers and has only 125 employees, unchanged from a year ago.

The wholesalers Admiral deals with the most are: Atlanta-based Alexander Howden North America, including its subsidiary, Cherry Hill, N.J.-based Francis Brokerage Services; James H. Bryson & Associates in Jenkintown, Pa.; Willis Faber Holdings Inc. in New York; Crump E&S Group, based in Memphis, Tenn.; and Los Angeles-based Montgomery & Collins Inc.

Admiral is involved in several suits and counterclaims stemming from claims on financial guarantee bonds it had issued for the benefit of several real estate limited partnerships sponsored by the JNC Cos., a Tucson, Ariz.-based development firm that has declared bankruptcy.

Admiral ultimately expects the entire matter to cost $10 million and is fully reserved for the amount, he said. Admiral no longer writes financial guarantee insurance.

In addition to Mr. Snead, principal officers are Martin J. Calpin, executive vp and secretary; Jere J. Duffett, senior vp; and Kathleen Crawford, vp and treasurer.

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

—By Judy Greenwald

Schirmer

SCHIRMER ENGINEERING CORPORATION
OFFERING FULL LOSS CONTROL ENGINEERING SERVICES

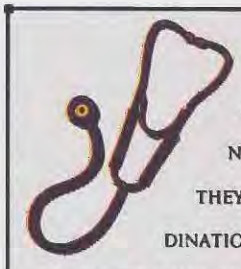
- ✓ Underwriting & Loss Control Surveys
- ✓ Fire Protection Engineering
- ✓ Safety & Health Engineering
- ✓ Litigation Support Services
- ✓ Building & Fire Code Consultation
- ✓ Sprinkler System Design
- ✓ Alarm System Design

SCHIRMER ENGINEERING CORPORATION
707 LAKE COOK ROAD • DEERFIELD, IL 60015 • 312/272-8340

AVIATION SAFETY SERIES NO. 1



IN A COCKPIT AT 41,000 FEET, AN ANTIHISTAMINE MAY DO MORE HARM THAN GOOD.



YOU PROBABLY KNOW THAT ANTIHISTAMINES CAUSE DROWSINESS. BUT ARE YOU AWARE THAT THEY ALSO MAY AFFECT VISION, COORDINATION, AND ORIENTATION—AND THAT THE EFFECT IS WORSE AT HIGH ALTITUDE?

MANY FATAL ACCIDENTS INVOLVING AIRCRAFT HAVE OCCURRED AS A RESULT OF PILOTS' UNKNOWING MISUSE OF SEEMINGLY SAFE NONPRESCRIPTION OR "OVER-THE-COUNTER" DRUGS. THE FACT IS THAT IN THE COCKPIT, ALL SELF-MEDICATION IS POTENTIALLY UNSAFE AND CAN UNPREDICTABLY COMPROMISE YOUR PERFORMANCE.

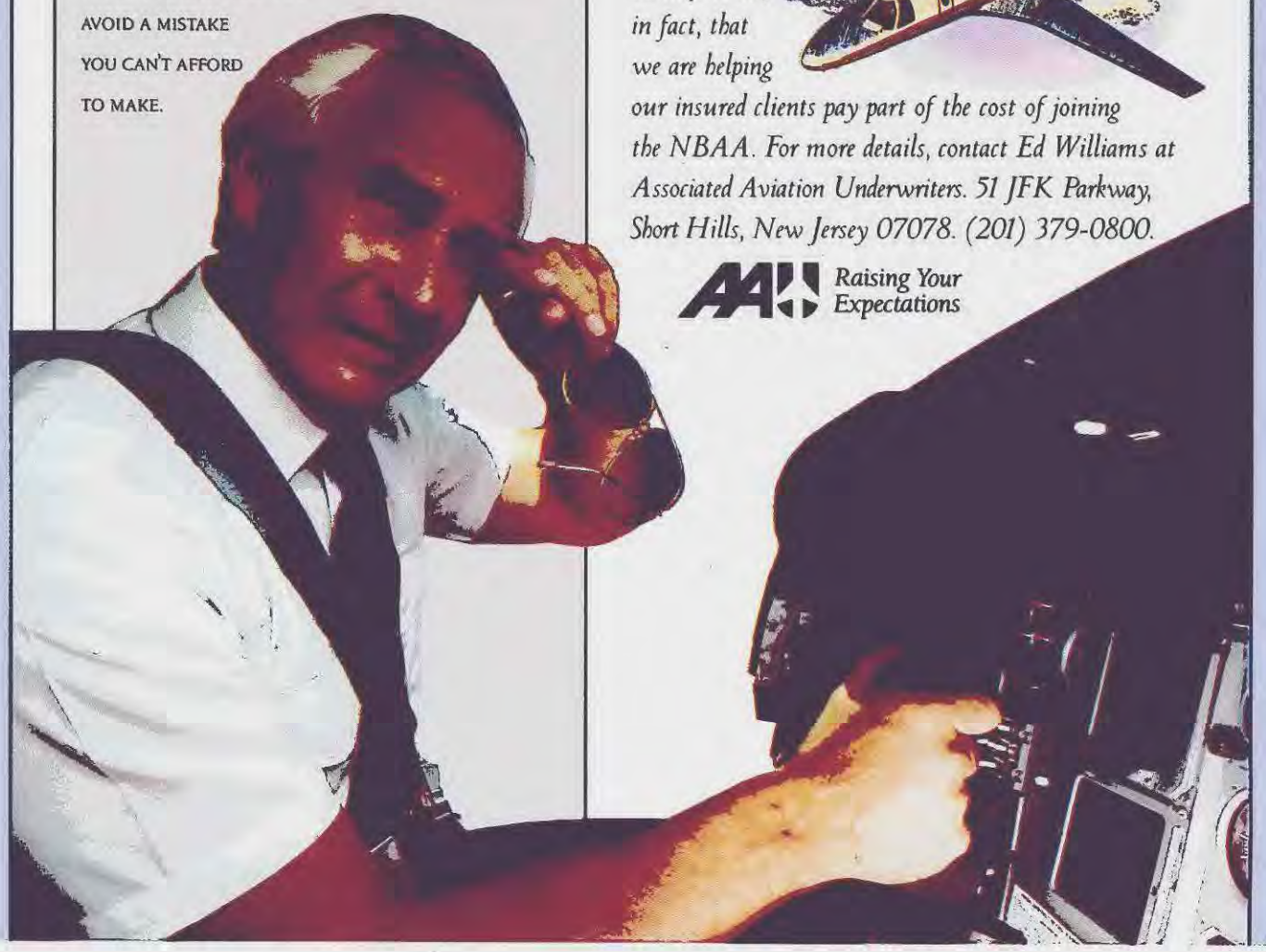
SO IF YOU'RE NOT FEELING UP TO PAR, SEEK THE ADVICE OF AN EXPERT—YOUR PERSONAL FLIGHT SURGEON. HE OR SHE CAN HELP YOU AVOID A MISTAKE YOU CAN'T AFFORD TO MAKE.

At Associated Aviation Underwriters, we don't stop at protecting our clients against unexpected financial loss. We've taken on the tougher assignment of loss prevention. For instance, through our skillful and thorough Flight Operations Surveys we help our clients improve their efficiency and safety.

Another way AAU is working to prevent loss is through our NBAA Membership Contribution plan. We feel that adherence to National Business Aircraft Association safety standards and access to their member programs are important elements in maintaining safe operations. So important, in fact, that we are helping our insured clients pay part of the cost of joining the NBAA. For more details, contact Ed Williams at Associated Aviation Underwriters. 51 JFK Parkway, Short Hills, New Jersey 07078. (201) 379-0800.



AAU Raising Your Expectations





The Case of the Overturned Crane

The operator hoisted the load and began to swing the boom. Suddenly, one of the outriggers lifted up, and the crane overturned. The operator was killed attempting to exit the unit during the overturn.

But was the crane at fault? Countrywide was called in. Our investigation included weighing the load and questioning witnesses to discover the true cause of the accident: The operator had not determined the weight of the load, which contributed to the overturn. And, instead of dropping the unwieldy load when the crane began to tip, he swung the boom even faster, causing the overturn. Litigation against the crane manufacturer—our client—was dropped.

Investigations are only the beginning of our services to major self-insured manufacturers. We also recommend defense attorneys and expert witnesses to assist counsel and support your case. Computerized claim statistical data is also provided.

Unlike some insurance investigators, we're not settlement oriented. Our concern is to help you defend the integrity of your product.

Please write down our phone number. We'll follow every clue to help solve your most complex cases.

Countrywide Services Corporation

Specializing in product liability claims management.

11933 Westline Drive, St. Louis, MO 63146. 314/878-3306

Spotlight report

United National Insurance Co.

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

	1987	1986
Gross premiums	$159,528,418	$178,341,858
Non-admitted	$127,342,720	$157,391,810
Net premiums	$49,957,432	$54,550,170
Paid-in capital	$5,000,000	$2,542,925
Capital & Surplus	$84,629,332	$64,228,568
Employees	87	91
Combined ratio	90.5%	97%
Commercial risks	95%	95%
Net income	$12,325,426	$7,668,685
Best's rating	A pooled	A pooled*

*Revised.

United National wants to increase the number of small producers with which it works so the insurer is 'in a position to take advantage of the opportunities which will arise when the market gets hard again,' says Raymond L. Freudberg.

Although United National Insurance Co.'s premium volume dropped last year, profits rose, which met the main goal of the insurer's management.

"We're prepared to lose market share to do (business) profitably," said Chairman Raymond L. Freudberg.

Patricia M. Rodman, vp of underwriting, added: "I don't have production goals; I have profit goals."

Even though the Philadelphia-based surplus lines insurer's gross premium volume fell 10.5% to $159.5 million in 1987 from $178.3 million in 1986, its net income grew 60.7% to $12.3 million from $7.7 million the year before.

Gross premiums written on a direct, non-admitted basis dropped 19% in 1987 to $127.3 million from $157.4 million in 1986, making United National the 10th-largest surplus lines insurer ranked by *Business Insurance.*

Last year, the insurer placed seventh based on a 50.7% surge in non-admitted gross written premiums from $104.4 million in 1985.

In addition, the insurer's net written premiums dropped 9% to $50 million in 1987 from $54.6 million the previous year.

Premium volume dropped simply because "the market softened," Mr. Freudberg said. Business that was being placed with surplus lines insurers returned to admitted companies, and the business that remained in the non-admitted market renewed at lower prices, he explained.

And, the downward trend is continuing this year, with gross premium volume in the first quarter of 1988 down 3.4% to $40.6 million from $44 million during the same quarter last year.

First-quarter net written premiums also were off slightly, totaling $14.6 million, compared with $15 million in the first quarter of 1986.



Mr. R. Freudberg

However, Mr. Freudberg is not concerned about the continued premium volume decline.

"We're prepared to have a flat year or a flat two years" as long as we remain profitable, he said.

United National was able to raise profits last year because of increased investment income and profits that were "built-in" from higher prices the previous year, Mr. Freudberg explained.

An $8.5 million capital infusion from parent American Insurance Services Inc. helped boost United National's policyholder surplus by 31.8% to $84.6 million in 1987 from $64.2 million in 1986.

In comparison during 1986, American Insurance Services had added $13 million to United National's capital.

American Insurance Services is owned by American Manufacturing Corp., a privately held conglomerate based in Philadelphia that bought United National from Mr. Freudberg and two partners in 1979.

United National's combined ratio improved to 90.5% in 1987 from 97% in 1986. The 1986 results included a write-off of about $3.8 million for unrecoverable reinsurance.

The company's loss ratio was 66.3% in 1987, up slightly from 64.8% in 1986, while its expense ratio dropped to 24.2% in 1987 from 32.2% the previous year.

United National is retaining slightly more business than in the past. Last year, the insurer retained 31.3% of gross premiums, up from 30.6% in 1986.

United National reported 87 employees at the end of 1987, down from 91 employees in 1986. However, employment currently stands at 91 again, according to Mr. Freudberg.

About 95% of United National's gross premium volume related to commercial lines business during 1987, unchanged from 1986.

United National for the most part is targeting the same kinds of surplus lines business it did last year, although it has expanded some of its programs, Mr. Freudberg said.

Like last year, the company is concentrating on excess property and primary liability insurance for restaurants, taverns, hotels, shopping centers, light manufacturing facilities and condominiums.

For excess property risks, the insurer retains a maximum of $125,000 on each risk and can offer limits up to $3 million backed by treaty and facultative reinsurance.

In addition, United National has expanded its primary property insurance program and now can offer limits of $1 million backed by treaty reinsurance and up to $2 million backed by facultative reinsurance, Ms. Rodman noted.

United National also has expanded its primary general liability program for small manufacturers and contractors, which is offered on an occurrence basis. The insurer can now write limits of up to $1 million, although average limits range between $300,000 and $500,000, Ms. Rodman said, adding that the insurer's retentions varies for most types of liability coverage.

United National now writes primary liquor law liability insurance on a claims-made basis in Florida and on an occurrence form in Pennsylvania. In Florida, the insurer writes limits up to $100,000, while in Pennsylvania it writes limits up to $50,000. United National retains 100% of the liquor liability risks it underwrites.

Another new program United National started in 1987 is excess general and automobile liability for trucking and bus firms. The insurer writes occurrence-based limits of up to $10 million excess of $1 million, although limits generally range between $2 million and $4 million. The coverage is backed by treaty reinsurance.

Also, the insurer will write excess general and automobile liability with the same limits for companies with a minimum self-insured retention of $250,000.

Like last year, United National writes excess hospital professional liability insurance on an occurrence basis, retaining $100,000 of each risk. The company can put together up to $25 million limits for hospital risks, backed by facultative reinsurance, though it usually writes limits of only up to $10 million.

The insurer also writes occurrence-based hospital primary general liability insurance with $1 million limits, retaining $50,000 of each risk.

The insurer also writes excess hospital general liability coverage with limits of $4 million backed by facultative reinsurance.

This coverage can be written on either a claims-made or occurrence basis, depending on the form on which the primary coverage is written.

Although United National has been trying to renegotiate a product liability reinsurance treaty on an occurrence basis for nearly two years, it still has not been successful, Mr. Freudberg said.

In the meantime, the insurer has discontinued its claims-made product liability program.

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

The insurer had added a new facultative reinsurer: Motors Insurance Corp. of Detroit. Its other facultative reinsurers include: General Reinsurance Corp. of Stamford, Conn.; Buffalo Reinsurance Co. of Woodland Hills, Calif.; Skandia America Reinsurance Corp., American Re-Insurance Co. and Munich American Reinsurance Co., all of New York.

The wholesalers that have been producing the most business for United National include: Doran Excess Underwriters Inc., Mechanicsburg, Pa.; Myron F. Steves & Co., Houston; Professional Managers Inc., Atlanta; Sunderland Insurance Services, Walnut Creek, Calif.; Transco Insurance Services, Solvang, Calif.; The IPC Group, Philadelphia; James H. Ferguson & Associates in Evanston, Ill.; and TRM Insurance Group in South Plainfield, N.J.

Mr. Freudberg said United National wants to increase the number of small producers with which it works so that the insurer is "in a position to take advantage of the opportunities which will arise when the market gets hard again."

"In a tight cycle, the smaller producer is the one who gets short shrift," he continued. "We want to serve that producer."

United National is licensed in Pennsylvania and writes as a non-admitted insurer in 42 states and the District of Columbia.

United National also may write as a non-admitted insurer under certain circumstances in three additional states: Oregon, Hawaii and Alaska.

The insurer has two subsidiaries: Diamond State Insurance Co. and Hallmark Insurance Co. Inc. Diamond State is licensed in Mississippi, Delaware, South Carolina and Georgia and operates as an approved, non-admitted insurer in Pennsylvania and Texas. Hallmark is licensed in Illinois, Indiana and Wisconsin and operates as an approved, non-admitted insurer in Pennsylvania and Oklahoma.



Mr. S. Freudberg

Principal officers, in addition to Mr. Freudberg and Ms. Rodman, include Seth D. Freudberg, president and chief executive officer; Kevin L. Tate, vp/controller; and Gerald F. Durkin, vp-claims.

—By Deborah Shalowitz

Directory of excess/surplus lines insurers

Adriatic Insurance Co.

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

	1987	1986
Gross premiums	$17,528,697	$11,526,392
Non-admitted	$16,950,692	$10,517,117
Commercial risks	54.4%	64.7%
Net premiums	$14,344,140	$10,141,125
Paid-in capital	$1,200,000	$646,875
Capital & surplus	$3,618,204	$2,513,958
Employees	19	13
Combined ratio	77.1%	95%
Net income	$1,253,157	$190,341
Best's rating	B-	Not assigned

Year founded: 1979.

Parent company: Anglesey Corp.

Specialties: Commercial physical damage.

Approved, non-admitted in: Alabama, California, District of Columbia, Florida, Georgia, Illinois, Indiana, Louisiana, Maryland, Missouri, Nebraska, New York, Ohio, Oklahoma, Texas, Virginia, Wisconsin and Tennessee.

Admitted in: Arizona, Delaware, Mississippi, Nevada, New Mexico and Oregon.

Principal officers: Anthony Ciervo Jr., president; Joseph E. Taylor, secretary; Kenneth A. Jurgensen, vp.

Allianz Underwriters Insurance Co.

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

	1987	1986
Gross premiums	$61,563,504	$64,139,847
Non-admitted	$21,183,999	$34,318,134
Commercial risks	100%	100%
Net premiums	$4,544,193	$7,101,657
Paid-in capital	$2,000,000	$2,000,000
Capital & surplus	$34,466,329	$18,017,166
Employees	46	40
Combined ratio	125.8%	327.6%
Net income	$1,061,385	($7,587,990)
Best's rating	A pooled	A

Year founded: 1978.

Parent company: Allianz of America Inc.

Specialties: Commercial property, primary and excess.

Approved, non-admitted in: District of Columbia and all states except California, New York and Missouri.

Admitted in: California, New York and Missouri.

Principal officers: Marcus Hildmann, president/chief executive officer; Paul D. Kaduk, senior vp/chief financial officer/secretary/treasurer; Trevor E. Care, senior vp-underwriting; John W. Keefe, senior vp-claims; Wolfgang Schlink, senior vp-international underwriting.

American Capacity Insurance Co.

9025 N. Lindbergh Drive, Peoria, Ill. 61615; 309-692-1000

	1987	1986
Gross premiums	$23,277,317	$9,458,869
Non-admitted	$7,368,043	$5,184,134
Commercial risks	100%	100%
Net premiums	$20,456,934	$8,549,329
Paid-in capital	$2,500,000	$2,500,000
Capital & surplus	$16,970,815	$22,680,101
Employees	NA	NA
Combined ratio	86.5%	82.4%
Net income	$807,851	($739,208)
Best's rating	Not assigned	Not assigned

Year founded: 1986.

Parent company: American Capacity Group Inc.

Specialties: Directors and officers, professional, general and products liability; commercial umbrella, capacity property.

Approved, non-admitted in: 38 states, District of Columbia, Puerto Rico and U.S. Virgin Islands.

Admitted in: Illinois.

Principal officers: Gerald D. Stephens, president; R. Robert Leventry, executive vp; Jonathan E. Michael, vp/chief financial officer; Kim J. Hensey, corporate secretary; James E. Zogby, treasurer/assistant secretary.

American Excess Insurance Assn.

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

	1987	1986
Gross premiums	$100,000,000	$75,000,000
Excess liability	100%	100%
Admitted	100%	100%
Net premiums	NA*	NA*
Paid-in capital	NA	NA
Capital & surplus	NA*	NA*
Total employees	20	16
Excess liability	10	8
Combined ratio	NA*	NA*
Net income	NA*	NA*
Best's rating	NA*	NA*

* Results are those of member companies.

Continued on next page

How to use directory

The annual directory of excess and surplus lines insurers lists companies which responded to a *Business Insurance* questionnaire.

There is no charge to be included in the directory. However, to be listed, more than 50% of surplus lines insurers gross premiums must be written on a direct non-admitted basis and relate to commercial risks; excess insurers must generate at least 50% or $50 million of their gross premiums in excess liability lines.

Financial information is taken from the companies' annual statements as filed with state insurance departments.

Gross premium volume is the combination of direct business and reinsurance assumed by a company. For surplus lines insurers, the next entry reflects gross premiums written on a direct, non-admitted basis—the definition of surplus lines. Excess insurers' listings note the percent of gross premiums related to excess liability lines and the percent of excess liability premiums written on an admitted basis.

Net written premium volume is calculated by subtracting reinsurance ceded from gross premium volume.

Paid-in capital is the total of the value of both common capital stock and preferred capital stock of the company; the next entry reflects surplus as regards policyholders.

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

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

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

The total number of employees (and for excess insurers, the number involved in excess liability underwriting) are also given.

Each listing includes the year the insurer was founded and its parent company (if any). Commercial risks the company specializes in insuring and names of subsidiaries are also noted.

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

Names and titles of principal officers complete the listings.



Before you cash out, call TSSC.

Talk about structuring: Structuring makes sense for the big claims that you face. A structured settlement provides long-term security for the claimant and can save your company money—sometimes up to 20 percent over a lump sum settlement. But sometimes, it seems to be more work than it's worth.

Talk about TSSC: At The Structured Settlements Company, we don't think a structure has to take up more of your time. Other companies just give you a phone quote. They turn you into their messenger. You end up presenting their offers again and again until the parties agree. But TSSC offers more. Our consultant will be your settlement partner right inside the settlement conference. He will help you negotiate and work out the structure right in the room. No phone calls. No runaround. No problem.

Your Settlement Partner.

Los Angeles 213/452-6600 · 800/344-TSSC St. Petersburg 813/578-2666 · 800/343-TSSC
Boston · Chicago · Cincinnati · Dallas · Ft. Lauderdale · Kansas City · Los Angeles · New York
San Francisco · St. Petersburg International Offices: Toronto, Canada · London, England

The Structured Settlements Company™

Continued from previous page

Year founded: 1986.
Admitted in: District of Columbia and all states except North Dakota, Texas and Wyoming.
Principal officers: T.V.A. Kelsey, president; C.N. Greene, vp; N. Colgan, secretary.

Columbia Casualty Co.

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

	1987	1986
Gross premiums	$180,954,467	$224,961,712
Non-admitted	$61,922,933	$101,887,701
Commercial risks	97%	97%
Net premiums	$110,144,871	$98,838,093
Paid-in capital	$2,000,000	$2,000,000
Capital & surplus	$52,340,134	$48,729,230
Employees	30	30
Combined ratio	109%	113.5%
Net income	$3,743,657	$9,126,804
Best's rating	A+	A+

Year founded: 1974.
Parent company: Continental Casualty Co., a CNA Financial Corp. unit.
Approved, non-admitted in: District of Columbia and all states except Illinois and Louisiana.
Admitted in: Illinois.
Principal officers: Edward J. Noha, chairman; Noel W. Prather, president; Dennis H. Chookaszian, Ernest A. Lausier and Thomas R. Igleski, vps.

Constitution State Insurance Co.

1 Financial Plaza, Hartford, Conn. 06103; 203-277-4692

	1987	1986
Gross premiums	$95,786,064	$93,210,805
Non-admitted	$82,523,291	$71,108,266
Commercial risks	88%	96%
Net premiums	$41,887,221	$40,713,697
Paid-in capital	$2,250,000	$2,250,000
Capital & surplus	$22,567,477	$23,132,209
Employees	17	15
Combined ratio	113.3%	106.4%
Net income	($564,733)	$2,423,794
Best's rating	A	A contingent

Year founded: 1979.
Parent company: Travelers Indemnity Co.
Specialties: Property and casualty.
Approved non-admitted in: 47 states and District of Columbia.
Admitted in: Connecticut and New Jersey.
Principal officers: Wheeler H. Hess Jr., chairman; Russell D. Hendrickson, vp; Philip G. Smith, vp/comptroller; David N. Huit and Stephen A. Sutton, assistant vps.

Empire Indemnity Insurance Co.

1624 Douglas St., Omaha, Neb. 68102; 402-341-0135

	1987	1986
Gross premiums	$16,146,028	$13,569,767
Non-admitted	$13,155,803	$9,160,643
Commercial risks	81%	68%
Net premiums	$0	$0
Paid-in capital	$1,500,000	$1,500,000
Capital & surplus	$7,326,000	$6,816,000
Employees	NA	NA
Combined ratio	NA	NA
Net income	$510,000	$564,000
Best's rating	B+	B

Year founded: 1958.
Parent company: Empire Fire & Marine Insurance Co.
Specialties: Beauty shops, tanning salons, monoline excess, commercial auto and special events risks.
Approved non-admitted in: 42 states and District of Columbia.
Admitted in: Oklahoma.
Principal officers: Richard F. Williams, president; Charles B. Ralph, senior vp; Frances J. Krafky, Charles B. Freyermuth and Daniel M. Cranny, vps.

Essex Insurance Co.

4551 Cox Road, Glen Allen, Va. 23060-4901; 804-273-1400

	1987	1986
Gross premiums	$30,177,367	$35,062,252
Non-admitted	$29,247,790	$32,976,920
Commercial risks	100%	100%
Net premiums	$14,339,160	$11,534,487
Paid-in capital	$1,500,000	$1,500,000
Capital & surplus	$6,605,126	$5,743,915
Employees	34	28
Combined ratio	85.1%	79.7%
Net income	$1,813,336	$2,084,742
Best's rating	Not assigned	Not assigned

Year founded: 1980.
Parent company: Markel Corp.
Approved non-admitted in: 43 states and District of Columbia.
Admitted in: Delaware.
Principal officers: A.F. Markel, R.A. Johnson, J.A. Ash, Graham Carter and Brad Dickler

Evanston Insurance Co.

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

	1987	1986
Gross premiums	$137,010,010	$207,211,820
Non-admitted	$103,104,490	$134,466,052
Commercial risks	90%	89%
Net premiums	$71,357,255	$137,871,367
Paid-in capital	$24,753,687	$24,753,687
Capital & surplus	$76,904,128	$87,060,000
Employees	NA	NA
Combined ratio	103.1%	111.4%
Net income	$13,074,921	$409,077
Best's rating	B	B

Year founded: 1977.
Parent company: F-M Acquisition Co.
Specialties: Professional liability medical malpractice, product liability.
Approved non-admitted in: 48 states and District of Columbia.
Admitted in: Illinois.
Principal officers: Joseph J. Prochaska, chairman/chief executive officer; Robert H. Libby, president/chief operating officer; Richard A. Adler and William J. Wall, executive vps; Paul W. Springman, vp-underwriting.

General Star National Co.

Financia Centre, P.O. Box 10354, Stamford, Conn. 06904-2354; 203-328-5700

	1987	1986
Gross premiums	$76,418,527	$82,581,640
Excess liability	100%	100%
Admitted	100%	100%
Net premiums	$17,255,426	$18,415,100
Paid-in capital	$4,000,000	$4,000,000
Capital & surplus	$32,219,261	$30,460,924
Total employees	NA	NA
Combined ratio	99.7%	98.5%
Net income	$2,924,994	$2,345,864
Best's rating	A+	A+

Year founded: 1985.
Approved, non-admitted in: District of Columbia and all states except Hawaii.
Admitted in: Hawaii.
Principal officers: Kevin P. Brooks, president; Sam C Anderson, vp; Ronald S. Austin and Scott H. Lockett, second vps; Thomas P. Bowie, assistant vp.

Gulf States Insurance Co.

4801 N.W. Loop 410, 10th Floor, San Antonio, Texas 78229; 512-522-1325

	1987	1986
Gross premiums	$4,691,074	NA
Non-admitted	$3,875,779	NA
Commercial risks	85%	NA
Net premiums	$1,238,563	NA
Paid-in capital	$500,000	NA
Capital & surplus	$941,962	NA
Employees	15	NA
Combined ratio	97.3%	NA
Net income	$67,986	NA
Best's rating	Not assigned	NA

Year founded: 1986.

Parent company: Texas General Agency Inc.

Specialties: Non-standard private passenger and commercial auto, commercial property and inland marine, commercial general liability.

Approved, non-admitted in: Texas and Wyoming.

Admitted in: Oklahoma.

Principal officers: Ann Cangelosi, president; Don E. Meyer, secretary/treasurer; Sam Cangelosi and Don Cangelosi, vps.

Continued on next page

Even on weekends, Rosina



Historic North Bridge, Concord Mass.

Enthusiasm and eagerness are Rosina D'Acci's special trademarks.

Her dynamic, solution-oriented approach to underwriting is what makes her so effective as a Kemper Commercial Casualty Underwriting Specialist in Massachusetts.

It's the same exuberant spirit that overflows into Rosina's weekend pursuit—a marching member of a New England colonial militia group, an organization which celebrates the historical significance of the American Revolutionary War.

Rosina's positive, can-do outlook is typical of the 7,600 people who make up the Kemper National Property and Casualty Insurance

Continued from previous page

Harbor Insurance Co.

4201 Wilshire Blvd., Los Angeles, Calif. 90010; 213-937-5411

	1987	1986
Gross premiums	$313,524,448	$260,563,403
Excess liability	30%	25%
Admitted	100%	100%
Net premiums	$209,264,084	$167,877,367
Paid-in capital	$3,000,000	$3,000,000
Capital & surplus	$91,765,129	$95,911,953
Total employees	197	190
Excess liability	50	45
Combined ratio	101.3%	116.2%
Net income	$785,949	$11,563,788
Best's rating	A	A

Year founded: 1946.
Parent company: The Continental Corp.
Subsidiaries: Pacific Insurance Co., Los Angeles.
Admitted in: District of Columbia and all states except Maine.
Approved non-admitted in: Maine.
Principal officers: Eugene L. Allen, chairman/president; Bryan S. Reid III, executive vp; George Surprenant and Edward J. McKinnon, senior vps; Wayne B. Tyler, vp.

Illinois Union Insurance Co.

8755 W. Higgins Road, Chicago, Ill. 60631; 312-380-8100

	1987	1986
Gross premiums	$70,406,300	$87,426,478
Non-admitted	$30,743,035	$55,133,215
Commercial risks	100%	100%
Net premiums	$17,189,801	$16,094,608
Paid-in capital	$2,550,000	$2,550,000
Capital & surplus	$10,814,778	$6,541,628
Employees	48	45
Combined ratio	105.7%	105.8%
Net income	$3,409,053	$1,325,167
Best's rating	A	A

Year founded: 1973.
Parent company: CIGNA Corp.
Approved non-admitted in: District of Columbia and all states except Alaska, Illinois and Nebraska.
Admitted in: Alaska, Illinois and Nebraska.
Principal officers: Raymond E. Main, president; Harry E. Hoyt, vp/secretary; Howard V. Dempster, James A. Sears and Nicolas Yaschenkoff, vps.

Indemnity Underwriters Insurance Co.

515 E. Central, Miami, Okla. 74354; 918-542-1671

	1987	1986
Gross premiums	$11,145,428	$7,700,236
Non-admitted	$4,032,800	$84,722
Commercial risks	100%	100%
Net premiums	$1,276,499	$4,306,545
Paid-in capital	$1,500,000	$351,000
Capital & surplus	$3,185,511	$1,564,898
Employees	NA	NA
Combined ratio	67.1%	94%
Net income	$405,724	$620,883
Best's rating	Not assigned	Not assigned

Year founded: 1976.
Specialties: Manufacturing and contracting risks, liquor liability, commercial property.
Approved non-admitted in: Alabama, Georgia, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Montana, North Dakota, Oregon, South Dakota, Tennessee, Texas, Virginia, Washington, West Virginia, Wyoming.
Admitted in: Oklahoma.
Principal officers: Robert H. Garwood, president; Robert H. Garwood II, vp; Melinda L. Rains, secretary/treasurer.

International Insurance Co.

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

	1987	1986
Gross premiums	$711,996,274	$711,970,443
Excess liability	54%	58%
Admitted	88%	85%
Net premiums	$149,706,387	$134,556,012
Paid-in capital	$2,500,000	$2,500,000
Capital & surplus	$79,691,542	$59,889,928
Total employees	676	602
Excess liability	92	78
Combined ratio	109.5%	113.4%
Net income	$17,653,676	$5,451,643
Best's rating	A contingent	A

Year founded: 1972.
Parent company: Crum & Forster Inc.
Specialties: Excess general and auto liability, umbrella and excess umbrella liability.
Admitted in: District of Columbia and all states except Hawaii.
Principal officers: James A. Stark, chairman/president/chief executive officer; Robert J. Vairo, vice chairman; George J. Rachmiel, senior vp/treasurer; Robert J. Sullivan, senior vp/general counsel; David N. Thompson, vp.

Interstate Fire & Casualty Co.

55 E. Monroe St., Chicago, Ill. 60603; 312-346-6400

	1987	1986
Gross premiums	$153,395,404	$176,408,070
Non-admitted	$94,464,949	$119,813,243
Commercial risks	94%	94%
Net premiums	$57,809,107	$56,363,233
Paid-in capital	$1,750,000	$1,750,000
Capital & surplus	$52,802,261	$42,185,003
Employees	NA	NA
Combined ratio	158.1%	165.3%
Net income	($13,198,045)	($3,409,223)
Best's rating	A-	A

Year founded: 1950.
Parent company: Fireman's Fund Insurance Co.
Subsidiaries: Chicago Insurance Co. and Interstate Indemnity Co., Chicago.
Approved non-admitted in: District of Columbia and all states except Illinois, Michigan and New Hampshire.
Admitted in: Illinois and Michigan.
Principal officers: Patrick O'Flynn, chairman/president; Timothy P. Makowski, senior vp; James T. McGill, vp/chief financial officer/treasurer; Kenneth T. Batchelder, vp/secretary; Carol R. Newman, vp/general counsel; Raymond J. Garver and Gerald R. Shanks, vps.

Mount Hawley Insurance Co.

9025 N. Lindbergh Drive, Peoria, Ill. 61615; 309-692-1000

	1987	1986
Gross premiums	$28,821,618	$41,120,303
Non-admitted	$28,556,347	$41,096,616
Commercial risks	100%	100%
Net premiums	$12,832,927	$20,199,184
Paid-in capital	$4,100,000	$2,000,000
Capital & surplus	$13,589,388	$14,364,449
Employees	NA	NA
Combined ratio	73%	64.7%
Net income	$4,678,419	$10,070,805
Best's rating	B+	Not assigned

Year founded: 1979.
Parent company: RLI Insurance Co.
Specialties: Directors and officers, professional, general and limited products liability, capacity property, commercial umbrella.
Subsidiaries: RLI Insurance Ltd., Hamilton, Bermuda.
Approved, non-admitted in: 49 states, District of Columbia, Puerto Rico and U.S. Virgin Islands.
Admitted in: Delaware.
Principal officers: Gerald D. Stephens, president; R. Robert Leventry, executive vp; Jonathan E. Michael, vp/chief financial officer; Kim J. Hensey, corporate secretary; James E. Zogby, treasurer/assistant secretary.

National Fire & Marine Insurance Co.

3024 Harney St., Omaha, Neb. 68131; 402-536-3000

	1987	1986
Gross premiums	$131,293,548	$177,102,457
Non-admitted	$102,894,427	$130,987,017
Commercial risks	100%	100%
Net premiums	$67,187,709	$107,273,454
Paid-in capital	$2,500,000	$2,500,000
Capital & surplus	$437,162,313	$357,539,566
Employees	75	75
Combined ratio	69.6%	83.75%
Net income	$26,078,647	$42,683,873
Best's rating	A+	A+

Year founded: 1949.
Parent company: Berkshire Hathaway Inc.
Specialties: Commercial casualty, professional liability, commercial vehicles.
Subsidiaries: Redwood Fire & Casualty Insurance Co., Pasadena, Calif.
Approved, non-admitted in: 47 states and District of Columbia.
Admitted in: Nebraska and New Jersey.
Principal officers: Roland D. Miller, president; Donald F. Wurster, executive vp; William D. Lyons and Tyson T. Cross, vps; Robert D. O'Connell, treasurer.

Continued on next page

D'Acci has revolutionary zeal.



Companies. Her enthusiasm for her job is one reason why our commercial lines direct premiums written has increased 168% since 1983.

We also have an exceptional premium-to-surplus ratio of 1.2 to 1. But our greatest strength remains the spirit of our employees.



Our people insure our future.

Kemper National P&C Companies

©1988 Lumbermens Mutual Casualty Company

Continued from previous page

National Indemnity Co.

3024 Harney St., Omaha, Neb. 68131; 402-536-3000

	1987	1986
Gross premiums	$638,450,478	$871,651,310
Excess liability	10%	11%
Admitted	8%	10%
Net premiums	$488,690,405	$692,655,903
Paid-in capital	$5,500,000	$5,500,000
Capital & surplus	$1.4 billion	$1.1 billion
Total employees	411	417
Excess liability	29	3
Combined ratio	108.1%	104.3%
Net income	$73,150,000	$82,150,942
Best's rating	A+	A+

Year founded: 1940.
Parent company: Berkshire Hathaway Inc.
Specialties: Casualty, professional liability and commercial auto liability.
Subsidiaries: Continental Divide Insurance Co., Englewood, Colo.; Cornhusker Casualty Co., Omaha, Neb.; Kansas Fire & Casualty Co., Topeka, Kan.; National Indemnity Co. of Florida, St. Petersburg, Fla.; National Indemnity Co. of Minnesota, St. Paul, Minn.
Admitted in: District of Columbia and all states except Massachusetts, New Jersey and New York.
Approved, non-admitted in: Massachusetts, New Jersey and New York.
Principal officers: Roland D. Miller, president; Donald F. Wurster, executive vp; William D. Lyons and Tyson T. Cross, vps; Robert D. O'Connell, treasurer.

Nautilus Insurance Co.

7550 E. Redfield Road, Scottsdale, Ariz. 85260; 602-951-0905

	1987	1986
Gross premiums	$60,249,223	$37,624,368
Non-admitted	$59,493,699	$36,783,512
Commercial risks	99%	97.5%
Net premiums	$31,877,239	$21,313,527
Paid-in capital	$4,200,000	$4,200,000
Capital & surplus	$13,338,599	$10,867,614
Employees	64	46
Combined ratio	92.5%	87.1%
Net income	$2,930,027	($429,282)
Best's rating	A contingent	A contingent

Year founded: 1985.
Parent company: W.R. Berkley Corp.
Specialties: Excess liability, property and casualty, inland marine.
Approved non-admitted in: 49 states and District of Columbia
Admitted in: Arizona.
Principal officers: Michael Snead, president; Eugene Keating, executive vp/chief operating officer; Ken Lewin, vp-marketing; Ken Brundage, vp-claims; Doug Rutherford, vp-underwriting.

Northfield Insurance Co.

1295 Northland Drive, St. Paul, Minn. 55120-1139; 612-688-4303

	1987	1986
Gross premiums	$54,911,027	$52 441,104
Non-admitted	$54,911,027	$52 441,104
Commercial risks	100%	100%
Net premiums	$30,766,089	$32 282,400
Paid-in capital	$2,500,000	$2 500,000
Capital & surplus	$26,750,043	$13 818,955
Employees	197	179
Combined ratio	80.3%	77%
Net income	$4,741,124	$2 943,841
Best's rating	A+	A+

Year founded: 1973.
Parent company: Northland Group.
Specialties: Garage liability, general liability, property including inland marine, large lines primary liability, umbrella and excess liability, specialty liability.
Approved non-admitted in: 45 states and District of Columbia.
Admitted in: Delaware.
Principal officers: Gene G. Gopon, president; Jerome B. Simon, secretary; Austin Chapman, treasurer; D. William Elliott and David L. Pickard, senior vps.

Pacific Insurance Co.

4201 Wilshire Blvd., Los Angeles, Calif. 90010; 213-237-5411

	1987	1986
Gross premiums	$86,417,764	$89,889,776
Non-admitted	$57,453,739	$54,198,973
Commercial risks	75%	84%
Net premiums	$23,251,565	$18,653,041
Paid-in capital	$4,500,000	$2,000,000
Capital & surplus	$25,554,501	$26,261,658
Employees	197	190
Combined ratio	99.2%	111.3%
Net income	$488,057	$3,425,241
Best's rating	A+*	A+

* Contingent.
Year founded: 1978.
Parent company: Harbor Insurance Co.
Approved, non-admitted in: 48 states and District of Columbia.
Admitted in: California and New York.
Principal officers: Eugene L. Allen, chairman/president; Bryan S. Reid III, executive vp; George Surprenant and Edward J. McKinnon, senior vps; Wayne B. Tyler, vp.

Royal Surplus Lines Insurance Co.

628 Hebron Ave., Glastonbury, Conn. 06033; 704-522-2000

	1987	1986
Gross premiums	$16,881,759	$23,558,523
Non-admitted	$16,881,759	$23,498,523
Commercial risks	100%	100%
Net premiums	$4,039,429	$4,560,063
Paid-in capital	$2,500,000	$2,500,000
Capital & surplus	$35,539,815	$30,304,501
Employees	32	28
Combined ratio	61.4%	9.9%
Net income	$3,173,272	$4,354,000
Best's rating	A+	A+

Year founded: 1983.
Parent company: Royal Insurance Group.
Specialties: Substandard property and package, including restaurants, taverns, supermarkets, real estate and bowling alleys.
Approved non-admitted in: 40 states and District of Columbia.
Admitted in: Connecticut and New York.
Principal officers: George W. Ansbro, chairman/chief executive officer; William E. Buckley, president; Arthur F.S. Evans, executive vp; Joseph A. Bambury Jr., general counsel; John E. Amico, vp.
Contact: Royal Insurance, Surplus Lines Department, 150 William St., New York, N.Y. 10038.

Tudor Insurance Co.

91 Court St., Keane, N.H., 03431; 201-825-3300

	1987	1986
Gross premiums	$41,051,682	$40,094,640
Non-admitted	$34,985,058	$31,762,974
Commercial risks	85.2%	79.2%
Net premiums	$7,585,208	$9,733,797
Paid-in capital	$3,500,350	$2,000,000
Capital & surplus	$5,722,776	$5,011,763
Employees	147	134
Combined ratio	120.9%	58.3%
Net income	$363,172	$1,072,790
Best's rating	A contingent	A contingent

Year founded: 1979.
Parent company: Western World Insurance Co.
Specialties: Errors and omissions, manufacturers and contractors, and directors and officers liability; owners, landlords and tenants liability; professional liability including public officials.
Approved non-admitted in: 47 states, District of Columbia and Puerto Rico.
Admitted in: New Hampshire.
Principal officers: Derek Hughes, president/chief executive officer; Andrew S. Frazier, executive vp/chief operating officer; Robert J. Livingston, senior vp/treasurer; John C. Caruccio and Richard L. Smith, senior vps.

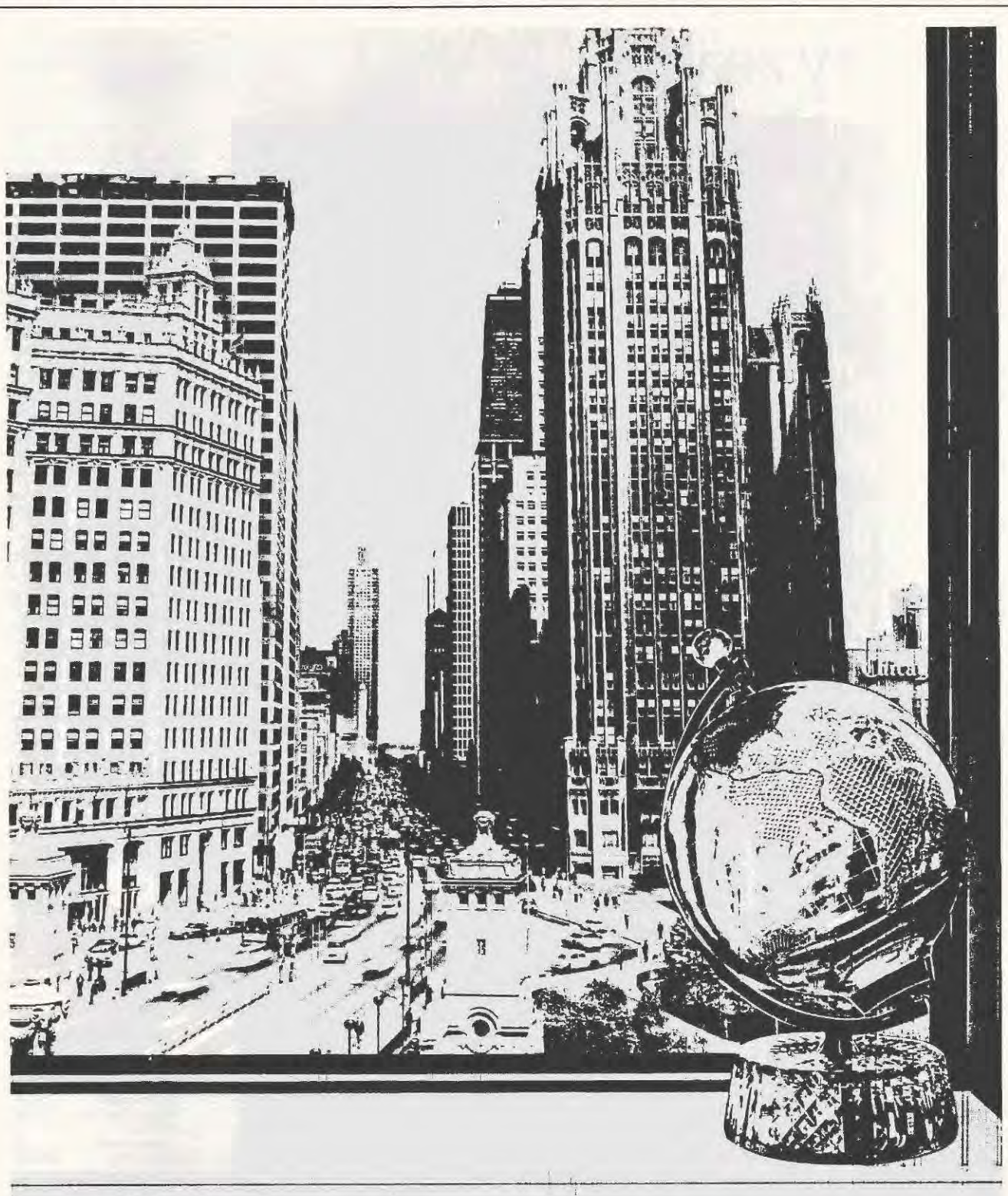
United Capitol Insurance Co.

1400 Lake Hearn Drive, Suite 130, Atlanta, Ga. 30319; 404-843-5599

	1987	1986
Gross premiums	$73,248,772	$25,214,502
Non-admitted	$71,419,345	$25,018,471
Commercial risks	97.5%	99.2%
Net premiums	$45,032,217	$17,223,210
Paid-in capital	$4,100,000	$1,500,000
Capital & surplus	$29,240,523	$27,577,755
Employees	36	31
Combined ratio	88.4%	111.3%
Net income	$4,923,483	$241,361
Best's rating	Not assigned	Not assigned

Year founded: 1986.
Parent company: United Capitol Holding Co.
Specialties: Product liability, contracting and servicing operations, general liability for asbestos abatement contractors, commercial property.
Approved non-admitted in: 48 states and District of Columbia.
Admitted in: Arizona and Wisconsin.

Continued on next page



Continued from previous page

Principal officers: Bruce A. Esselborn, president/chief executive officer; Mary Jane Robertson, senior vp/controller; Steve S. Zeitman, senior vp-excess casualty & specialty lines; Peggy H. Brown, vp-property; Gary S. Resman, vp-primary casualty.

United Coastal Insurance Co.

100 W. Washington St., Phoenix, Ariz. 85003; 203-560-1670

	1987	1986
Gross premiums..	$18,305,162	$10,610,104
Non-admitted..	$16,632,294	$9,383,889
Commercial risks.	90.9%	88.4%
Net premiums....	$18,305,162	$10,610,104
Paid-in capital...	$1,500,000	$1,500,000
Capital & surplus.	$21,126,394	$10,855,656
Employees.....	6	5
Combined ratio...	83.2%	83.7%
Net income.....	$1,306,155	$420,368
Best's rating.....	Not assigned	Not assigned

Year founded: 1985.

Parent company: United Coasts Corp.

Specialties: General liability, bodily injury, property damage, completed operations, asbestos abatement contractors.

Approved non-admitted in: District of Columbia and all states except Alabama, Arizona, Florida, Idaho, Maine, New Hampshire, Tennessee and Vermont.

Principal officers: Stuart A. Kessler, president/chairman; Henry W. Nozko Jr., executive vp/secretary; Harold D. Wirth, treasurer/chief financial officer; Alfred W. Charbonneau, assistant vp/underwriting manager; Donald J. Forte, assistant treasurer.

Western World Insurance Co.

91 Court St., Keane, New Hampshire, 03431; 201-825-3300

	1987	1986
Gross premiums..	$96,839,297	$131,653,596
Non-admitted..	$77,996,528	$112,383,896
Commercial risks.	80.5%	85.4%
Net premiums....	$60,858,676	$77,368,259
Paid-in capital...	$3,500,000	$1,549,500
Capital & surplus.	$35,102,653	$33,877,421
Employees.....	147	134
Combined ratio...	103%	102.3%
Net income.....	$5,673,605	$4,195,578
Best's rating.....	A contingent	A contingent

Year founded: 1964.

Parent company: Westco Holding Co.

Specialties: Professional liability, institutional medical malpractice, manufacturers and contractors, owners, landlords and tenants liability.

Subsidiaries: Stratford Insurance Co. and Tudor Insurance Co., Keane, N.H.

Approved non-admitted in: 48 states, District of Columbia and Puerto Rico.

Admitted in: New Hampshire and New York.

Principal officers: Derek Hughes, president/chief executive officer; Andrew S. Frazier, executive vp/chief operating officer; Robert J. Livingston, senior vp/treasurer; John C. Caruccio and Richard L. Smith, senior vps. ■

From The Reprint Department Of:

Business Insurance

Reporting weekly for corporate risk, employee benefit and financial executives

Reprints/Permission

If you want copies of articles appearing in BI to distribute at corporate or industry meetings, or for promotional mailings — or permission to produce your own reprints — contact the BI Reprint Dept. We've expanded to provide you with fast, low-cost service. (Minimum print order is 100 copies.) Call or write:

REPRINT DEPARTMENT
Business Insurance
220 East 42nd Street
New York, NY 10017
(212)210-0229.

Article Photocopies

If you missed an article in BI and would like a photocopy — send your request along with $3.00 per copy / per article and a self-addressed envelope to the BI Reprint Dept. Please specify issue date and headline of article. Only pre-paid written requests will be fulfilled.

Issue Sales

For a copy(s) of any back issue of *Business Insurance*, contact Single Copy Sales. Call (313)446-1609.

Carnegie
INSURANCE SERVICE CORPORATION

HAPSLO

AAMGA

MANAGING GENERAL AGENTS/EXCESS SURPLUS LINES BROKER

SPECIAL PROGRAMS

- LIQUOR LIABILITY
- AUTO REPOSSESSORS
- TAXIS/LIMOUSINES
- RESTAURANT/BAR/TAVERN PKG.
- CONTINGENT AUTO LIABILITY
- DUMP TRUCKS/TOW TRUCKS

BEST'S RATED CARRIERS

OTHER FACILITIES

- PRODUCTS LIABILITY
- GENERAL LIABILITY
- GARAGE LIABILITY
- EXCESS BUFFER LAYERS

Serving AGENTS IN FL, ILL, IND, IA, KA, MO, NE, OH

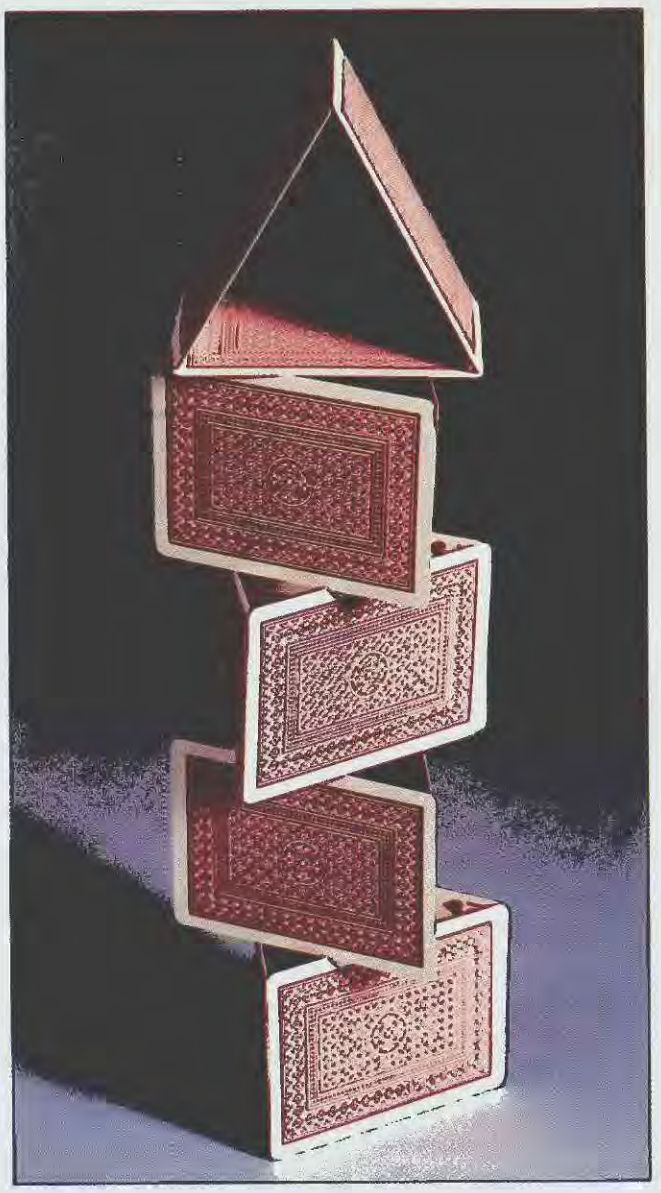
SOME PROGRAMS AVAILABLE IN ALL STATES

Carnegie
INSURANCE SERVICE CORPORATION
17700 BROADWAY, CLEVELAND, OHIO 44146
216-439-5555 FAX 216-439-5551

CHICAGO, ILL.
175 WEST JACKSON, SUITE 1516, 60604
312-786-1193 FAX 312-786-0709

MERRILLVILLE, IND.
8315 VIRGINIA, SUITE G, 46410
219-769-5188 FAX 219-736-9317

COLUMBUS, OH
1460 WEST LANE, 43221
614-486-5235 FAX 614-486-5237



Will your catastrophe reinsurance program stand up to hurricanes, tornadoes and earthquakes?

An effective catastrophe reinsurance program needs a solid foundation. This foundation is a thorough understanding of your Company's catastrophe exposure. And that's what makes CATALYST® so valuable.

CATALYST, only from E.W. Blanch Co., can estimate the frequency as well as severity of losses due to hurricanes and tornadoes. Now CATALYST can also analyze your exposure to California earthquakes. With these analyses, E.W. Blanch Co. brokers can help you design a cost-effective catastrophe reinsurance program with appropriate retention, limit and coverage features.

That is why with CATALYST as the foundation of your catastrophe program and E.W. Blanch Co.'s access to worldwide markets, you do not have to sacrifice program effectiveness for capacity.

E.W. Blanch Co., 3500 West 80th Street, Minneapolis, MN 55431 (612) 835-3310.

E. W. BLANCH CO.

© E.W. Blanch Co. 1988

Chicago Hartford New York San Francisco Copenhagen London

Swett again ranks as largest wholesaler

Swett & Crawford Group

3699 Wilshire Blvd., Los Angeles, Calif. 90010; 213-251-1200

	1987	1986
Premium volume	$642,753,000	$683,836,000
Gross revenues	$58,356,000	$62,515,000
Employees	776	749
Commercial lines	100%	100%
Admitted business	60%	60%
Non-admitted	40%	40%

While other wholesale brokers are reeling from the soft property/casualty insurance market, Los Angeles-based Swett & Crawford Group is feeling less of a sting, its executives say.

For the fifth consecutive year, the broker retains its first place ranking in the annual *Business Insurance* review of the 10 largest U.S. wholesalers, even though it reported a 6% decline in 1987 premium volume and a 6.7% decline in 1987 gross revenues. Swett's 1987 premium volume of $642.8 million still was more than $250 million greater than the second-largest wholesale brokerage, Willis Faber Holdings Inc.

Swett attributes its better-than-average results to the development of specialized insurance programs for clients.

In addition to improving on 1987 results, Swett also faces the challenge of synthesizing the specialties and services of various brokerage and underwriting units now that its parent—The St. Paul Cos. Inc.—has announced a realignment of its wholesale brokerage operations, Swett executives say.

'The real downturn in the market started to make itself evident to us in mid-1987. By the third quarter we were obviously in an environment that was going to keep falling very rapidly,' Executive Vp John R. Hartman says.

After acquiring Lloyd's of London brokerage Minet Holdings P.L.C. earlier this year, St. Paul created Minet Specialty Management to oversee Swett & Crawford Group as well as Minet's U.S. wholesale subsidiaries, Bowes & Co. and Minet International Professional Indemnity Ltd. (*BI*, May 2).


Mr. Hartman

In 1987, "our premium volume decline was directly related to the softening in the insurance marketplace. But, I think we outperformed the rest of what we call the excess/surplus lines industry," said John R. Hartman, executive vp of Swett.

Swett's 1987 premium volume of $642.8 million compares with $683.8 million in 1986. In addition, gross revenues fell 6.7% to $58.4 million last year from $62.5 million in 1986.

"These results were on target with what we guessed they would be because we did expect there would be softening in 1987. However, our concern is more with coping with the environment we've got rather than with predicting" when more favorable market conditions will appear, Mr. Hartman said.

To that end, Swett is concentrating on developing individualized insurance programs for certain clients, Mr. Hartman said.

"One of the things we find is that when we go out of a tight insurance market, we tend to become more niche-oriented. Clients are more interested in looking at special programs rather than a particular type of insurance product," he explained.

"The new buzzword is 'niche-playing,' " said Swett & Crawford Group President Joseph L. Fox.

Among the new programs offered by the wholesaler are a broad commercial general liability coverage program for swimming pool management associations and swimming clubs. The coverage offers limits of $1 million per occurrence and annual aggregate to three categories of policyholders: apartment buildings, hotels and motels that have seasonal pools; homeowners associations for properties that have seasonal pools; and apartment buildings, hotels and motels that have swimming pools in use year-round.

In addition, Swett developed a package that covers physical damage to automobile dealer inventories financed through banks. The package offers limits of $15 million per location. The coverage is sold to banks financing dealers' inventories and both the bank and dealer are named policyholders on the policy.

Swett also developed a general liability insurance program for members of the American Blood Resources Assn. that covers product liability, professional liability and personal injury. Members of ABRA are organizations involved in taking plasma from donors and selling it to pharmaceutical firms.

The program offers per occurrence and combined per occurrence and annual aggregate limits of $500,000, $1 million or $3 million. The program does not cover claims related to acquired immune deficiency syndrome.

Along with these activities, Swett also has made a commitment to training and educating its brokerage employees by developing an in-house program called "Swett University."

Introduced earlier this year, Swett University includes a three-day, three-part course that is intended to improve the brokerage skills of Swett's 200 or so professional brokers, explained Nancy L. Oblinger, senior vp with Swett.

The program is a "floating campus" that is available to brokers in Swett locations through the country. "Our intent was to put together a professional development program for employees that wasn't an off-the-shelf kind of program. Swett University includes programs that are very pertinent to the needs of Swett brokers and one of the main teachers is an active Swett broker," Ms. Oblinger said.

Despite the current market conditions and the effects on revenues, "Swett University is one of the only areas where we have spent new money. Even though we have to be more prudent, a key area of concern at Swett has always been the retention of quality people," Mr. Hartman said.

About 180 brokers have gone through the first Swett University courses and the "reception of the program has been incredible," said Mr. Fox.

And, to cope with the pressure on profits exerted by falling prices, Swett has embarked on a campaign to reduce expenses.

"The real downturn in the market started to make itself evident to us in mid-1987. By the third quarter we were obviously in an environment that was going to keep falling very rapidly. So, we determined that we had to do something about our overhead," Mr. Hartman explained.

In the fourth quarter of 1987, Swett consolidated the seven or so accounting and data processing offices operated by its various brokerage and underwriting units into three service centers located in Stockton, Calif.; Minneapolis and Ardmore, Pa. This helped reduce overhead by some 40%, he said.

Swett & Crawford Group, which is composed of nine brokerage and underwriting subsidiaries, began forming when St. Paul acquired Swett & Crawford in 1981. Then, in 1985, Mr. Fox was recruited to help create a national wholesale network through acquisitions of regional wholesalers.


Mr. Fox

Today, the group consists of:

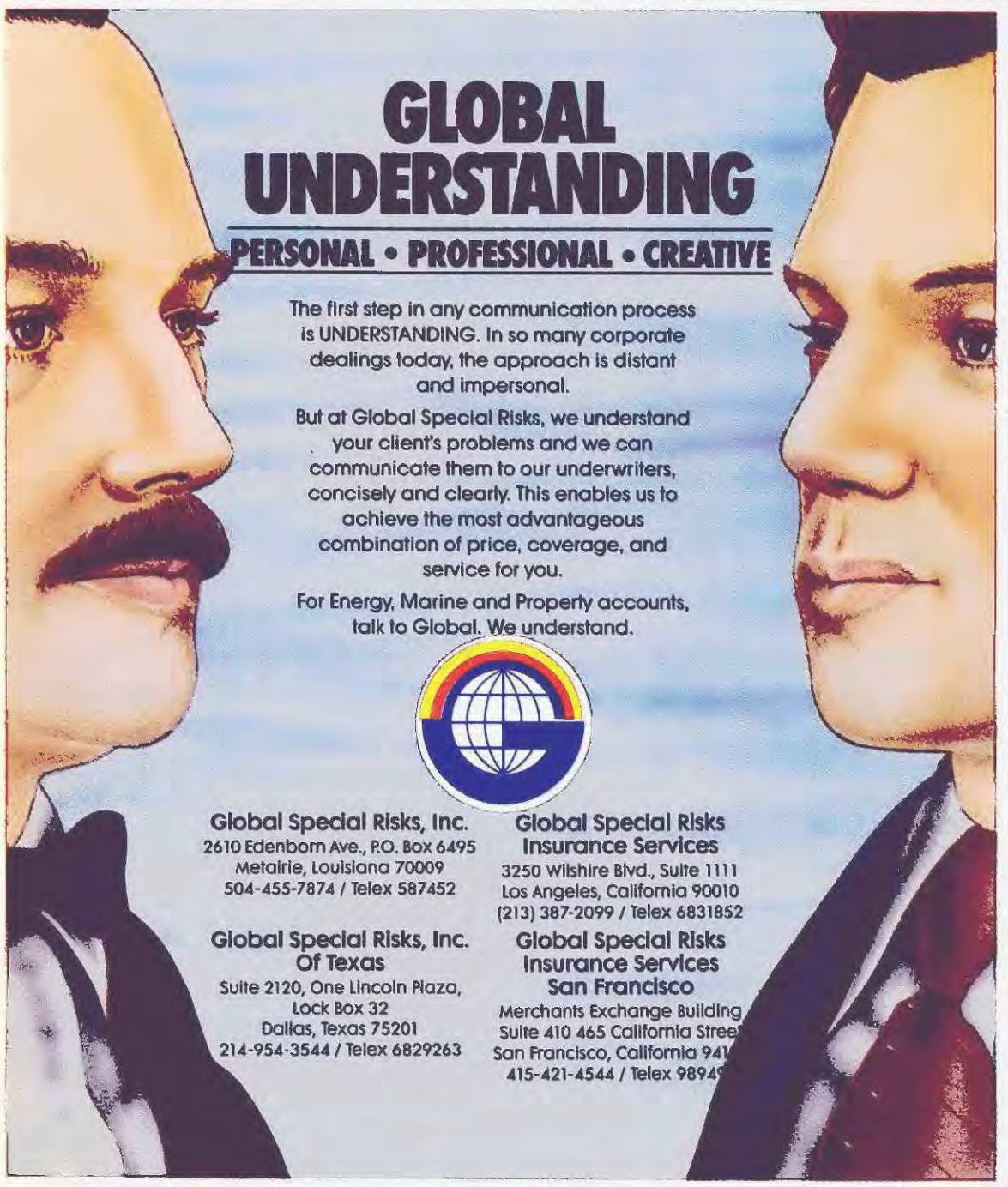
- Swett & Crawford, a Los Angeles-based unit that places a broad range of property and casualty coverages. It specializes in placing directors and officers liability insurance.
- John H. Crowther Inc. of Minneapolis, which specializes in commercial automobile and financial services liability coverages, along with liquor liability coverage in Minnesota.
- Montgomery General Agency in Ardmore, Pa., known for primary product liability, general liability and large industrial property placements.
- Fort Hill Insurance Agency in Boston, which specializes in commercial automobile coverage and errors and omissions coverages.
- IWest Insurance Managers in Stockton, Calif., which offers public officials liability coverage and binds commercial umbrella coverage with St. Paul Surplus Lines Insurance Co.
- Dana Roehrig & Associates of St. Petersburg, Fla., which is known for placing excess liability and commercial auto coverage for small to medium-sized clients. Roehrig also has general liability binding authority for some markets, including American Empire Surplus Lines Insurance Co. of Cincinnati.
- Robert S. Martin in Detroit, a general wholesale broker and underwriting manager.
- SFO Inc. in Kansas City, Kan., a specialty wholesaler that places coverage for bowling centers and supermarkets.
- Bowes & Co., a Chicago-based wholesaler owned by Minet.

While each of these units is known for a particular specialty, Swett is now stressing the abilities of the entire group.

"Each of these groups really represents what the total resources and abilities of the whole Swett & Crawford group really are. So, there's less name identification with specialities than ever," said Ms. Oblinger.

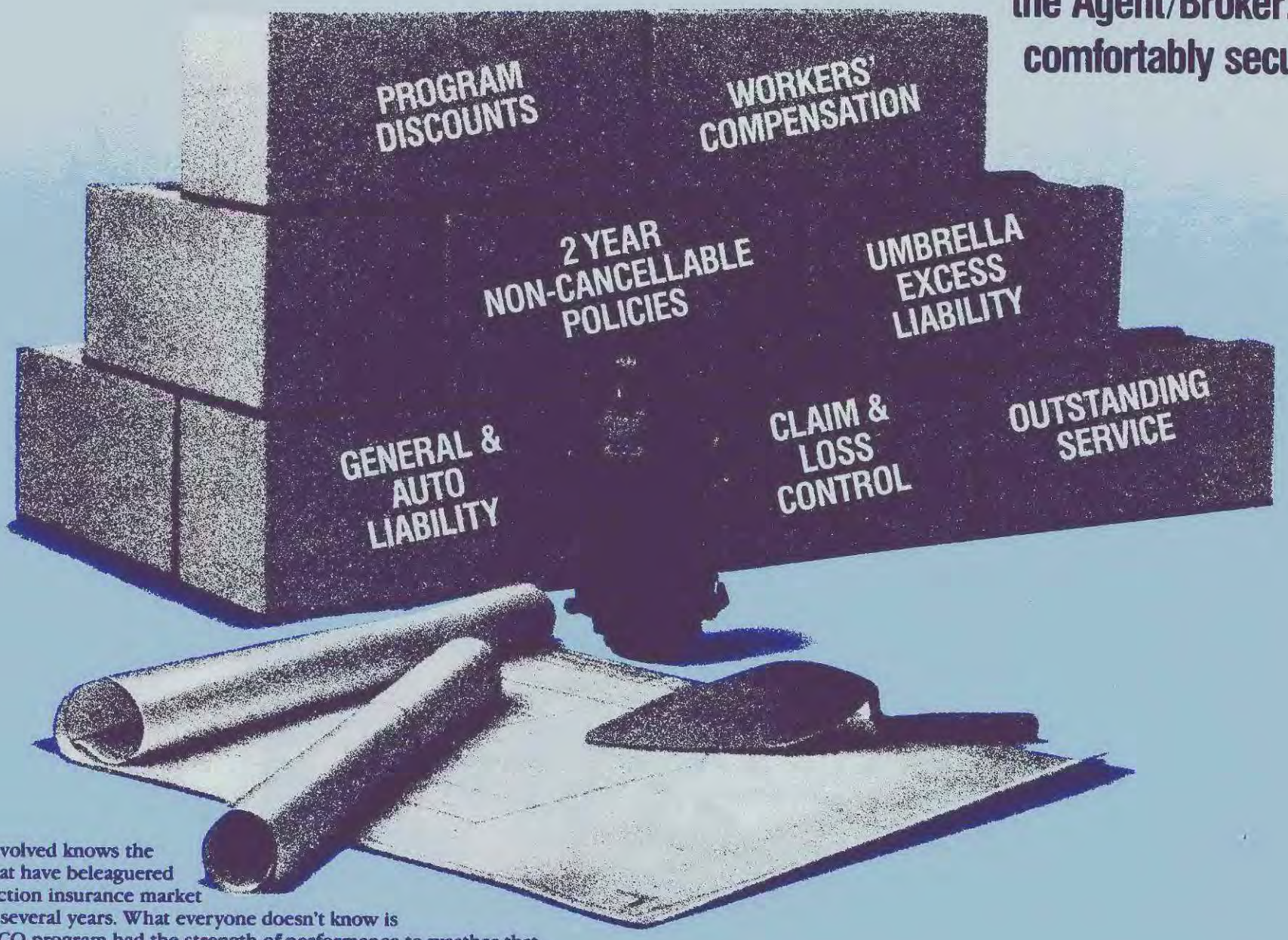
Continued on page 46

TOM MOSS — President
TENCO SERVICES, INC.
GENERAL ADJUSTERS AND SURVEYORS
HOME OFFICE: 28 WHITE BRIDGE ROAD • NASHVILLE, TN 37205
615-353-0791 • 1-800-621-1313 • 1-800-421-5419 (TN) • TLX: 786546 • FAX: 615-353-0798
PERSONAL AND PROMPT CLAIMS SERVICE FOR DOMESTIC AND OVERSEAS PRINCIPALS AND SELF-INSUREDS
• PROPERTY • CASUALTY • MALPRACTICE •
• WORKER'S COMP • LONG SHORE AND HARBOR WORKERS •
• JONES ACT • FIDELITY BONDS • CARGO • REINSURANCE AUDITS •
• ASBESTOSIS • ENVIRONMENTAL INVESTIGATIONS •
• TRUCK PHYSICAL DAMAGE/LIABILITY • ANIMAL MORTALITY •
AAMGA
■ GEORGIA ■ TENNESSEE ■



CISCO HAS BUILT A GREAT CONSTRUCTION INSURANCE PROGRAM

Engineered to make the Agent/Broker... comfortably secure



Everyone involved knows the problems that have beleaguered the construction insurance market for the past several years. What everyone doesn't know is that the CISCO program had the strength of performance to weather that period and emerge as the flagship of comprehensive construction insurance programs.

The professionals at CISCO have worked long and hard developing this program. A program that not only provides broad coverage and stable pricing but...a TWO YEAR renewal guarantee. And...a program that boasts a proven track record for over 3 years.

WORKING CLOSELY WITH AGENTS/BROKERS...NOT REPLACING THEM

As Program Managers, CISCO works closely with contractor's agent or broker. This ensures, among many things, a close liason between the policyholder, the agent/broker and the underwriter. Also, CISCO conducts an in-depth analysis of all submissions for eligibility in keeping with underwriting criteria.

THE PROGRAM SUMMARIZED

Workers' Compensation

Workers' Compensation written selectively on guaranteed cost, deviations, dividend and retention plans.

General Liability, Automobile Liability and Physical Damage

1. Each contractor is subject to individual underwriting and rating sensitive to the contractor's exposure and loss experience.
2. General and Automobile Liability and Physical Damage policies are issued including a TWO YEAR non-cancellable clause.
3. The non-cancellable provision also provides a renewal premium, *rate guarantee formula, based upon the individual experience of the contractor.*

Umbrella and Excess Liability

First and Excess Layer Umbrella capacity utilizing domestic and international markets.

Wrap Up Programs

Primary and excess markets for term of project including...total service package... individual policy issuance...Claim and Loss Control...statistical data... for Wrap Up participants.

KEY SERVICES PROVIDED

Underwriting/Service

1. Provide underwriting evaluation, guidelines and loss analysis.
2. Issuance of policies, endorsements and certificates of insurance and collection of premiums.

Claim Control

Monitor specialized Claim Service to ensure quality handling...submit an analysis of claims to each participant.

Cost-of-Risk Management

Provide the policyholder with up-to-date loss information.

Loss Control

1. Review services provided by insurance companies Loss Control operations.
2. Design a Loss Control schedule of service, sensitive to the contractors exposure and needs.
3. Ongoing review of accident experience to measure effectiveness of Loss Control activities and the need for remedial action.

To find out how this great program is in serving the needs of contractors and...if you're serious about establishing a relationship that provides long-term stability in coverage and pricing, call TOLL FREE **1-800-HI-CISCO.**
FAX: 516 294 5826

CISCO

QUALITY + LONG TERM PROTECTION

Construction Industry Services Corp.
120 Mineola Blvd., Mineola, NY 11501

Continued from page 44

In addition, the merging of offices in cities with more than one Swett & Crawford Group unit also has blurred distinctions between the nine units, Mr. Hartman said. Swett now has 41 offices in 29 states, down from 50 offices in 1986.

Headcount, meanwhile, grew 3.6% to 776 employees in 1987, up from 749 in 1986.

While Swett's business in 1987 came from the same retail broker sources, "our mix of renewal and new business has changed, with the trend definitely toward new business," Mr. Hartman said. He attributes the switch to the fact that some of Swett's accounts renewed in the admitted market, now that there is greater availability and affordability of insurance.

Of its 1987 premium volume, 100% was generated by commercial lines business. Swett placed 60% of premiums with admitted insurers, unchanged from 1986.

Swett places business for a wide variety of retail brokers, which 'range from the alphabets all the way down to the small retailers. It's hard to say that any one group is more important to us than any other,' explains Mr. Fox.

Swett places business for a wide variety of retail brokers, which "range from the alphabets all the way down to the small retailers. It's hard to say that any one group is more important to us than any other," explained Mr. Fox.

The top markets with which Swett placed business in 1987 were: Admiral Insurance Co.; American Empire Surplus Lines Insurance Co.; Canal Insurance Co.; CIGNA Corp.; First State Insurance Co.; General Star Indemnity Co.; Home Insurance Co.; Harbor Insurance Co.; Industrial Underwriters Insurance Co.; Lloyd's of London syndicates; Northland Insurance Co ; Scottsdale Insurance Co.; St. Paul Surplus Lines Insurance Co.; Transcontinental Insurance Co.; and Western World Insurance Co.

Swett's markets are offering sufficient capacity to meet the needs of most clients, Swett executives said.

"Capacity, except for a very limited number of special risks, is not an issue," Mr. Hartman said.

An example of the increased capacity available today is a hotel chain for which Swett placed coverage.

"In 1987, it took us 12 markets to be able to place $50 million in coverage. In 1988, it took us only four markets to place the same amount of coverage," he said.

In addition, the premium on a $10 million excess of $10 million layer of coverage for the hotel chain dropped to $50,000 in 1988 from $600,000 in 1987, he said, adding that competition remains fierce in the admitted market and is heating up in the surplus lines market.

However, he added, "We think that the consensus within Swett is that the surplus lines markets that we do business with have been far more disciplined than the market overall. I think it's fair to say that specialty lines markets have been less competitive on price than has the remainder of the insurance market."

An example of swings in pricing is a primary general liability coverage Swett placed for a mobile home manufacturer. In 1986, the company paid $550,000 for the policy. In 1987, the premium for the same coverage dropped to $375,000 and in 1988 it was priced at $165,000 for the same coverage, he said.

And, price competition has caused some accounts to jump back to the admitted markets at renewal time, Mr. Hartman said.

For example, a small general contractor purchased general liability coverage placed by Swett in the surplus lines market in 1987 for $31,500. In 1988, the same surplus lines insurer quoted a premium of $47,000, given that the policyholder had twice as much in revenues as in the previous year. The contractor instead was able to purchase from an admitted insurer a package policy that includes property and casualty coverage, for a premium of $11,000, Mr. Hartman said.

Currently, Swett is not experiencing difficulty in placing coverages, "the problem is getting the business so that we can place it," he explained.

Swett executives also say that its attachment point—or the layer the wholesaler is engaged to place for a client—is much higher, resulting in lower premium volume for Swett.

For example, in 1987 Swett placed a $20 million layer excess of $5 million for a small property owner, for a premium of $115,000. In 1988, Swett was engaged to renew for the same account, but for a layer of $5 million excess of $20 million, for a premium of $25,000, Ms. Oblinger explained.

Swett sees its major competition —both now and in the future— coming from other large national wholesale brokers that have developed specialty products, the executives said.

In addition, "we are seeing new competition from the continued emergence of risk retention groups offering coverage in the particular specialty areas we offer" such as directors and officers and other professional liability coverages, Mr. Hartman said.

However, the recent acquisition of Minet Holdings by St. Paul and the subsequent reorganization of the insurer's brokerage operations is a positive change for Swett, Mr. Hartman said.

With Mr. Fox's retirement scheduled for year-end, "the decision was made to accelerate the blending of the Swett & Crawford Group into the other brokerage operations that are now owned by The St. Paul Cos. So, we became part of a line of Minet Holdings," he explained.

St. Paul formed a New York-based management unit, Minet Specialty Management, to oversee the U.S. wholesale brokerage operations of Swett & Crawford Group, and Minet subsidiaries Bowes & Co. and Minet International Professional Indemnity Ltd. Peter S. Christie, who also is chairman and chief executive of Minet International Professional Indemnity, was named president of Minet Specialty Management.

While the daily operations of Swett are managed by Mr. Hartman, other members of Swett's management committee are Mr. Fox, president; Mr. Christie, who will be acting chief executive officer until a replacement for Mr. Fox is named; Raymond J. White, president of Bowes Holdings Inc.; W. Robert Jones and Warren S. Stanley, executive vps; and P. Kenneth Nitz, senior vp of Swett & Crawford Group's National Marketing division.

Swett & Crawford Group is a member of both NAPSLO and AAMGA.

—By Donna DiBlase

SECURITY WITH

- Abstracters, Title Insurance Agents and Escrow Agents Professional Liability*
- Dentists Professional Liability Coverage
- Directors and Officers Liability Coverage
- Educators Liability Coverage* (Colleges and Universities)
- Lawyers Professional Liability Coverage
- Miscellaneous Professional Liability Coverage
  answering services, claims adjusters and examiners, collection agencies, credit bureaus, land surveyors*, mortgage brokers, property managers, residential housing inspectors*
- Public Officials Coverage*
- Real Estate Agents E & O*
- Travel Agents Professional Liability Coverage

NACS

* *These products are available through specific agencies.*

NACS is an Excess & Surplus Lines carrier in most states and an admitted carrier in several states.

Presently not available in all jurisdictions.

North Atlantic Casualty and Surety Insurance Company, Inc.

WE HAVE THE PROFESSIONAL LIABILITY PRODUCT YOU NEED.
FOR MORE INFORMATION CALL OR WRITE TODAY.

NACS
P.O. Box 6056
Indianapolis, Indiana 46206-6056

JUDY BALES
(317)634-7578

SO MAYBE SOME PEOPLE DO KNOW MORE ABOUT RISK THAN WE DO.



Dixon Crossing Niagara, 1890

At Montgomery and Collins, we consider ourselves somewhat of an authority on how to handle risks.

And why shouldn't we?

In our more than 50 years in the E&S business, we've helped place insurance for nearly every risk under the sun. (As well as a few orbiting around the sun.)

From mammoth-sized to minuscule. Banal to bizarre. And since no two risks are created equal, neither are their coverages. Which is why we work with over 40 different E&S specialty companies. All well-established. All over the world. Solving problems with common risks. As well as complex risks.

Without incurring an additional risk: Wasted time for you and your clients.

So when it comes to marketing a risk, why take a risk?

Talk to the people who are bound to know more about it.

Than almost anyone.

Montgomery and Collins, Inc.

a CIGNA company

Willis Faber Holdings Inc.

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

	1987	1986
Premium volume	$383,000,000	$511,000,000
Gross revenues	NA	NA
Employees	220	250
Commercial lines	100%	100%
Admitted business	33%	21%
Non-admitted	67%	79%

Stewart Smith Holdings has both a new name and a new subsidiary these days.

Last month, the company changed its name to Willis Faber Holdings Inc. to reflect the 1987 acquisition of its parent company, Stewart Wrightson Holdings P.L.C., by Willis Faber P.L.C., the second-largest British broker.

And, Willis Faber Holdings is bringing under its umbrella surplus lines broker McAlear Associates Inc., a Grand Rapids, Mich.-based subsidiary that has been owned by Willis Faber for 18 months (*BI*, Jan. 19, 1987).

Thomas S. Bloom, McAlear's president, will retain that position as well as assume the presidency of Chicago-based Stewart Smith Mid America Inc., a subsidiary of Willis Faber Holdings. Mr. Bloom will commute between Grand Rapids and Chicago.

"Each office will continue to operate autonomously" and will keep its name, Mr. Bloom said.

He noted that McAlear, which also has an branch office in Overland Park, Kan., places relatively less aviation and directors and officers liability insurance but more casualty business than the old Stewart Smith.

The old Stewart Smith also places more of its business in London.


Mr. Bloom

But, essentially, "We write all the same things—it's just a little difference on the emphasis," Mr. Bloom explained.

He noted that for McAlear, "The only issue was whether we reported to London or to New York," he said. It was "more logical" for McAlear to report to New York, he said. "There really isn't any significant change in operation or philosophy."

Another U.S.-based Willis Faber P.L.C. surplus lines brokerage subsidiary, Global Special Risks Inc. in San Francisco, which is 80% owned by the British broker and 20% owned by its own management, remains independent, reporting to London, said Willis Faber Holdings Chairman Patrick J. Osborn.

Global, which specializes in energy business, places its business exclusively with Lloyd's of London underwriters, Mr. Bloom said.

Combining Stewart Smith and McAlear, however, has not meant an escape from the impact of the softening market. Together, the firms posted $383 million in premium volume last year, down 25% from $511 million in 1986, including McAlear's 1986 premiums of $110.2 million.

However, 1986 premium volume for the old Stewart Smith also was boosted 15%-20% by the purchase of two surplus lines brokers: Major Surplus Holdings of New York and S.L. Alexander Inc. of Los Angeles (*BI*, Aug. 10, 1987).

The softening trend continued to be felt in the first six months of 1988. Willis Faber Holdings, including McAlear, reported combined premiums of $164 million, down 19.2% from $203 million for the comparable period in 1987.

Willis Faber Holdings does not release its gross revenues. However, *BI* estimates $23.9 million in gross revenues for the company in 1987, including McAlear, or about 6.25% of premiums, compared with combined revenues for the two companies of $34 million, or about 6.6% of premiums, in 1986.

McAlear alone reported $7.3 million in 1987 gross revenues, down 26.5% from $9.9 million in 1986.

The softening market also has caused a shift in the proportion of admitted to non-admitted business the brokerage placed. The combined company placed 67% of its business with non-admitted insurers in 1987, compared with 79% in 1986.

Excluding McAlear, Willis Faber Holdings placed 60% of its business with non-admitted insurers compared with 75% in 1986.

McAlear placed 80% of its business with non-admitted insurers in 1987 compared with 83% in 1986.

More business is placed with admitted insurers whenever the market softens, Mr. Bloom explained. "That's the trend I expect you would find with all the surplus lines wholesalers," he said.


Mr. Osborne

Meanwhile, aviation, directors and officers liability and errors and omissions coverages remain Willis Faber Holdings specialties.

Referring to the broker's aviation business, Mr. Osborn said: "I think it will be true to say we still do a substantial amount of volume, (but) that it's well known that rates are dropping as much in the aviation business as they are in the surplus lines business." Mr. Osborn said he has heard of reductions in aviation rates by as much as 50%.

The U.S. brokerage's aviation business has not been affected by any of the staff turmoil at its London parent, Mr. Osborn said. Defections of former Stewart Wrightson employees from Willis Faber in London include 30 people from its aviation brokerage division, who took 15 airline accounts with them.

"We're probably doing more property business than we were," although "we started from a fairly low base," Mr. Osborn observed.

While there has been a general increase in property business, Willis Faber Holdings's West Coast office in particular has seen property business increase. "That's the office where there's really been a substantial business" in property lines, Mr. Osborn said.

And, the broker's Dallas office has put together a national program for long-haul and short-haul trucking for one exclusive agent, said Mr. Bloom.

Mr. Osborn also noted there is continuing demand for Willis Faber Holdings' exclusive asbestos removal liability facility in the London market for both demolition contractors and asbestos abatement companies (*BI*, Aug. 10, 1987).

However, an E&O product for asbestos abatement industry consultants and planners "has not really taken off," Mr. Osborn noted.

Another product that would have covered gaps in coverage that could develop as a result of clients switching back to an occurrence policy from a claims-made form "never got off the ground," he said. Insurers "wanted very high terms."

Willis Faber Holdings also had planned to offer an executive compensation product that insured executives' "golden parachutes" in the event the termination benefits were successfully challenged in court. This proved difficult to market, however, because of the Securities and Exchange Commission's "negative attitude" toward it, he said.

Meanwhile, the degree of softening in the market has taken Willis Faber Holdings by surprise. "I think there's been a bigger drop in premiums for individual risks than we had anticipated," Mr. Osborn said.

"It's gotten softer faster than most of us had anticipated, and there's no immediate change in the foreseeable future, unfortunately," he added.

Mr. Bloom also noted that primary insurers are now insuring excess layers at competitive prices themselves rather than leaving it to the E&S market to insure. "They're keeping more of it themselves."

There is no trouble placing E&S business "if we get the opportunity," he said. "The only trouble is getting the order on it because of increased competition."

Mr. Osborn said he has heard of two cases in just the last two weeks in which the premiums for renewing policies that provided the same limits and coverage as the expiring policies were slashed by two-thirds.

Continued on next page

Certain assets of
KAINE & McAULIFFE
INSURANCE BROKERS
San Francisco, California

have been acquired by

CORROON & BLACK
Corporation

the undersigned initiated this transaction and acted as advisor to Kaine & McAuliffe Insurance Brokers

You have only one opportunity to sell your business.
Just as you advise your clients not to try to
place their insurance themselves,
you shouldn't try to handle the
sale of your business yourself.
After all, in selling your business,
a mistake you make is permanent.
**You know the business of selling insurance,
we know the selling of insurance businesses.**

RUSSELL MILLER, INC.
Specialists for the insurance industry

*300 Montgomery Street
San Francisco, CA 94104
(415) 956-7474*

New York *London*

New from Brownyard

We've just taken the "bugs" out of insurance for exterminators!



...AND WE INVITE AGENTS AND BROKERS TO WORK WITH US TO COMPETE FOR THIS BUSINESS WITH THIS UNIQUE BROWNYARD PLAN!

It features:
- Liability written on an Occurrence basis
- Warranty Coverage
- Sudden & Accidental Pollution Liability
- Care, Custody & Control Coverage
- No deductibles
- Contractual Coverage (For Assumed Liability)
- Personal Injury (Invasion of Privacy, etc.)
- Advertising Liability
- Medical Payments
- Umbrella Liability to $4 million

Plus—you gain the professionalism of The Brownyard Group. For full information and applications, call or write today.

We Take On The Tough Ones

BROWNYARD BROTHERS
20 Fourth Avenue, Bay Shore, N.Y. 11706-9838
800-645-5820 (In NY 516-666-5050) · Fax: (516) 666-5723

Continued from previous page

"The market is rife with horror stories," Mr. Bloom said.

Willis Faber Holdings tends to focus its marketing efforts on the small to medium-sized brokers that are below the top 10 or 15, according to Mr. Osborn. "We still do business with all the major brokers, and our biggest share of business is with one of the alphabet houses. However, as an overall percentage, it has decreased from last year," he said.

The business that Willis Faber Holdings continues to place for alphabet brokers does not tend to be of any particular type, Mr. Osborn noted. "I would say it's a broad spread of business."

While Johnson & Higgins owns 5% of Willis Faber Holdings's London parent, "I wouldn't say there's been any significant increase" at this stage in the amount of business Willis Faber Holdings does with J&H, Mr. Osborn said.

Almost 90% of Willis Faber Holdings' business is placed as a broker, with a variety of markets. "The biggest market of all, by a long shot, is London," where about 20%-25% of Willis Faber Holdings's business is placed, Mr. Osborn said.

Other markets used by the brokerage on a national basis include: First State Insurance Co.; Columbia Casualty Co.; California Union Insurance Co.; Admiral Insurance Co.; Harbor Insurance Co.; Lexington Insurance Co.; St. Paul Surplus Lines Insurance Co.; Crum & Forster Inc. units; and General Star Indemnity Co.

Willis Faber Holdings alone generated 7.5% of its premiums from managing general agent business, while McAlear alone generated 20% of its premiums from MGA business. Combined, MGA business accounted for 12.5% of premiums.

Special Program Management acts as an MGA for two Willis Faber Holdings insurance companies. It places D&O liability insurance and pension fund manager's liability insurance with Los Angeles-based Associated International Insurance Co. It also acts as an MGA for D&O insurance for non-profit institutions for New York-based Calvert Insurance Co. Willis Faber Holdings produces about 20% of the business accepted by the two insurers.

Willis, Faber Holdings' MGA business also includes various business written from its Dallas office on behalf of Constitution State Insurance Co. of Hartford, Conn., and railroad protective insurance written on behalf of Lloyd's syndicates.

The biggest single chunk of McAlear's non-brokerage business is $8 million in liquor liability insurance in Michigan that it writes as an MGA on behalf of Columbia Casualty, Mr. Bloom said.

Besides Stewart Smith Mid America and Major Surplus, other Willis Faber Holdings subsidiaries are Stewart Smith East in New York; Stewart Smith West in Los Angeles; and Stewart Smith Southwest in Dallas. The names of these subsidiaries have not been changed.

Aside from McAlear headquarters in Grand Rapids, the firm has offices in San Francisco and Sacramento, Calif; Philadelphia; Pittsburgh; Cedar Knolls, N.J.; Chicago; Prescott, Ariz.; and Overland Park, Kan. A Boston office was closed during the past year.

Mr. Osborn plans to retire at the end of the year.

Other principal officers include John R. Rogers, chief financial officer. Jeremy D. Cooke heads Stewart Smith East, while Eugene Eisenmann heads Stewart Smith Southwest and Edward Casey heads its West Coast operation.

Willis Faber Holdings is a NAPSLO member.

—By Judy Greenwald

Alexander Howden North America Inc.

1705 Commerce Drive, Atlanta, Ga. 30318; 404-351-5880

	1987	1986
Premium volume	$369,599,000	$365,000,000
Gross revenues	$24,836,418	$24,800,000
Employees	230	246
Commercial lines	100%	100%
Admitted business	43%	48%
Non-admitted	57%	52%

Alexander Howden North America Inc. is counting on several programs introduced in the past year to help propel the wholesaler to new levels of success.

John Hanna, president for just more than a year, re-emphasized a point he made just after he joined Howden: "We expect to be the No. 1 wholesale broker. And we're not referring to size, but we're referring to capability and professionalism. But we also think that if we're No. 1 in capability that we will become number one, or very close to it, in size."

This year, Howden North America is No. 6 in the *Business Insurance* rankings of the largest surplus lines marketers and the third-largest broker.



Mr. Hanna

The Atlanta-based subsidiary of Alexander & Alexander Services Inc. reported placing $369.6 million in gross premiums last year, increasing just 1% from $365 million in 1986.

Gross revenues grew only slightly, too, to $24.84 million last year from $24.80 million in 1986.

This year's revenue growth is expected to be flat as well, said Mr. Hanna. And first-quarter figures indicate that Howden North America has some catching up to do in the second half to match last year's performance.

The broker's premium volume for the first half of this year stood at $194.4 million, down from $214.9 million during the same period last year.

Despite those figures, Howden North America Chairman Daniel E. Kestenbaum is enthusiastic about the broker's ability to write new premium and retain accounts during the soft market. "Last year, we said we would have to sell our way through the soft market," he remarked. "And we're proud to say that we are producing between $8 million and $10 million in new premium every month, with every expectation of increasing those figures in the second half of this year."

He added that, "we're also proud of our performance as respects retention of accounts, which has been 89% through the first six months."

Mr. Kestenbaum said the wholesaler expects the soft market to continue at least through next year. "We will budget for a continuing soft market through '89. We have no confidence that the industry will put the brakes on."



Mr. Kestenbaum

Howden North America officials say they are confident that new programs for marine and energy risks, umbrella accounts, financial institutions and hospitals will prosper during current soft insurance market conditions and continue to grow when the cycle shifts.

Mr. Hanna is especially enthusiastic about the marine and energy program that was begun in 1987.

Continued on next page



Done deal!

You did all your homework, pinned down the numbers, and now with the deal in the balance, it was time for one final call. And a few minutes later, as you hung up the phone, you knew you called it right on the money.

Nice going.

And thanks for letting us help.

FIRST STATE

THE HARTFORD
The Insurance People of ITT

New blood, new spirit, and a new determination to be the best, while we serve the best.

60 Batterymarch St., Boston, MA 02110 617-357-8400 Telex 94-0013
Boston Chicago Los Angeles Atlanta New York San Francisco

Continued from previous page

"It's one of the real bright spots. . .considering we were just getting into it last year," Mr. Hanna commented.

Although he would not release specific figures on how much energy-related business Howden North America has produced in the past year, Mr. Hanna stated that the program has shown "significant results in a short period of time."

Howden North America brokers the energy business primarily into the London market, although it does make some domestic placements. In London, the energy business is placed exclusively through affiliate Alexander Howden Group Ltd.

Energy and marine clients include oil companies, ports and marinas.

"We have the capacity to offer the limits the insured needs through our various markets," said Mr. Hanna.

"We have access to various facilities with limits from $25 million up to $300 million. And those facilities are used depending on the type of the account and the complexity of the account," Mr. Hanna said.

He pointed out that "we use the London market, but we are working with domestic markets and other foreign markets to put together facilities to complement what we're able to do in the London market."

Mr. Hanna said the Howden North America staff handling energy accounts was built with Lloyd's of London-trained brokers and technicians and assembled in Atlanta.

"We've proven to ourselves in a short period of time that we can handle successfully all types of marine and energy accounts of any size or any complexity," he added.

"Our marine and energy people feel that this area is going to be our most dynamic growth area of the company."

Mr. Kestenbaum said last month that it was still too soon to tell what the effect on rates would be of the $1 billion loss in July of the Piper Alpha oil platform in the North Sea (*BI*, Aug. 1; July 11).


Mr. Clay

Howden North America also has high hopes for its new health care division begun this year.

The division is headquartered in the wholesaler s Chicago office of Illinois R.B. Jones, a surplus lines broker and MGA that is part of the Howden North America network.

The health care division markets professional liability coverage for hospitals and other coverages for policyholders in the health care industry.

The Chicago staff can place hospital professional liability coverage with claims-made or occurrence limits up to $25 million excess of primary insurance or self-insured retentions, Mr. Hanna said. The amount of underlying coverage varies by the size of a hospital or its location.

At the request of the insurer writing the hospital coverage, Mr. Hanna declined to identify it, but said the company holds the A-plus rating from A.M. Best Co.

"We've proven to ourselves in a short period of time that we can handle successfully all types of marine and energy accounts of any size or any complexity," says Alexander Howden North America Inc. President John Hanna.

Robert B. Clay, executive vp at Howden North America, pointed out that the brokerage also has established a financial institution division this year that specializes in writing bankers blanket bonds and related coverages.

That coverage, too, is being handled from the Chicago office and is placed with syndicates at Lloyd's of London.

"The main product that we are selling now is a bankers blanket bond for financially troubled banks and savings and loans with assets below $750 million," he explained. "We have put together a line slip in London and we can provide $10 million in cover for these institutions."

Business, he said, is beginning to pick up in the Midwest and Southwest, where savings and loan institutions and banks have failed in large numbers.

And, the program is producing "a spillover effect of being able to broker financial institution business that falls outside the program because we are recognized as having the expertise of being able to handle that type of business," Mr. Hanna said.

Bankers blanket bond policyholders will soon be able to purchase additional coverages including kidnap and ransom protection, property insurance, and directors and officers liability coverage.

Another 1988 offering from Howden North America is a product the brokerage has labeled the automated umbrella program. The program involves the electronic submission of umbrella accounts from agents' offices throughout the United States to Howden's Atlanta headquarters. The program aids agents by decreasing the time it takes to process umbrella policy applications.

The program handles umbrella accounts for a broad range of businesses paying premiums of $2,000 to $25,000, Mr. Clay said.

"We get this from selected agents around the country that have a significant volume of this business and realize that it's very difficult from a time and cost standpoint to handle," said Mr. Clay.

"We have developed an automated way to handle this business from the submission to the quotation to the order stage."

The coverage is written up to limits of $5 million by an insurer that asked not to be identified, Mr. Clay said.

The new products have not diminished emphasis on the older specialties of Howden North America, which was formed in 1985 from several A&A subsidiaries with their own niches.

Howden North America's offices include Illinois R.B. Jones; Eyl & Gordon Insurance Brokers in New York, a wholesaler specializing in jewelers block, fine arts and precious metals coverages; and Howden Ltd. in Toronto, a utility and energy accounts counts specialist.

The offices engage in "networking," which aims to put clients in the hands of brokerage personnel best suited to place the business with underwriters who understand and are willing to write the coverage.

An account that comes into one of 10 Howden North America's office is either handled in-house or sent to the office where personnel with more expertise in that particular type of business take over the account.

Howden North America also has offices in Boston; Cherry Hill, N.J.; Independence, Ohio; Dallas; Newport Beach, Calif.; and San Francisco.

A Howden North America operation in Seattle was sold to Burns & Wilcox Ltd., an underwriting manager based in Southfield, Mich., in the past year.

The Toronto operation, Mr. Hanna said, "undoubtedly ranks us as the largest wholesaler of utility business."

Howden North America can place up to $50 million in primary and excess liability limits for utility companies with domestic insurers, he noted.

In addition to liability coverage, Howden North America also brokers a significant amount of property, boiler and machinery and builders risk insurance for utilities, according to Mr. Hanna.

"And one area where we've had good success is on co-generation and waste-to-energy facilities," he commented, pointing out that builders risk, system performance insurance and force majeure coverages have been placed for those accounts.

Howden North America's management also is particularly happy with its success as an underwriting manager in a joint venture with the Home Transportation Agency, a unit of The Home Insurance Co.

The program, which provides long-haul trucking liability coverage, has succeeded "beyond our expectations," said Mr. Kestenbaum.

Last year, the facility wrote $25 million to $29 million in annualized premiums and expects to write at least $40 million this year, according to Mr. Kestenbaum.

Home Transportation now offers limits of $2 million, double the $1 million that was available last year. Facultative reinsurance placements can increase the limits to "anything required," said Mr. Clay.

The growth of Home Transportation has increased the percentage of premium volume Howden North America places as an underwriting manager to 16% in 1987 from 7% in 1986.

Included in that 16% is business written by Illinois R.B. Jones for various Lloyd's syndicates.

Among Illinois R.B. Jones' products are liability coverage for railroad contractors, errors and omissions coverage for architects and engineers, seedsman's E&O insurance and medical stop-loss programs for employers who self-fund group health plans.

This year, 4% of Howden North America's business was placed as an MGA, down from 8% in 1986. Most of the business written as an MGA is insured by Scottsdale Insurance Co. in Scottsdale, Ariz., for primarily small commercial liability accounts.

The majority of Howden North America's business is placed in its capacity as a brokerage. Brokerage business accounted for 80% of premium volume in 1987, down from 85% the year before.

Major brokerage markets include: Crum & Forster Insurance Cos. of Morristown, N.J.; American International Group Inc. of New York; units of Philadelphia-based CIGNA Corp.; Admiral Insurance Co. of Cherry Hill, N.J.; Hartford Insurance Group of Hartford, Conn.; St. Paul Specialty Underwriting Inc. of St. Paul, Minn.; First State Insurance Co. of Boston; and Aetna Casualty & Surety Co. of Hartford, Conn.

Slightly more than half, or 57%, of Howden North America's business is written by non-admitted insurers.

"I wouldn't be surprised to see that again in 1988," commented Mr. Kestenbaum.

The wholesaler currently has a workforce of 230, down 6.5% from 246 at the end of 1986.

The workforce shrank when the company became fully automated and some jobs were lost when the brokerage "got out of some businesses that did not meet our expectations," Mr. Kestenbaum explained.

For example, he pointed out, Howden North America no longer offers claims handling services to outside businesses, although it continues to service its own claims.

Mr. Hanna noted that the premium volume handled by Howden North America is up 55% from $238.8 million the year the company was formed in 1985. And, in 1985, the combined employment of the companies forming Howden was 256.

"So we're looking at a significant increase in our productivity," Mr. Hanna said.

In addition to Mr. Hanna, Mr. Kestenbaum and Mr. Clay, principal officers at Howden North America are: Dave Wolf Jr., vice chairman; Mike McDermott, Dick Ruhe, Dennis Rupp and Roger Ruppe, executive vps; Bruce Harrell, Charlie Hollingsworth and John Lazenby, senior vps.

Howden North America is a member of AAMGA and NAPSLO.

—By Michael Bradford

SEASONED SPECIALISTS IN MARINE INSURANCE



For almost two decades, our firm has been serving a clientele that ranges from multinational corporations to fishing boat operators to provide security for marine related risks. The extent and quality of our services are equally broad. As our clients will attest, we have built a reputation based on fair competitive rates and on experience and professionalism in the development of terms, conditions and special clauses for coverage of complex, unusual marine risks. And our claims department is one of the most efficient in the business. Problem solving is our specialty.

Quality With Consistency

Continental Underwriters, Ltd.

419 Decatur St. New Orleans, Louisiana 70130
Telephone (504) 581-7493
Telex: 754622 CULTD UD • Telefax (504) 581-7497
"Lloyd's, London, Correspondents"

Montgomery & Collins Inc.

3700 Wilshire Blvd., Suite 400, Los Angeles, Calif. 90010; 213-480-4501

	1987	1986
Premium volume	$268,381,238	$439,419,954
Gross revenues	$21,921,557	$37,140,672
Employees	184	184
Commercial lines	100%	100%
Admitted business	70%	65%
Non-admitted	30%	35%

The competitive commercial property/casualty insurance market is not causing Montgomery & Collins Inc. to suddenly switch gears, despite large drops in premium volume and gross revenues last year.

Instead, the Los Angeles-based wholesaler will attempt to strengthen relationships with retail brokers and try to maintain business that has been on its books for years while riding out the competitive market, said President Robert P. Keul.

The slowdown at M&C is "extremely frustrating from the standpoint of people who are fairly new to our industry. But, it is something that has occurred before. So therefore, it's a matter of really not panicking because the day will come when there will be more stability" in the excess/surplus lines market, observed Mr. Keul, adding that he thinks the market will begin to harden in about 18 months.


Mr. Keul

As a wholesaler, "you deal with the problem that when the market gets hard, you literally have business that comes to you automatically because of pricing or availability problems. But, when that slows, as it has in the last 18 months, you have to go out and literally beat the bushes for more accounts.

"We are doing that and that has resulted in a good, stable flow of business coming into every M&C office," Mr. Keul said.

Premium volume at the CIGNA Corp. unit dropped 38.9% in 1987 to $268.4 million from $439.4 million in 1986, dropping Montgomery & Collins to fourth place among the largest U.S. wholesale brokers ranked by *Business Insurance*. M&C had held the No. 2 spot a year ago.

Gross revenues declined 41% to $21.9 million in 1987 from $37.1 million in 1986.

M&C reported 184 employees in 1987, unchanged from the previous year. However, revenues per employee declined 40% to $119,139 from $201,851 in 1986.

M&C's 1987 results pale in comparison with 1986 figures, when premium volume rose 27.7% and gross revenues jumped 20.7%. But, Mr. Keul points out, the wholesaler's current woes were spawned in 1986.

"The market began to turn in the spring of 1986, and the acceleration of that turn really impacted 1987's results," he explained.

Now, "the major problem is pricing" of coverages by the standard market and the resulting loss of market share for the wholesale market, he said.

"We're losing renewal business we've had for a number of years simply because of price, which again is expected in this market. But, it is of obvious concern to us that we are losing business that we've had on the books for years. It was a problem a year ago and it continues to be a problem today. This will continue to erode the premium volume handled by any firm like M&C," Mr. Keul explained.

"I'm afraid that I haven't yet seen any evidence that prices will stabilize. I think we're into this market certainly through 1989," he predicted.

"However, still on some of the fairly tough exposures, prices are holding or in some cases are even going up depending on the size of the risk," he explained.

In addition to pricing pressures, Mr. Keul pointed out that admitted insurers now are eager to write business that they shunned a few years ago.

As an example, he pointed to M&C's low-layer excess liability business.

"In the last year and a half, we have seen standard markets come in and take that position in the insurance program away from us. This quite obviously causes us to lose a significant premium volume because we might end up in a layer of $10 million excess of $40 million," which generates less premium, he explained.

However, "it is still important to

Continued on next page

SPECIALIZATION IS THE KEY TO HIGH RISK EXCESS.

We specialize in professional liability coverage for architects and engineers with complex or unusual risks.

Through an exclusive arrangement with London markets, we are now offering limits excess of $1,000,000 on a claims-made basis.

We'll come through in the clutch with 48 hour turnaround time on quotations...backed by competitive rates and our excellent reputation in the industry.

With the expertise to service a wide range of professionals, PEAC comes through time and time again. We cover all the bases in liability coverage no matter what the business or service. PEAC...the clutch professionals. For more information contact:

New York Office: 212•490•8060
New Jersey Office: 201•321•1040

PEAC
Professional Excess Affiliates Corp.
The Clutch Professionals

ILLINOIS INSURANCE EXCHANGE

STRENGTH IN NUMBERS

The Illinois Insurance Exchange is one of the strongest and best-managed property and casualty insurers in the United States.

That statement may surprise you. But we can prove it.

In 1986, we were among the top ten surplus lines companies in total admitted assets; policyholders' surplus; gross, direct and net written premium; and net operating income; and in the top third in combined ratio and NWP/PHS and GWP/PHS.

In 1987, we moved up in total admitted assets and direct and net written premium, resulting in a ranking in the top five surplus lines companies overall. Here's how we did:

Gross Written Premium	**$238,974,657**
Direct Written Premium	**204,876,511**
Net Written Premium	**141,766,441**
Net Operating Income	**3,561,280**
Total Admitted Assets	**352,248,259**
Policyholders' Surplus	**92,708,661**
Combined Ratio	**97.0%**
NWP/PHS (to 1)	**1.53**
GWP/PHS (to 1)	**2.58**
DWP/PHS (to 1)	**2.21**

How do we manage to do so well? With experienced and thorough underwriters, imaginative products and strong internal controls and regulatory standards to protect insureds and reinsurers.

Let us show you why you, too, should use our capacity for unusual and hard-to-place risks, write excess of our insurance and reinsure our book of business.

Call or write President James M. Skelton for our booklet, "How We Compare."

You may be pleasantly surprised.

ILLINOIS INSURANCE EXCHANGE
All the protection you need
175 West Jackson Boulevard Suite 1234 Chicago, Illinois 60604
(312) 939-2400

Continued from previous page
maintain those positions (in various insurance programs) with the feeling that obviously the market will at some point go the other way and we'll come back into the picture," he added.

And, Mr. Keul said, M&C is taking active steps to weather the market.

"While the major portion of our volume comes from the large national retail brokers, we are doing two things: We are out trying to put ourselves in front of the small- to medium-sized retailer, while at the same time maintaining our excellent relationships with national retailers," Mr. Keul said.

'We are out trying to put ourselves in front of the small- to medium-sized retailer, while at the same time maintaining our excellent relationships with national retailers,' says President Robert P. Keul.

Some 70% of M&C's premium volume was placed in the admitted market in 1987, up from 65% in 1986. Mr. Keul attributes this change to the increased willingness of admitted insurers to write business.

About 55% of M&C's premium volume in 1987 was generated by brokerage business, up from 51% in 1986. The remaining 45% of 1987 premium volume was generated by business placed by M&C with insurers for which the company acts as a managing general agent, he said. This is down slightly from 1986, when MGA business generated about 48% of premium.

In 1986, 1% of M&C's business was written for Royale Belge I.R., a Brussels, Belgium-based insurer for which M&C had been exclusive U.S. underwriting manager. However, Royale Belge terminated the contract last year because of deteriorating pricing in the United States.

Some 40% to 45% of M&C's brokerage business is generated by major retailers like Marsh & McLennan Cos. Inc., Alexander & Alexander Services Inc., Johnson & Higgins; Fred S. James & Co. Inc., Corroon & Black Corp. and Frank B. Hall & Co. Inc.

"These relationships have been in place since about 1980. The remainder of our volume that comes from brokerage activities comes from the regional or smaller brokers," Mr. Keul explained.

The major markets to which M&C brokers business are Admiral Insurance Co. of Haddonfield, N.J.; American International Group Inc. units in New York; Allianz Insurance Co. in Los Angeles; California Union Insurance Co., a Los Angeles-based CIGNA subsidiary; Constitution State Insurance Co. in Hartford, Conn., a Travelers Corp. unit; Crum & Forster Corp. units based in Morristown, N.J.; Employers Reinsurance Corp. of Overland Park, Kan.; Evanston Insurance Co. of Evanston, Ill.; First State Insurance Co. in Boston, another Hartford unit; Harbor Insurance Co. in Los Angeles, a Continental Corp. unit; The Home Insurance Cos.; Industrial Underwriters Insurance Co. of Dallas; St. Paul Surplus Lines Insurance Co., a unit of The St. Paul Cos.; and London market underwriters.

M&C has binding authority for Pacific Employers Insurance Co. of Los Angeles, a CIGNA unit; Western World Insurance Co. in Ramsey, N.J.; Scottsdale Insurance Co. of Scottsdale, Ariz.; Guaranty National Insurance Co. of Englewood, Colo.; and some syndicates at Lloyd's of London, according to Mr. Keul.

Pacific Employers and Cal Union are M&C's largest markets, with Pacific Employers receiving 25% of 1987 premium volume and Cal Union writing about 12% of M&C's premium, he said.

Pacific Employers writes excess liability and umbrella coverages exclusively for M&C, Mr. Keul added.

Cal Union writes excess property, casualty and umbrella coverages for M&C on an exclusive basis in California and on a non-exclusive basis in other states. Cal Union also is M&C's top market for heavy construction risks, according to Mr. Keul.

M&C also places excess casualty and umbrella risks with Admiral, First State, Industrial Underwriters and Lloyd's underwriters. M&C also places some E&O risks with Lloyd's syndicates.

In addition, M&C places property coverages with Admiral and Allianz.

Directors and officers liability and errors and omissions risks are placed with Evanston; excess workers compensation with Employers Re; and primary casualty business with Constitution State.

Generally, the capacity that M&C can offer is "about the same or maybe even slightly improved over last year," according to Mr. Keul.

"The core of the excess and surplus lines business" continues to be written on the claims-made form, added Mr. Keul, noting that much of the business placed with Lloyd's syndicates continues to be written on a claims-made basis.

The products offered by M&C did not change much in 1987, he said.

"We have shifted emphasis away from umbrella excess. While it is still a significant portion of what we do on a day-to-day basis, we are more active now in the primary business for the true E&S account. We are moving away from a book of 75% to 80% pure excess umbrella business," he explained.

M&C placed less umbrella business for hospitals in 1987 because that market has been eroded by other facilities, like risk retention groups and captives, he said.

"We are more generalists than specialists, with the exception of some heavy contracting and construction business that we do here in Los Angeles in a special technical unit," Mr. Keul noted.

M&C's offices remained the same in 1987, Mr. Keul said. Besides its Los Angeles headquarters, the wholesaler has offices in Boston; Buffalo, N.Y.; Charlotte, N.C.; Chicago; Columbus, Ohio; Dallas; Denver; Detroit; Hartford, Conn.; Honolulu; Houston; Indianapolis; Kansas City, Mo.; New Orleans; New York; Philadelphia; and Sacramento, San Jose and San Francisco, Calif.

M&C did not make any acquisitions in 1987, nor does it have plans for acquisitions so far in 1988, he said.

Principal officers in addition to Mr. Keul are: Robert B. Angle, brokerage vp; Michio Nekota, Warren P. Miller and Robert W. Chadwick, regional vps.

Mr. Angle, who was an Eastern regional vp, was promoted earlier this year. His new responsibilities include coordinating M&C's brokerage operations, which he had done on a part-time basis prior to his promotion, Mr. Keul said.

Also, Mr. Chadwick was promoted to Eastern regional vp.

M&C is a member of both AAMGA and NAPSLO.

—By Donna DiBlase

Compare Asbestos Abatement Liability Insurance Policies.



* Admitted or approved in most states

PROFESSIONAL ENVIRONMENTAL CONTRACTORS, INC.
P.O. Box 8138 600 Alexander Rd. Princeton, New Jersey 08543

1-800-338-1236
(In NJ : 609-520-1155)

Professional Environmental Contractors, Inc. is a purchasing group for asbestos abatement contractors which has chosen Fidelity Environmental Insurance Company (FEIC) to underwrite its coverage. FEIC is America's most trusted name in environmental contracting insurance, offering the highest quality coverage currently available to the asbestos abatement industry: true occurrence policies providing dependable, long-term protection. For further information, call or write today.

Crump E&S Group

7557 Rambler Road, Suite 350,
Dallas, Texas 75231; 214-891-5970

	1987	1986
Premium volume	$198,000,000	$260,000,000
Gross revenues	$20,000,000	$24,100,000
Employees	228	270
Commercial lines	99%	99%
Admitted business	45%	70%
Non-admitted	55%	30%

Crump E&S Group is nearly finished with an almost two-year effort to fine-tune its operations.

The goal: to strengthen Crump E&S in several areas, explained Orville D. Jones, president and chief executive officer of the Dallas-based wholesale broker. The targets: new program and new product development; internal training programs; corporate image and name recognition; relationships with retail brokers; expertise in servicing large clients; and relationships with insurers.

Crump E&S began the project in November 1986, when its parent, Memphis-based Crump Cos. Inc., was acquired by New York-based Fred S. James & Co. Inc., a subsidiary of London-based Sedgwick Group P.L.C.


Mr. Jones

Crump E&S—the fifth-largest U.S. wholesale broker based on a 1987 premium volume of $198 million—is positioning itself to meet the challenges of a cyclical insurance marketplace, including the next tight market, Mr. Jones said.

"We're going to try to get into programs and products that will cut down on the effect of cycles and upgrade our expertise in specific areas," he explained.

"What we will be developing over the years ahead will be specific products or coverages that will fill a need" traditionally met by the E&S marketplace, agreed Sidney A. Stewart, Crump E&S chairman and James vice chairman.


Mr. Stewart

While premiums always will fluctuate with changes in the market cycle, concentrating on products that stay in the E&S marketplace regardless of competitive forces will help insulate Crump from the movement of accounts in and out of that market, the executives say.

But in the last 18 months, Crump E&S has lost premiums due to both corporate restructuring and the movement of business from the surplus lines market to the admitted market through retail agents and brokers.

Crump E&S's premium volume dropped 23.8% to $198 million in 1987 from $260 million in 1986.

Premium volume continued to decline in the first six months of 1988, falling 23.5% to an estimated $86.5 million from $113 million in the corresponding period of 1987.

The wholesale broker's gross revenues fell 17% to $20 million in 1987 from $24.1 million in 1986. In the first half of 1988, revenues fell 20% to $8.8 million from $11 million in the first half of 1987.

Part of the drop in premium volume in 1987 is attributable to the reduction in premiums written by Memphis-based E&S insurer Southern American Insurance Co., which was a subsidiary of Crump.

Southern American ceased writing new business and curtailed writing renewals for most businesses in 1986. "After the merger, James and Sedgwick decided not to write any more business through Southern American. They did not feel they should be in the underwriting business," Mr. Jones said.

Crump E&S underwriting management affiliate Crump London Underwriting Managers of Memphis, now doing business as Crump E&S of Memphis Inc., had written all of the E&S insurer's business. Southern American wrote $27 million in premium volume in 1986 and 30 CLUM employees were assigned to the insurer.

James sold the insurer to a Provo, Utah, investor in March 1988. Some employees of Crump E&S of Memphis were transferred to Utah and some were let go with the sale, reflected in the drop in the employee count at Crump E&S to 228 at year-end 1987 from 270 at year-end 1986.

At the end of June, the wholesaler reported 222 employees.

Crump E&S's premium volume and employee count were further diminished in 1987 because underwriting management affiliate Crump Aviation Underwriters of Memphis was merged with New Orleans-based Southern Marine & Aviation Underwriters Inc., a Sedgwick unit.

Crump Aviation's 1987 premium volume and its employees were included in Sedgwick's 1987 results. Crump Aviation reported $12 million in premium volume in 1986.

The loss of the underwriting management business from Southern American and Crump Aviation further widened the gap between the percentage of Crump E&S premium volume attributable to brokerage business and to underwriting management.

Of the total premium volume for Crump E&S in 1987:

- 59% was generated through E&S brokerage, compared with 45% in 1986.
- 20% was generated through underwriting management, compared with 34% in 1986.
- 21% was generated through managing general agency agreements, the same as in 1986.

The decline in premium volume for Crump E&S that is not attributable to the sale of Southern American or to the consolidation of Crump Aviation with Southern Marine & Aviation was due to the rapid softening of the property/casualty marketplace in 1987, both Mr. Stewart and Mr. Jones stressed.

"We did not anticipate that the market would change as rapidly as it did in 1987," Mr. Jones said. "Our renewal ratio was down because of the marketplace, and I'm sure new business was, too."

"A lot of the business simply does not get to the E&S market" today that was routinely submitted to that market in 1985 and 1986, Mr. Stewart said. "Our E&S markets are doing well, but they have to deal with declining rates and the competition of standard markets."

But "we are doing a lot of things to address" the shift in the market, in addition to focusing on developing business that does not leave the E&S market when competition heats up, Mr. Jones noted.

For example, in 1987, Crump E&S put together a general liability program for boat manufacturers written by various Lloyd's of London syndicates. The program, which is written on an occurrence form, provides the manufacturers with up to $80 million in primary and excess liability coverage. Tail coverage is offered to clients previously covered by a claims-made policy.

A program launched earlier this year by Crump E&S of Florida Inc. provides horse-drawn carriage operators nationwide with $1 million in occurrence-based primary liability coverage through Fireman's Fund Corp. unit Interstate Fire & Casualty Co. in Chicago.

Continued on next page

SEABOARD HAS THE ANSWER FOR YOUR DIFFICULT RISKS

We have "A" rated companies willing to write...

TRANSPORTATION RISKS:

Automobile Liability up to 100-unit fleets, Truck Physical Damage, Owner Operators, Owned Fleets and Large Owner/Operator Programs, Unlimited Fleet Size

AND

We have facilities to underwrite (physical damage only):
Dumps, Tankers, Coal Haulers, Automobile Haulers, Scrap/Garbage Haulers

AND

Motor Truck Cargo limits up to $100,000 per unit,
$200,000 on Terminal/Catastrophe, Unlimited Fleet Size

SUBMISSION REQUIREMENTS

(liability and physical damage)

- Last three years loss runs
- Current financial statement
- Complete driver list including: date-of-birth, license number and social security number
- Company and owner operator equipment, including values of equipment
- Types and values of cargo hauled

Also Consider Seaboard For Your Brokered Non-transportation Risks

Commercial Umbrella

Primary and Excess, virtually all classes ($1,000,000 primary needed, if first layer).

Specialty Property

All Risks, DIC, Builders Risk, Cargo, High Valued Jewelry, EDP, Contractors Equipment, Primary and Excess.

Specialty Products Liability

Minimum premium $40,000.

Architects/Engineers E&O, Lawyers E&O

Directors & Officers Liability

Profit, non-profit, banks, hospitals and new ventures.

Railroad Protective

Both admitted and non-admitted. Minimum premium $5,000.

Seaboard Underwriters, Inc.

A XEROX Financial Services Organization

NORTH CAROLINA 1-800-672-3644

AAMGA

2732 Anne Elizabeth Drive
Post Office Box 659
Burlington, North Carolina 27215

COUNTRYWIDE 1-800-732-2673

Continued from previous page

Mr. Jones said that Crump E&S also has been very successful in 1987 and 1988 in placing a stock "through-put" policy with Lloyd's of London syndicates that covers manufacturers, importers and exporters for all risks—including earthquake and flood and items in transit—for up to $250 million from the time policyholders take ownership of stock until it is released.

New division Crump E&S/Med Pro of Camp Hill, N.J. is an MGA for Los Angeles-based Transamerica Insurance Co. for a first-layer excess liability program for hospitals and nursing homes. The program provides coverage of up to $25 million excess of underlying requirements that vary by state, Mr. Jones explained. Coverage is available on either a claims-made or occurrence basis.

Crump E&S specializes in directors and officers, errors and omissions, marine, commercial auto, umbrella, excess liability, excess liability insurance for hospitals and product liability, as well as in placing coverages for gas utilities, municipalities, energy risks and yachts. However, no specialty represents more than 25% of the broker's premium volume.

To also strengthen Crump E&S, "we are putting every one of our brokers through an intensive E&S training course designed to fit our needs," Mr. Jones said. The five 3½-day seminars, which will be taught in four U.S. locations, began in July for the approximately 100 brokers.

Crump E&S also has hired a new ad agency in Dallas to help it enhance its name recognition nationwide. Current efforts include direct mail and telemarketing programs to retail agents.

Even before the merger with James, Crump E&S faced a problem with corporate name recognition, although its offices were recognized regionally, Mr. Jones said. The names of several of its offices did not carry the Crump E&S name.

"We are in the process of changing the names of all of our offices to Crump E&S for name recognition," Mr. Jones pointed out, adding that all but one of Crump's E&S offices in 19 cities now use the Crump E&S names.

The wholesaler has succeeded in increasing business placed for James' retail brokers. In 1986, less than 5% of Crump E&S's premium volume was attributable to James affiliates, Mr. Stewart estimated.

But, Mr. Jones said that figure had increased to 11% by year-end 1987 and remains about the same in 1988.

"That business has to be earned by Crump E&S, as it is not obligatory for James offices to use our E&S facility," Mr. Stewart stressed.

"The difference is that James offices are more aware of what we are doing, and our brokers are pursuing their business more actively," Mr. Jones added.

Another goal has been "to increase our expertise in servicing larger accounts," Mr. Jones continued. Crump E&S traditionally had focused on servicing medium-sized accounts.

To meet this goal, the wholesaler on Aug. 1 promoted David Hoskins, the manager of its Burbank-based California operations, to senior vp-product development for Crump E&S to develop products and programs for large clients. Mr. Hoskins will be based in Huntington Harbor, Calif. Crump E&S is now looking for a new profit center manager.

"We have also embarked on a program to strengthen our relationships with insurers nationwide through one-on-one meetings on behalf of all of Crump E&S offices," Mr. Jones pointed out. "We are also encouraging our people to visit insurers on a local level to establish personal relationships."

A small Crump E&S office in Chicago has been upgraded to a full profit center and is now called Crump E&S of Illinois. The office formerly was a branch of James' New Amsterdam Excess Inc. wholesale unit, which James merged with Crump E&S.

Crump E&S in March appointed Kelly Sorem, a former branch manager for Unigard Insurance Group, president of Crump E&S of Illinois.

Crump E&S's San Francisco branch also was upgraded to a full profit center on Aug. 1, and Laura Danoff, previously the branch manager, was appointed profit center manager.

In June, Crump E&S made its former New Orleans profit center an office of its Houston profit center to extend the markets to which the New Orleans office had access, because the Houston office had a broader market base than the New Orleans office had.

Crump E&S moved its Columbus, Ohio, Profit Center Manager Neil Davis to Harrisburg, Pa., to head Crump E&S/Med Pro in June. The Columbus office was made part of the Memphis profit center.

Crump E&S closed its Philadelphia office in May.

Crump E&S also is buying other brokers. In July, the wholesaler acquired Houston-based E&S broker Tuley/Bernard & Associates, which is being merged with its Houston office.

The wholesaler is now in the process of acquiring Edmund, Wash.-based E&S broker Pacific General Agency. The acquisition should be finalized later this month, according to Mr. Jones.

In 1987 and the first half of 1988, about 45% of the wholesaler's business was placed with admitted insurers, compared with 70% in 1986, reflecting the competitive admitted marketplace.

About 12% to 13% of Crump E&S's business is insured by Philadelphia-based Reliance Insurance Cos. Reliance increased the limits it writes for a municipal insurance program through affiliate Crump E&S of California Insurance Services to $3 million from $1 million during 1987.

Crump E&S of California, which has offices in Los Angeles and San Francisco, was formerly named S.J. Petrakis Insurance Services Inc.

Crump places about 10% of its business with various Lloyd's syndicates.

In addition, Crump E&S places about 15% of its business with three insurers, about 5% each: New York-based American International Group Inc.; Cincinnati-based American Empire Surplus Lines Insurance Co.; and Omaha, Neb.-based Berkshire Hathaway Inc.

Mr. Jones was promoted in December 1987 to president and CEO of Crump E&S from executive vp and national director.

Also in December 1987, F. Marcus Payne became the new Dallas-based executive vp and chief operating officer. Mr. Payne previously was senior vp-field operations for Unigard Insurance Group in Seattle.

"We now have a full executive staff," Mr. Jones noted. "It is not a large staff, but we feel a shorter line of communication can help us do a better job."

Former Crump E&S Vp Earl R. Lanning retired on Jan. 1. Mr. Stewart stressed that Mr. Lanning "made a major contribution to Crump E&S over the years."

Besides Mr. Stewart, Mr. Jones and Mr. Payne, Patrick R. O'Brien, vp of finance and administration, is a principal officer of Crump E&S.

Crump E&S is a member of both AAMGA and NAPSLO.

—By Linda J. Collins

Nautilus Insurance Company

Born in October, 1985

In the top 25 Surplus Lines Companies in 1987

We listened carefully to you–the wholesale surplus lines broker–and it paid off.

The Nautilus configuration, nature's inspiration for excellence. We've adopted it as a symbol of our commitment to the specialty insurance field.

Nautilus Insurance Company
7550 East Redfield Road • Scottsdale, Arizona 85260
Telephone (602) 951-0905 • Telex 211971

We listen carefully...we respond professionally.

Serving Wholesale Surplus Lines Brokers exclusively.
A Member Company of the W.R. Berkley Corporation

Nautilus Insurance is proud of its A.M. Best Rating of A+ (Superior) Contingent

The Schinnerer Group Inc.

2 Wisconsin Circle, Chevy Chase, Md. 20815-7003; 301-961-9800

	1987	1986
Premium volume	$587,000,000	$527,000,000
Gross revenues	NA	NA
Employees	341	292
Commercial lines	100%	100%
Admitted business	95%	95%*
Non-admitted	5%	5%*

* Restated.

The Schinnerer Group Inc. refuses to join the rate-cutting bandwagon, sticking instead with its consistent underwriting philosophy of pricing coverage according to risk and loss experience.

That philosophy, which the underwriting manager has followed throughout its 50 years of operations, could cost it business in the short term, company executives acknowledge.

But they are prepared to accept flat growth or even a slight dip in business knowing that when rate-cutting competitors pull back or out of the market because of big losses, Schinnerer will be ready and waiting to offer coverage buyers need.



Mr. Dolan

"We will hold the line where it is necessary. That is the responsible thing to do, even if that means watching some business go away," said Senior Vp Douglas C. Dolan Jr.

While sticking to sound underwriting may cost business in the short run, over the long haul Schinnerer's philosophy has been successful.

Indeed, Schinnerer's 1987 premium volume of $587 million, up 11.4% from $527 million in 1986, is 4½ times greater than the $125 million in premium volume it racked up five years ago.

Just as premium volume has grown over the years, so has Schinnerer climbed in the *Business Insurance* ranking of the nation's largest underwriting managers and managing general agents.

In 1984, Schinnerer held the No. 6 spot, moved up to the No. 3 position in 1985 and then in 1986 leapfrogged to the No. 1 spot, a position the Chevy Chase, Md.-based underwriting manager retained based on 1987 revenues.

Schinnerer, a unit of Marsh & McLennan Cos. Inc., does not release its gross revenues. *BI* estimates Schinnerer's 1987 revenues at nearly $50 million, based on 8.5% of premium.

Schinnerer's 1986 revenues are estimated at nearly $45 million.

Premium volume decreased slightly during the first six months of 1988 to $284 million, down 1% from $287 million during the same period in 1987. However, company executives say a rebound lies ahead in late 1990 or early 1991 when competitors burned by poor underwriting leave the market.

Schinnerer, because it protected its insurers' capital bases during the soft market through prudent underwriting, will be well-positioned to provide coverage during the next hard market, Mr. Dolan said.

Mr. Dolan has no doubts that such a scenario—similar to the one played out in the late 1970s and early '80s when prices plunged only to skyrocket in the mid-1980s—will develop once again.

"In the commercial market, there are those scrounging for premium volume and who are charging, from what we see from our experience, very inadequate rates. They may be meeting short-term budget and premium projections but at the expense of long-term stability," Mr. Dolan said.

For example, in architects and engineers professional liability insurance, some competitors have quoted rates in some cases that were only half of what Schinnerer offered.

With a 65% share of that market and better loss statistics—and with 32 years of experience underwriting architects and engineers professional liability insurance—Schinnerer knows that such rate cutting ultimately will damage insurers and buyers.

"We don't think others can offer such rates in the long run. They may think they can out-smart the market, but they can't. This will lead to the same thing as in the past," Mr. Dolan said.

Continued on next page

Continued from previous page

Mr. Dolan noted that the standard market may covet specialized lines, such as professional liability, because it is perceived as a fertile premium ground.

While the premium dollars may be there, there is a world of difference between underwriting for mainline commercial risks and specialized liability risks, he said.

"Historically, when standard markets have moved into long-tail professional liability lines, they have gotten burned. They just don't have the experience," Mr. Dolan said.

Experience, though, is a trademark of Schinnerer's flagship architects and engineers professional liability program. The program, now is its 32nd year, offers up to $15 million of coverage under an exclusive arrangement with CNA Financial Corp.

While Schinnerer's premium volume for its architects and engineers professional liability program only grew slightly in 1987—compared to a doubling of premium volume in 1986—the program still accounts for more than half of Schinnerer's business.

Rates were stable in 1987 and should remain so this year, Mr. Dolan said.

While there is much more competition in the field, the Schinnerer architects and engineers professional liability program, which is endorsed by the American Institute of Architects and the National Society of Professional Engineers, still probably offers higher limits than any other program, he said.

Competitors also moved into another Schinnerer strength: hospital excess professional liability.

For example, while premium volume produced by its hospital excess professional liability program climbed 80% in 1986, business was flat or down slightly in 1987 because of increased competition, Mr. Dolan said.

This program, written through Travelers Corp. of Hartford Conn., provides up to $28 million of coverage over retentions of $1 million per claim/$3 million aggregate. Rates were stable in 1987 and are expected to remain so this year.

Rates, though, did rise last year in another major Schinnerer program: real estate agents errors and omissions coverage.

Rates climbed an average of 40% to 60% because of a rising number of claims, Mr. Dolan said. No rate hikes are expected this year.

The real estate E&O program, which covers about 120,000 real estate agents, is insured by Travelers and endorsed by the National Assn. of Realtors. Policies are offered nationwide and offer up to $5 million in coverage.

Rates—since mid 1987—for another Schinnerer program, E&O and directors and officers liability insurance for non-profit associations and organizations, have dropped by between 15% and 20%.

At the same time, limits have increased to $25 million, up from between $5 million and $10 million. Both programs are insured by Federal Insurance Co. of Short Hills, N.J., a unit of Chubb Corp.

While premium volume for Schinnerer's major professional liability programs was close to flat in 1987, business did pick up in the alternative risk financing market.

Schinnerer now is the underwriting manager for four risk retention groups and one offshore captive insurance company.

Those risk retention groups include:

- United Educators Insurance Risk Retention Group Inc. This Vermont-licensed group provides educational institutions with up to $10 million of excess liability coverage and $5 million of educators liability coverage.
- BRICO, short for Beverage Retailers Insurance Co. Risk Retention Group, offers up to $1 million of coverage for liquor liability. BRICO recently was licensed in Vermont.
- Title Industry Assurance Co. Risk Retention Group. This Vermont-licensed group offers agents doing real estate title searches up to $1 million in professional errors and omissions liability coverage.
- AAOMS Mutual Insurance Co. Risk Retention Group. This Illinois-licensed group provides up to $150,000 in primary coverage for oral surgeons. Up to $4.85 million in excess liability coverage is available to policyholders.

In addition, Schinnerer is the underwriting manager for SCUUL —School, College & University Underwriters Ltd. This Bermuda-based captive, which has been directly writing educators liability and excess liability coverages, now is restructuring itself and will only reinsure policies written by United Educators, the Vermont-based risk retention group.

SCUUL policyholders will be allowed to join United Educators as policyholder/owners.

Mr. Dolan said he believes there is great potential for Schinnerer in providing services to risk retention groups. "We think risk retention groups need professional expertise in underwriting, administration and claims management," he said.

As many as four dozen risk retention groups, a special kind of multiple-owner captive insurance company, have been started since President Reagan in October 1986 signed the legislation allowing RRGs to provide all commercial liability coverages—except workers compensation—to policyholder/owners after meeting the licensing requirements of one state.

But many of those risk retention groups failed to get off the ground after being unable to attract enough interest and capital from potential policyholders.

In addition, other risk retention groups could fall by the wayside during the current soft market, Mr. Dolan said.

Risk retention groups can be an important alternative risk financing vehicle for buyers but only if they are soundly conceived and structured, he noted.

"If a risk retention group's sole purpose is to write insurance at a lower cost than the commercial market, it will not succeed over the long term," Mr. Dolan said.

For example, in a price-cutting war, commercial insurers would be much more able to absorb losses than risk retention groups because insurers usually have much greater financial resources.

Rather than trying to always offer the least expensive coverage —a marketing strategy that inevitably will fail—risk retention groups' outlook should be long-term.

"A risk retention group will succeed if it is intended to provide coverage over the long term at equitable rates that are adequate and that are based on the group's actual experience. That will mean, at times, such as during a soft market, that RRG coverage could be more expensive than the commercial market, while charging less during a tight market," Mr. Dolan said.

Just as a core of policyholders have stuck with Schinnerer's professional liability programs for years, preferring stability and continuity over uncertainty from other carriers, Mr. Dolan said he believes there are enough organizations that share that same desire for stability to make risk retention groups work as well.

"They will be an alternative for those who want long-term solutions for their liability risks," he said.

Schinnerer is so bullish on the future of risk retention groups that it is considering opening an office in Vermont, a state whose attractive captive statute makes it a natural domicile for risk retention groups.

And, Schinnerer also took steps this year to look after its own long-term interests.

In April, the company moved from a building it had occupied in Washington, D.C., since the early 1970s to a recently opened office building in Chevy Chase, Md. The new building is just across the street from the Washington border.

By moving, Schinnerer doubled its office space, providing the company with the space it needs now, plus additional room for future growth.

And, last month, Schinnerer realigned its operating structure. A holding company—The Schinnerer Group Inc.—was created with three operating subsidiaries.

The largest of those subsidiaries is Victor O. Schinnerer & Co. Inc., which does business in the United States; ENCON Insurance Managers of Ottawa, Ontario, Schinnerer's Canadian underwriting manager; and Schinnerer & Co. Ltd. in London, which underwrites architects professional liability insurance—through CNA Reinsurance of London Ltd.—for architects in the United Kingdom.

The London office, Schinnerer's first in Europe, opened last September.

Schinnerer also maintains offices in New York, Chicago, San Francisco, Dallas, Bermuda and Toronto.

This restructuring was designed to place the U.S., Canadian and U.K. units on the same operating level, Mr. Dolan said.

During the last year, Schinnerer did not make any acquisitions. Its last acquisition occurred in 1986 when it purchased ENCON, a large Canadian underwriting manager that also specializes in professional liability insurance programs.

About 95% of Schinnerer's business is written on an admitted basis.

In addition, about 95% of Schinnerer's premium volume is produced as an underwriting manager with less than 5% as a managing general agent. Brokerage business amounts to about 1% of Schinnerer's premium volume.

Schinnerer also is a correspondent for underwriters at Lloyd's of London.

Currently, Schinnerer has 346 employees, up from 341 at the close of 1987. At year-end 1986, Schinnerer employed 292.

J. Sprigg Duvall is president and chief executive officer of The Schinnerer Group Inc., while Merrill B. Walker Sr. is vp and chief financial officer. Officers of Victor O. Schinnerer & Co. Inc. are: James R. Stevens, president; Marshall A. Ames; Mr. Dolan; Paul L. Genecki; and Thomas F. Tucker, senior vps.

—By Jerry Geisel

Atlantic Star presents:

EXPRESS SERVICE OCCURRENCE FORM RAILROAD PROTECTIVE LIABILITY COVERAGE!

Excess Owners Protective Coverage, too!

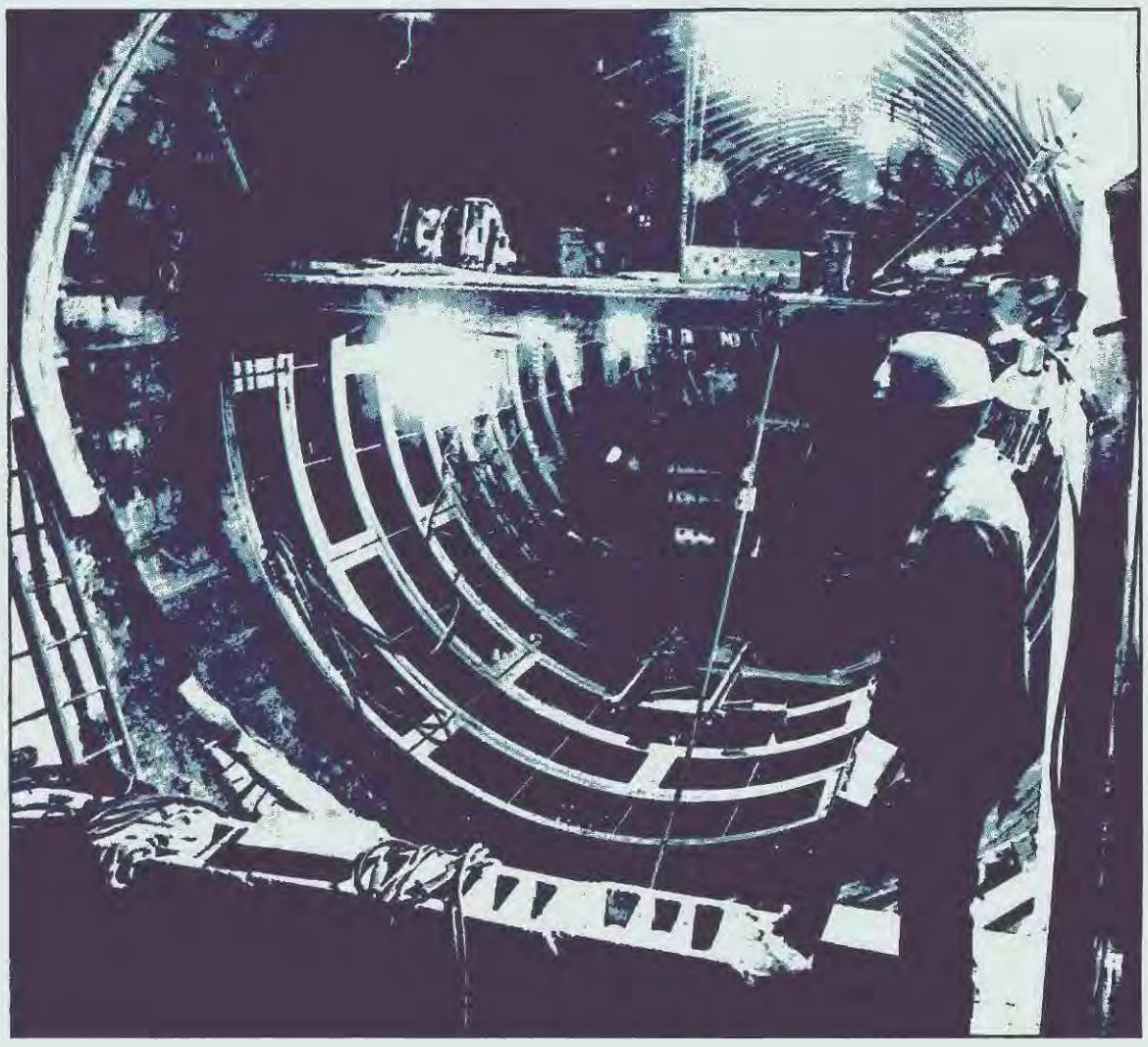
Atlantic Star's liability coverage is just the ticket when railway construction pro ects require insurance that the contractor has difficulty in obtaining. Our express service puts construction contractors right on the job without costly delays.

- High limits up to $6 million
- Occurrence form
- Fast in-house policy issuance
- Competitive rate

For the coverage your insureds require, get on the fast track with Atlantic Star. Call your agent or broker, or contact us direct at:
Phone (516) 626-3057 • FAX (516) 626-0738
TELEX 141351

165 Roslyn Road
Roslyn Heights, N.Y. 11577

ATLANTIC STAR
INTERMEDIARIES, INC.



Spotlight report

The London Agency Inc.

1230 W. Peachtree St. N.W., Atlanta, Ga. 30309; 404-875-9641

	1987	1986
Premium volume	$472,151,234	$466,850,279
Gross revenues	$17,081,018	$16,853,403
Employees	202	185
Commercial lines	100%	100%
Admitted business	94%	93%
Non-admitted	6%	7%

The London Agency Inc. is realistic about the future after the underwriting manager's premium volume grew only slightly in 1987.

Last year's performance and this year's anticipated slide in premium volume is indicative of the soft market, but comes on the heels of booming growth in 1986 for the Atlanta-based unit of Crum & Forster Inc.

"We fully expect in '88 to write less than in '87," said John M. Griffin, The London Agency's new president and chief operating officer.

Mr. Griffin, who was named to his position in June, said 1988's gross premium volume probably will be 10% to 15% less than the $472.2 million recorded in 1987. And 1987 premiums were a mere 1.1% more than the $466.9 million written in 1986.

With little change in premium volume, The London Agency held onto its second place ranking among underwriting managers/managing general agents.

The London Agency's 1.1% increase in premium volume comes after a burst of growth in 1986, when premium volume increased 127% from 1985's $205.6 million.

The London Agency also saw little growth in gross revenues in 1987—a 1.4% increase to $17.1 million from $16.9 million in 1986. Gross revenues had leaped 86% in 1986 to $16.9 million.

Gross premiums for the first half of 1988 totaled $240 million, which if matched during the second half would give the agency a slight increase in volume over 1987.

But The London Agency expects to write slightly less this year.

"Where we're losing business is when it goes back to the standard companies. And they're looking to write more premium or take more risk. . .so they are taking back accounts that we had been writing for the last two or three years," Mr. Griffin said.

He pointed out that "the types of accounts we see going back are the low-hazard accounts that may have some big numbers with them. For example, a large chain of grocery stores or a large chain of department stores. The standard market underwriters are familiar with department stores and grocery stores and that kind of risk moves easily back, whereas we retain the more difficult manufacturing-type risks."

Mr. Griffin noted, "We've had very good relationships with our wholesalers, who provide us with the bulk of our business and we're still seeing business come in from them. . . .We're pretty comfortable that we'll make our objectives by year-end."

The London Agency is not interested in medical malpractice risks or such high-hazard exposures as those involving pharmaceuticals, asbestos or potential pollutants.

The London Agency's bread and butter continues to be its commercial umbrella coverage, which helped propel the company to its position among the largest wholesale marketers.

During the hard market, The London Agency dramatically increased the price of its commercial umbrella coverage, with average premiums climbing to $86,000 in 1986 from $25,000 the year before. At the same time, the number of policies written fell 20%.


Mr. Griffin

"That's our main product, probably 80% of what we sell," said Mr. Griffin. "It has always performed very well."

The average umbrella policy premium for has been slightly lower in the past year, coming in between $75,000 and $80,000. And the policy count continued to drop last year, falling another 15%, Mr. Griffin noted. This year's policy count is expected to total about the same as 1987's.

The falling premium for umbrella policies is partly a reflection of "moving into different layers on renewals," Mr. Griffin noted.

In some cases, lower layers of coverage have become intensively price-competitive. "If we don't want to become that competitive, we're more than likely to go up to a higher layer of insurance rather than to meet a price at the lower layer. So we'll have less risk of course, but we'll also have less premium."

The umbrella policy is written on an occurrence form and excess of at least $1 million. Limits are typically $1 million to $5 million with higher limits available through facultative reinsurance placements. Most of the coverage is written on behalf of International Insurance Co. in Chicago, another Crum & Forster unit.

The coverage is written for a broad range of commercial risks, including contractors, mercantile risks, hotels, motels, stores and manufacturers.

The London Agency participated in the umbrella coverage for the recent Democratic National Convention in Atlanta, Mr. Griffin pointed out, and will also insure part of the Republicans' meeting this month in New Orleans.

In addition to its umbrella program, The London Agency continues to write excess property and inland marine coverages. "We still do a lot of that and it's very profitable for us," said Mr. Griffin. "It's a key part of our operation."

The agency also writes some property coverage for substandard risks like vacant buildings.

All the business handled by The London Agency is commercial lines, with 94% written for admitted insurers.

The agency has branch offices in Tampa, Fla., and New Orleans.

Of The London Agency's $472 million in 1987 premiums, at least 80% was written as an underwriting manager for other Crum & Forster companies: International Insurance Co.; United States Fire Insurance Co. in Morristown, N.J.; North River Insurance Co. of Morristown, N.J.; and Westchester Fire Insurance Co. in Basking Ridge, N.J.

Around 15% to 20% was produced as a broker for other markets, including: Lexington Insurance Co. in Boston, First State Insurance Co. in Boston, American International Group Inc. in New York and London-market insurers.

Another 5% of the premium was handled as a managing general agency and placed with underwriters at Lloyd's of London.

Those percentages are changing, Mr. Griffin said, as The London Agency's role as a broker expands.

"In '88 we decided to substantially increase our brokerage activities," he remarked.

"We felt we were servicing a very high number of wholesalers and retailers and we just weren't able to do it from an underwriting standpoint," Mr. Griffin explained.

Those retailers that are now serviced by the brokerage department "still get the access to The London Agency, but they also get access to other markets through the brokerage facility."

Mr. Griffin said he expects 45% of The London Agency's 1988 business to be handled as a brokerage, with 50% produced as an underwriting manager. The remaining 5% will continue to be written on an MGA basis.

Despite slumping premium volume in a competitive market, The London Agency will not chase prices to unrealistic levels just to write business, he observed.

"We have a very sophisticated pricing methodology," Mr. Griffin said, "which tells our underwriters what the lowest profitable price is." And underwriters are charged with making judgments on reasonable price levels above that ground-floor figure, he explained. "That's the point we don't want to go beyond. That's the walk-away price."

The London Agency's pricing overall is "a good distance away" from its price floor, he added, "which to me, indicates that we are able to select, underwrite and get fair prices on the accounts that we want to underwrite."

There are a lot of risks in the current marketplace that The London Agency will not write simply because the business would have to be written too cheaply, Mr. Griffin remarked. "Even if it's within the parameters, we still may feel its too low and not go with it."

Looking ahead to a market turnaround, Mr. Griffin said, "I would hope it would change tomorrow, but that's not too realistic.

"Crum & Forster tends to feel as a group that late '89 is a possibility. But it's such a guessing game you just have to deal with change as best you can and hopefully survive through it and manage that change."

Mr. Griffin is somewhat optimistic about market conditions that will follow the current softening. "Most insurance companies are trying to manage their pricing levels so that prices are not being cut so severely that when losses start showing up, you don't have the premium for it. If insurance companies can maintain their pricing integrity, we shouldn't have as many companies getting into as big a bind as we did last time around."

Tort and insurance reform measures passed by states during the last hard market should help some when the market shifts, he stated.

In fact, Mr. Griffin mentioned, those measures "are having an effect now. We look on a lot of those things as being positive and are more willing to write different types of insurance in different states simply because they have changed their joint and several liability or whatever it might be. I think we can expect that to continue and it seems to me that the legislators and consumers are becoming a little bit more aware that tort reform in some pieces, in some states, is a good idea."

Mr. Griffin also had high praise for the staff he has inherited. "I can see that we have a lot of expertise and a lot of talent working here at The London Agency. . .and we will find ways over the next few years to capitalize on that and become more of a force in the insurance industry."

Mr. Griffin replaced former president James A. Dixon, who left last year to form a new Atlanta-based agency with former London Agency Chairman Steven D. Smith.

Robert Vairo, president, chief operating officer and chief executive officer of Crum & Forster, now holds the title of chairman and CEO of The London Agency.

Mr. Griffin, who formerly was regional vp in Crum & Forster's Philadelphia office, pointed out that new management at The London Agency does not mean big changes at the company.

"With new management, a lot of people tend to wonder what's going on," he said. "It's really business as usual. My job is to see that The London Agency maintains its very strong position in the marketplace and even to improve upon it. So I really don't expect a lot of change even though there has been a top management change."

In addition to Mr. Griffin and Mr. Vairo, principal officers at The London Agency include Reuel B. Buttram, E.G. Lassiter, Robert B. Portwood and M. Steven DeCarlo, senior vps.

The London Agency is a member of NAPSLO.

—By Michael Bradford



SPECIALTY COVERS for FINANCIAL INSTITUTIONS from the FINANCIAL INSTITUTION SPECIALISTS

- Blanket Bonds
- Safe Deposit Box Liability
- Master Fire
- Mortgage Impairment
- Directors and Officers Liability
- Trust Department Errors & Omissions
- IRA/Keogh Errors & Omissions
- NOW Account Errors & Omissions
- Extortion — Broad Form

For Banks, Savings and Loan Associations, Mortgage Banks, Insurance Companies, Credit Unions

Exclusively through Agents and Brokers

NHM Financial Institutions, Inc.,
Princeton-Windsor Office Park
PO Box 301
Princeton Junction, NJ 08550
Telephone: (609) 443-7400
Telex: 853100

No one's more INNOVATIVE

ADMIRAL
INSURANCE COMPANY

1255 Caldwell Road
Cherry Hill, New Jersey 08034

A MEMBER COMPANY OF THE W.R. BERKLEY CORPORATION

AAMGA NAII NAPSLO

Cameron & Colby Co. Inc.

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

	1987	1986
Premium volume.	$393,633,000*	$323,336,000*
Gross revenues...	NA	NA
Employees.....	430	450
Commercial lines.	100%	100%
Admitted business	48%	50%
Non-admitted....	52%	50%

* Direct writings only, excludes reinsurance.

Cameron & Colby Co. Inc. is "downsizing" in response to soft market pressures on two of the Hartford Insurance Group affiliates it manages, Chief Executive Officer Lawrence S. Doyle says.

Cameron & Colby, itself a Hartford unit, is underwriting manager for First State Insurance Co., New England Insurance Co. and New England Reinsurance Corp. (see story, page 18).

First State's direct insurance premium volume grew last year, but volume has declined so far in 1988, and New England Insurance actually reported a slight loss in direct volume last year.

Cameron & Colby is trying to reduce expenses, partly by paring its staff through attrition, Mr. Doyle said; staff has been cut to about 430 people from 450 last year and is still shrinking.

Mr. Doyle noted that a senior underwriting staff is being maintained and that the management company expects no trouble hiring people back when market conditions improve.

The Cameron & Colby staff has been cut to about 430 people from 450 last year.

He acknowledged, though, that Cameron & Colby has to maintain a delicate balance between motivating its underwriting staff and controlling premium growth during a soft market.

Gross direct written premiums of First State and New England Insurance totaled $393.6 million last year, up 21.7% from $323.3 million in 1986. First State, writing predominantly non-admitted business, accounted for $317.4 million of 1987 volume, while New England Insurance, writing exclusively on an admitted basis, accounted for $76.2 million.

The business written by the two insurers is basically identical, with New England Insurance used instead of First State when an admitted market is required, Mr. Doyle said.

The direct volume figures do not include reinsurance assumed by the insurers under a pooling arrangement with Hartford. Under the arrangement, each company cedes its direct business and assumes a share of pooled premiums, losses and expenses.

First State's direct premium volume included $203.5 million written on a non-admitted basis in 47 states and foreign markets and $113.9 million written on an admitted basis in California, Massachusetts and Delaware, the only states where the insurer is licensed.

Despite an underwriting loss of $3.9 million last year, First State reported net income of $18 million, finishing the year with policyholders surplus of $85.5 million. New England Insurance reported an underwriting loss of $2 million but a net income of $9.7 million, finishing the year with $44.3 million of surplus.

Including the reinsurance operations of New England Re, Cameron & Colby reported earned premiums of $432.2 million, up 18.1% from $365.8 million in 1986. The three insurers collectively reported an underwriting loss of $11.3 million in 1987 but net income of $42.3 million.

Surplus of the three insurers totalled $300.6 million as of last Dec. 31.

Ralph J. Palmieri was recently named president and chief operating officer of Cameron & Colby, First State and New England Insurance. Mr. Doyle serves as president of New England Re.

Other Cameron & Colby officers include William Griffiths, executive vp.

Cameron & Colby is a member of NAPSLO and has offices in Atlanta, Boston, Chicago, Los Angeles, New York and San Francisco.

—By Douglas McLeod

Crum & Forster Managers Corp. of Illinois

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

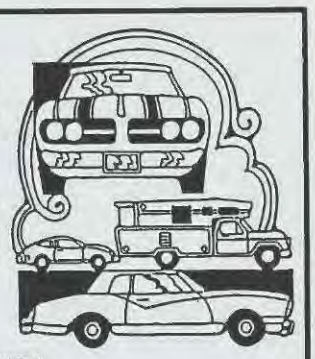
	1987	1986
Premium volume.	$319,218,000	$331,275,000
Gross revenues...	NA	NA
Employees.....	363	325
Commercial lines.	100%	100%
Admitted business	51.2%	55.2%
Non-admitted....	48.8%	44.8%

As far as President David N. Thompson is concerned, last year "was a very good year" for Crum & Forster Managers Corp. of Illinois, despite a decline in its premium volume.

While premium volume dropped 3.6% to $319.2 million in 1987 from $331.3 million in 1986, the Chicago-based underwriting manage-

Continued on next page

INSURANCE FOR BANK AUTOMOBILE LEASING



Allied with major carriers, we have extensive experience with this difficult-to-place insurance. We make it easier for you with a quality bank auto leasing insurance program that provides broader coverages at substantial savings.

- Lessors Excess Liability
- Lessors Contingent Liability
- Lessors Contingent Physical Damage
- Interim Car Coverages • Residual Value Insurance

We invite your inquiry and your business. Write or call Ron Ruane.

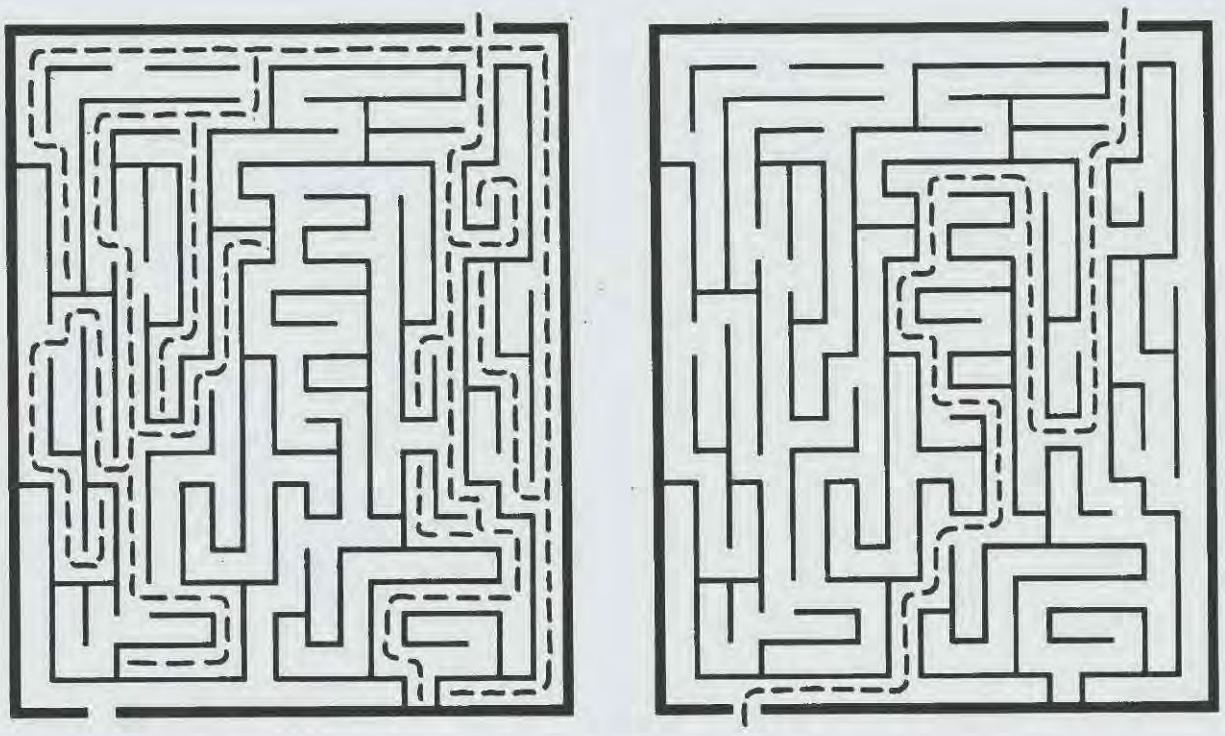
PRI

PAIGE-RUANE, INC. INSURANCE

The Irwin Building • P.O. Box 1562
King of Prussia, PA 19406
(215) 265-4170 • FAX # (215) 265-1240

Physical Damage by: Motors Insurance

DON'T CONFUSE ACTIVITY WITH RESULTS



LOCKWOOD, DIPPLE & GREEN INCORPORATED

UNDERWRITING MANAGERS
—A & H Special Risk
—Medical Stop Loss
—High Limit Disability
—Travel Accident

REINSURANCE INTERMEDIARIES
—Treaty
—Facultative
—Specialty Workers Compensation Reinsurance
—Specialty Liability Reinsurance

CALL US WHEN YOU'VE HAD ENOUGH ACTIVITY

LOCKWOOD, DIPPLE & GREEN INCORPORATED

OFFICES

WOBURN
300 Unicorn Park Drive
Woburn, MA 01801
Phone: (617) 938-9010

NEW YORK
561 Seventh Avenue
New York, NY 10018
Phone: (212) 921-5689

MINNEAPOLIS
1730 Clifton Place
Minneapolis, MN 55403
Phone: (612) 870-9284

Continued from previous page
ment subsidiary of Morristown, N.J.-based Crum & Forster Inc. is positioning itself to take advantage of opportunities likely to come its way when the market picks up—a development Mr. Thompson foresees in mid-1989.

"In general, we have been disappointed in the decline of pricing adequacy across the board," said Mr. Thompson, who had thought the Tax Reform Act of 1986 would serve as a brake on price competition. Under the new tax law, insurers must pay taxes regardless of whether they produce an underwriting profit (*BI*, March 21).


Mr. Thomspon

Still, Mr. Thompson remains optimistic that price-cutters will "wake up" to the impact of the tax law and begin pricing their products accordingly. If this happens, he said, pricing in general will firm up in the middle of 1989.

Even given the drop in premium volume, CFMC (Ill.) maintained its fourth-place position in *Business Insurance*'s ranking of the top surplus lines underwriting managers/managing general agents.

Mr. Thompson made clear that CFMC (Ill.) has no plans to abandon its emphasis on strict underwriting to increase market share. "We are willing to sacrifice volume to maintain an underwriting profit," he said.

In doing so, CFMC (Ill.) is adhering to the position staked out by Robert A. Vairo, president, chief operating officer and chief executive officer of Crum & Forster Inc., a Xerox Corp. subsidiary since in 1983.

Mr. Vairo has repeatedly stressed that all Crum & Forster units will compete only to a "walkaway price"—an absolute price floor beneath which employees who stray risk being dismissed. The "walkaway" price varies by risk.

All Crum & Forster pricing decisions are electronically tracked through a sophisticated management information system

CFMC (Ill.) initially had set a $338 million premium volume goal for 1988 but has since reduced that target. However, Mr. Thompson would not specify by how much.

President David N. Thompson made clear that CFMC (Ill.) has no plans to abandon its emphasis on strict underwriting to increase market share. 'We are willing to sacrifice volume to maintain an underwriting profit,' he says.

In keeping with the underwriting manager's strict underwriting guidelines, the goal is not being lowered through price reductions, said Roger A. Quigley, one of the underwriting manager's senior vps.

Dennis C. Gibbs, senior vp and chief financial officer, reiterated that point, saying "There has been no across-the-board decrease in rates," although the rating of individual accounts varies.

Despite the generally softening market, CFMC (Ill.) saw "modest rate increases" in some lines, said Mr. Quigley, who declined to identify the lines.

Rather than competing on price, CFMC (Ill.) is emphasizing quality of service and commitment to clients, he said. "On specialty lines, buyers recognize the value of stability. We're there, as long as it's reasonably priced," he pointed out.


Mr. Quigley

And, capacity available from CFMC (Ill.) has increased in some lines.

Capacity for both property and casualty doubled last year to $5 million from 1986's $2.5 million. Capacity for professional liability and directors and officers liability remains at $5 million.

"We've been on a campaign of maintaining (at least) $5 million" in capacity for most lines, Mr. Thompson said.

CFMC (Ill.) uses facultative reinsurance when needed to provide additional limits. By using facultative reinsurance, CFMC (Ill.) can increase its capacity to $10 million for some risks.

The underwriting manager's main reinsurers include Lloyd's of London, Kemper Reinsurance Co. in Long Grove, Ill., and Transamerica Reinsurance Co., a new Stamford Conn.-based unit of Transamerica Corp. in Los Angeles.

In another area of growth, CFMC (Ill.) increased its staff to 363 from 325, and currently employs 372. That figure should increase to about 380 by year-end, Mr. Thompson added.

However, CFMC (Ill.)'s 1987 personnel growth is in different areas than the previous year's, Mr. Thompson pointed out. For example, additions during 1986—when the staff grew to 325 from 261—were mostly in the underwriting, claims and financial areas (*BI*, Aug. 10, 1987). But last year, "additions were made generally across the board," he said.

Mr. Thompson is especially pleased with the expertise that has developed in the claims department. "We now feel we have one of the premier specialty claims departments in the country," he said.

And, the claims department is "becoming more and more involved in selling" CFMC (Ill.)'s services, Mr. Thompson noted. For example, the claims department produced a loss-control video for certified public accountants that showed them how to avoid errors and omissions claims, he said. And, other specialized loss-control videos are scheduled for the future.

While Mr. Thompson pointed out that "there is specialized expertise among the offices" in Miami and Los Angeles, all underwriting guidelines emanate from CFMC (Ill.)'s Chicago headquarters.

Although CFMC (Ill.) underwrites from 21 product books, its chief product remains professional liability insurance, which accounted for 53% of the underwriting manager's 1987 premium volume.

CFMC (Ill.) targets several segments of the professional liability market, including architects, engineers, attorneys, pension actuaries, accountants, insurance agents and real estate agents.

Directors and officers coverages for both for-profit and non-profit entities also make up a significant portion—13%—of CFMC (Ill.)'s book of business. It's emphasis in the D&O field is on non-profit institutions, according to Robert E. Stalker, vp-marketing.

However, CFMC (Ill.) will not write financial institutions' D&O insurance or medical malpractice insurance, Mr. Thompson said.

Other significant lines of business include excess casualty, which accounts for 21% of CFMC (Ill.)'s book of business, and property, which accounts for 13%.

All professional liability, errors and omissions and D&O coverages are written on a claims-made basis, while most other casualty lines are written on occurrence forms, Mr. Quigley said.

While CFMC (Ill.)'s product line did not change during 1987, several new products are on the drawing board, and the underwriting manager intends to introduce two by the end of this year, Mr. Thompson said. However, he declined to give details.

CFMC (Ill.)'s target market remains companies smaller than the Fortune 500, according to Mr. Stalker.

In addition, CFMC (Ill.) "is very interested" in marketing to purchasing groups, he said. "But many states have made rules that have made purchasing groups less interested in forming," Mr. Stalker added.

In its effort to develop new products, CFMC (Ill.) has created a new products facilitator position, whose responsibilities include listening to the ideas from producers to see whether any can be translated into new products.

The percentage of business written by CFMC (Ill.) on a surplus lines basis increased slightly during 1987, to 48.8% from 44.8% in 1986.

CFMC (Ill.) writes on a surplus lines basis for International Surplus Lines Insurance Co., which shares offices and officers with CFMC (Ill.) in Chicago.

In addition, CFMC (Ill.) writes on an admitted basis for four Crum & Forster units: International Insurance Co. of Chicago; The North River Insurance Co. and United States Fire Insurance Co., both of Morristown, N.J.; and Westchester Fire Insurance Co. of New York.

CFMC (Ill.) currently has 623 producers, a slight increase from the 600 it used last year. Commission levels did not change last year, according to Mr. Thompson, who said that wholesalers receive a 15% commission, while retailers receive 10%.

About 60% of CFMC (Ill.)'s business is generated by retail brokers and 40% by wholesale brokers, Mr. Stalker estimated.

CFMC (Ill.) does not release gross revenues. Because it is an underwriting affiliate of its sole markets, an estimate of its gross revenues would not compare meaningfully to those of underwriting managers or managing general agencies that do business with unrelated companies.

In addition to Mr. Thompson, Mr. Gibbs and Mr. Quigley, CFMC's principal officers include Gary J. Ferguson and Walter L. Mueller, both senior vps.

CFMC (Ill.) is a member of both NAPSLO and AAMGA.

—By Mark A. Hofmann

General Star Management Co.

Financial Centre, P.O. Box 10354, Stamford, Conn. 06904-2354; 203-328-5700

	1987	1986
Premium volume	$228,005,765	$338,979,000
Gross revenues	NA	NA
Employees	155	140
Commercial lines	100%	100%
Admitted business	27.4%	26.7%
Non-admitted	72.6%	73.3%

General Star Management Co.'s volume is plummeting, largely because of the loss of non-admitted business by one of the two affiliated insurers it manages.

The underwriting manager's volume fell 32.7% to $228 million in 1987 from almost $339 million in 1986. The decline dropped General Star Management to fifth place in *Business Insurance's* rankings of the largest managing general agents/underwriting managers from third place a year ago.

General Star Management, a unit of General Re Corp., is the exclusive underwriting manager for General Star Indemnity Co. General Star management also underwrites for General Star National Insurance Co.

General Star companies have lost business as a result of price-cutting, Mr. Brooks says.

General Star Indemnity—which primarily writes non-admitted primary, excess and umbrella liability and excess property business—reported a 35% drop in gross written premiums last year to $167.9 million from $258.3 million in 1986.

Kevin P. Brooks, president of General Star Management, blamed the decline mainly on the return of business to the admitted market (see story, page 30).

Meanwhile, General Star National—which writes mainly excess liability business and is admitted in all states except Hawaii—saw its volume slide a relatively modest 7.5% to $76.4 million last year from $82.6 million in 1986.

Other General Re units also write business for General Star National.

General Star Management favors the use of its non-admitted company, using General Star National mainly when policyholders—such as municipalities or school districts—require an admitted insurer, Mr. Brooks said.


Mr. Brooks

However, the share of the management company's premiums written on a non-admitted basis has inched down over the last 18 months.

Last year, 72.6% of General Star Management's premiums were placed in the non-admitted market, compared with 73.3% in 1986.

For the first six months of 1988, only 71% of General Star Management's premiums were placed in the non-admitted market.

The conservatively managed General Star companies have not followed the price-cutting trend, Mr. Brooks said, and have lost business to admitted insurers as a result.

This process is continuing into 1988: For the first six months of this year, General Star Management's volume is off 31.8% to $85.7 million from $125.6 million during the same period in 1987.

The two insurance companies have no employees of their own and are managed by the staff of General Star Management, where employees numbered 155 at the end of last year, up from 140 at year-end 1986. As of June 30, the management company's employees numbered 158.

In addition to Mr. Brooks, principal officers of General Star Management are Sam C. Anderson, vp; Ronald S. Austin and Scott H. Lockett, second vps; and Thomas P. Bowie, assistant vp.

General Star Management is a member of NAPSLO.

—By Douglas McLeod

TREATY
AND FACULTATIVE
REINSURANCE
WORLDWIDE.
RFC
INTERMEDIARIES, INC.
1117 Perimeter Center West, N-500
Atlanta, Georgia 30338
(404) 392-9541
Offices in: Atlanta · Chicago · Dallas · Hartford · Los Angeles · New York · Philadelphia · San Francisco · St. Paul

BI's directory of wholesale marketing firms

A

ARC Excess & Surplus Inc.

300 Old Country Road, Mineola, N.Y. 11501; 516-747-4100

	1987	1986
Premium volume.	$100,000,000	$75,000,000
Gross revenues...	NA	NA
Employees.....	19	10
Commercial lines.	100%	100%
Admitted business	85%	85%
Non-admitted....	15%	15%

Year founded: 1986.
Type of business: 100% broker.
Broker for: Primarily National Union Fire Insurance Co., Great American Insurance Co., CIGNA Group, Reliance Insurance Co., Federal Insurance Co., The Home Group Inc., Harbor Insurance Co., Old Republic Insurance Co., Royal Indemnity Co., RLI Insurance Co., Tudor Insurance Co., Evanston Insurance Co., Associated International Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Houston.
Subsidiaries: ARC Consulting Group Inc., ARC Special Risks Inc.
Specialties: Directors and officers liability, fiduciary liability, lawyers professional liability.
Principal officers: Albert L. Salvatico, Richard A. Fierstein, Christopher J. Cavallaro, Stephanie L. Tessmer and Robert H. Goodman.

Acadiana Special Risks Inc.

1616 Jefferson St., Lafayette, La. 70501; 318-237-2000

	1987	1986
Premium volume.	$2,600,000	$3,300,000
Gross revenues...	$200,000	$250,000
Employees.....	4	4
Commercial lines.	100%	100%
Admitted business	25%	30%
Non-admitted....	75%	70%

Year founded: 1976.
Type of business: 100% broker.
Broker for: Primarily Interstate Fire & Casualty Insurance Co., Highlands Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Oil field liability.
Principal officers: Glenn Hebert, president; Kathy Fussell, vp.
Membership: NAPSLO, Louisiana Surplus Lines Assn.

Accident Underwriters Inc.

5339 Alpha Road, Suite 100, P.O. Box 792368, Dallas, Texas 75240; 214-233-9787

	1987	1986
Premium volume.	$8,100,000	NA
Gross revenues...	NA	NA
Employees.....	17	NA
Commercial lines.	50%	NA
Admitted business	100%	NA

Year founded: 1987.
Type of business: 95% underwriting manager, 5% broker.
Underwriting manager for: United Fidelity Life Insurance Co.
Broker for: Primarily State Mutual Life Insurance Co.
Branch offices: Los Angeles, Atlanta.
Specialties: Accidental death and dismemberment, group accident medical.
Principal officers: Philip K. Munson, president; Charles E. Bell, vp; Thomas J. Lenihan III, treasurer; Susan W. Hughlett, secretary.

Continued on next page

How to use directory

The annual *Business Insurance* directory of wholesale marketers lists underwriting managers, managing general agents and surplus lines brokers that responded to a *Business Insurance* questionnaire.

The directory is published as an editorial service; there is no charge for companies to be listed.

Listings begin with the company name, address and telephone number.

Next, companies were asked to provide premium volume; gross revenues; number of employees; percentage of premium volume related to commercial lines; and the percentage of premium volume placed as an underwriting manager, managing general agent and wholesale broker.

Business Insurance defines an underwriting manager as a company that handles all the affairs of the insurance company, including underwriting, reinsurance and claims, with the possible exception of investments of the insurance company.

A managing general agent is defined as having underwriting authority for an insurer, which includes the ability to determine rates on individual risks; it can bind and issue policies on behalf of the insurer. The managing general agent may or may not have reinsurance and claims supervision authority related to the insurance it has written.

A broker places business with markets but has no underwriting authority or binding authority without approval of the insurer.

Companies acting as underwriting managers were asked to list companies for which they have underwriting authority. Managing general agents gave the names of companies for which they have binding authority, while brokers supplied names of companies with which they place the most business. Also noted is whether a company is a correspondent for Lloyd's of London, meaning it has binding authority for a Lloyd's syndicate.

Following the financial information, the year the company was founded and its parent company (if any) are noted. Locations of branch offices and subsidiaries, specialties (any commercial risk placed that comprises 25% or more of the company's annual premium volume) and names and titles of principal officers are also noted.

Companies' membership in either of the two national professional surplus lines organizations—the National Assn. of Professional Surplus Lines Offices (NAPSLO) and the American Assn. of Managing General Agents (AAMGA)—as well as state surplus lines organizations complete the listings.

In addition to this directory of wholesale marketers, a listing of excess and surplus lines insurers that responded to a *Business Insurance* questionnaire begins on page 39.

Although we make every effort to publish complete and accurate information, *Business Insurance* is unable to verify all figures supplied by participating companies.

YEARS VS EXPERIENCE

Some insurance companies have been around longer. Some are bigger and offer more products. We'll give them that. But when it comes to creative problem-solving, we don't give our competitors anything.

RLI finds workable answers to insurance challenges, like primary and commercial umbrella liability needs. RLI may be younger, but we'd put our 20 years of ingenuity up against centuries of status-quo thinking any day of the week. At hard work and success, we're very experienced.

RLI
Reliability•Leadership•Innovation
© 1988 RLI Corp.

BIG NAMES VS BIG IDEAS

You know who they are. The industry giants. They've been around for centuries. So have a lot of their "ideas." But tried isn't necessarily true.

The big ideas are often the new ones, the strategies custom-tailored for specific needs like property insurance. So when you require ingenuity and real foresight, we can help. In a big way.

RLI
Reliability•Leadership•Innovation
© 1988 RLI Corp.

Continued from previous page

Agency Marketing Services

1001 Pasadena Ave. S., St. Petersburg, Fla. 33707; 813-384-1036

	1987	1986
Premium volume	$6,360,000	$6,000,000
Gross revenues	$378,000	$350,000
Employees	6	6
Commercial lines	90%	90%
Admitted business	40%	40%
Non-admitted	60%	60%

Year founded: 1982.
Type of business: 100% broker.
Broker for: Primarily Interstate Fire & Casualty Insurance Co., Lexington Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Umbrella policies, directors and officers liability.
Principal officers: Kevin Schuck, president; Bryon Chenell, vp.
Membership: NAPSLO, Florida Surplus Lines Assn.

Alexander Howden North America Inc.

1705 Commerce Drive, Atlanta, Ga. 30318; 404-351-5880

See profile on page 49.

Alexander Underwriters General Agency Inc.

P.O. Box 105051, Atlanta, Ga. 30348; 404-981-7100

	1987	1986
Premium volume	$37,974,232	$42,767,336
Gross revenues	$9,493,558	$8,125,794
Employees	98	137
Commercial lines	48%	51%
Admitted business	72%	71%
Non-admitted	28%	29%

Year founded: 1974.
Parent company: International Indemnity Group Inc.
Type of business: 98% underwriting manager, 1% managing general agent, 1% broker.
Underwriting manager for: International Indemnity Co., Florida International Indemnity Co.
Correspondent: Lloyd's of London.
Branch offices: Orlando, Fla.; Baton Rouge, La.; Columbia, Tenn.
Specialties: Commercial auto, general liability.
Principal officers: James A. Alexander, president; Farris A. Alexander, vp/secretary; C. Glenn Alexander, vp/treasurer; Benny Byrd Jr. and Joseph E. Murphy, vps.
Membership: AAMGA, NAPSLO, Georgia Surplus Lines Assn., Louisiana Surplus Lines Assn.

American National General Agencies Inc.

3801 Barham Blvd., Suite 320, Los Angeles, Calif. 90068-1007; 213-850-5880

	1987	1986
Premium volume	$81,946,973	$74,565,762
Gross revenues	NA	NA
Employees	101	92
Commercial lines	98%	98%
Admitted business	65%	65%
Non-admitted	35%	35%

Year founded: 1854.
Parent company: Bayly, Martin & Fay International Inc.
Type of business: 70% managing general agent, 30% broker.
MGA for: Chubb Group Inc., Gulf Insurance Co., Scottsdale Insurance Co., Nautilus Insurance Co., National Indemnity Insurance Co., St. Katherine Insurance Co. P.L.C., Western World Insurance Co., Western Heritage Insurance Co.
Broker for: Primarily Associated International Insurance Co., Admiral Insurance Co., First State Insurance Co., Chubb Custom Insurance Co., Evanston Insurance Co., Lexington Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: New York, St. Louis, Denver, Phoenix, Montreal and London.
Specialties: Entertainment-related risks.
Principal officers: Frank A. Powers, president; Cal Landess, vp-excess/surplus lines; Eric Gemballa, vp-entertainment; Al Rieden, senior vp-programs; Ralph Hodgson, vp-claims.
Membership: AAMGA, NAPSLO, California Surplus Lines Assn., Colorado Surplus Lines Assn.

Anderson & Murison Inc.

800 W. Colorado Blvd., Los Angeles, Calif. 90041; 213-255-2333

	1987	1986
Premium volume	NA	NA
Gross revenues	$2,514,885	$2,737,713
Employees	30	34
Commercial lines	80%	85%
Admitted business	50%	55%
Non-admitted	50%	45%

Year founded: 1965.
Type of business: 85% managing general agent, 15% broker.
MGA for: American Empire Surplus Lines Insurance Co., Southern Insurance Co., AEGON Insurance Co. Ltd., Jefferson Insurance Co., Riunione Adriatica di Sicurta, Topa Insurance Co., Western World Insurance Co., Sphere Drake Insurance Co. P.L.C.
Broker for: Primarily First State Insurance Co., Colonia Insurance Co., Topa Insurance Co., General Star Management Co.
Correspondent: Lloyd's of London.
Branch offices: Fountain Hills, Ariz.
Specialties: Monoline casualty, commercial packages.
Principal officers: David F. Anderson, president; Horst L. Lechler, senior vp; Francisca P. Verzola, administrative assistant.
Membership: AAMGA, NAPSLO, Surplus Lines Assn. of California.

Anexco Insurance Agency Inc.

274 Summer St., Boston, Mass. 02210; 617-350-7042

	1987	1986
Premium volume	$43,000,000	$37,000,000
Gross revenues	NA	NA
Employees	35	35
Commercial lines	100%	100%
Admitted business	20%	20%
Non-admitted	80%	80%

Year founded: 1979.
Parent company: Mutual Risk Ltd.
Type of business: 10% managing general agent, 90% broker.
Branch offices: Providence, R.I.; Avon, Conn.; Marlin, N.J.
Principal officers: Gary Joyal, president; Alexander Mcssuto, executive vp.
Membership: AAMGA, NAPSLO.

Anglo-American Ltd.

201 Bloomfield Ave., Verona, N.J. 07044; 201-239-7000

	1987	1986
Premium volume	$4,150,000	$4,000,000
Gross revenues	NA	NA
Employees	5	5
Commercial lines	98%	98%
Admitted business	5%	5%
Non-admitted	95%	95%

Year founded: 1975.
Type of business: 90% managing general agent, 10% broker.
MGA for: Terra Nova Insurance Co. Ltd., Sphere Drake Insurance Co. P.L.C., Lincoln Insurance Co.
Broker for: Primarily Sphere Drake Insurance Co. P.L.C., Tera Nova Insurance Co. Ltd., Lincoln Insurance Co.
Correspondent: Lloyd's of London.
Subsidiaries: Langtree Agency Inc.
Specialties: Physical damage, general liability.
Membership: NAPSLO.

Arlington/Roe & Co. Inc.

5546 Shorewood Drive, P.O. Box 20905, Indianapolis, Ind. 46220; 317-257-9123

	1987	1986
Premium volume	$7,566,851	$7,282,971
Gross revenues	$1,070,000	$870,000
Employees	27	23
Commercial lines	53%	56%
Admitted business	70%	67%
Non-admitted	30%	33%

Year founded: 1964.
Type of business: 92% managing general agent, 8% broker.
MGA for: Foremost Insurance Co., National Indemnity Insurance Co., Empire Fire & Marine Insurance Co., Midwest Mutual Insurance Co., Universal Fire & Casualty Insurance Co., Nautilus Insurance Co., Northfield Insurance Co., Northland Insurance Co., American Modern Home Insurance Co., American Empire Surplus Lines Insurance Co., Century Surety Co., Western Heritage Insurance Co.
Broker for: Primarily International Surplus Lines Insurance Co., Interstate Fire & Casualty Insurance Co., Employers Reinsurance Corp., CNA Insurance Cos., Imperial Casualty & Indemnity Co., Evanston Insurance Co., Fireman's Fund Insurance Cos., Lexington Insurance Co., Scottsdale Insurance Co.
Principal officers: James A. Roe, president; Nancy E. Young and Allen J. Grau, vps.
Membership: AAMGA, NAPSLO, Indiana Assn. of Professional Specialty Lines Offices.

AVRECO Inc.

10 S. LaSalle St., 12th Floor, Chicago, Ill. 60603-1099; 312-346-6161

	1987	1986
Premium volume	$89,000,000	$99,000,000
Gross revenues	$5,251,000	$6,039,000
Employees	41	44
Commercial lines	100%	100%
Admitted business	35%	35%
Non-admitted	65%	65%

Year founded: 1962.
Parent company: Cameron General Corp.
Type of business: 100% broker.
Branch offices: New York; Cameron Excess, Scottsdale, Ariz.
Specialties: Hospital professional liability, umbrella liability.
Principal officers: Fred H. Pearson, president; William D. Yurek, executive vp; Kenneth C. Heyman, chief financial officer; Robert Kampa, senior vp; Frank A. Catalano, vp.
Membership: NAPSLO, Illinois Surplus Lines Assn.

FOR INNOVATIVE IDEAS AND LEADERSHIP IN SPECIALTY LINES...

JEFFERSON INSURANCE COMPANY OF NEW YORK
and
MONTICELLO INSURANCE COMPANY

Areas of expertise

Substandard Fire
General Liability
Commerical Package Policies
Inland Marine
Excess Liability
Professional Liability
Select Personal Lines Coverages

- Specialty Lines Carriers (operating on a licensed and/or excess/surplus lines basis in all 50 States.)
- Dealing exclusively through wholesale managing general agents.
- 1988 A.M. Best Rating: B+ Class VI

LOOK TO THE JEFFERSON.

THE JEFFERSON INSURANCE GROUP
Home Office: Two Park Ave. • New York, NY 10016 • (212) 683-4500 • Telex 12-6908
Branch Office: Harborside Financial Center • Jersey City, NJ 07302 • (201) 433-7677

B

Bjornson/Sentinel

122 Broadway on the Skyway, P.O. Box 2827, Fargo, N.D. 58108; 701-232-2444

	1987	1986
Premium volume	$8,000,000	$9,500,000
Gross revenues	$1,000,000	$1,300,000
Employees	22	29
Commercial lines	50%	50%
Admitted business	70%	70%
Non-admitted	30%	30%

Year founded: 1981.
Type of business: 95% managing general agent, 5% broker.
MGA for: AEGON Insurance Group N.V., Acceptance Insurance Co., Capitol Indemnity Corp., Empire Fire & Marine Insurance Co., Foremost Insurance Co., Guaranty National Insurance Co., National Indemnity Insurance Co., Scottsdale Insurance Co., St. Katherine Insurance Co. P.L.C., Transamerica Premier Insurance Co.
Broker for: Primarily Admiral Insurance Co., Illinois Insurance Exchange.
Branch offices: Bloomington, Minn.
Specialties: Mobile homes, taverns and restaurants.
Principal officers: Darrell L. Bjornson, president; Lynn Leier, commercial lines underwriting manager; Stuart Thompson, branch office manager; Robert Hanna, commercial lines underwriter/personal lines manager; Michel Emrich, transportation underwriting manager; Scott Anderson, marketing representative.
Membership: AAMGA, NAPSLO.

J.H. Blades & Co. Inc.

P.O. Box 22003, Houston, Texas 77227-2003; 713-780-8770

	1987*	1986
Premium volume	NA	$176,105,000
Gross revenues	NA	$11,271,000
Employees	NA	93
Commercial lines	NA	100%

* Figures not available due to corporate restructuring.
Year founded: 1952.
Type of business: 25% underwriting manager, 60% managing general agent, 15% broker.
Underwriting manager for: Navigators Insurance Co.
Broker for: Primarily Vesta Insurance Co., Samvirke Insurance Co., First State Insurance Co., Transamerica Insurance Group, Albany Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Energy and energy-related fields.
Principal officers: Charles L. Bailey, president/chief operating officer; Martin J. Taylor, executive vp; John S. Parsley, senior vp; Richard M. Blades, vp; Ben J. Verdina, treasurer.
Membership: NAPSLO, Texas Surplus Lines Assn.

Bohrer Croxdale & McAdoo Inc.

P.O. Box 2760, Springfield, Mo. 65801; 417-869-2550

	1987	1986
Premium volume	$7,500,000	$8,000,000
Gross revenues	NA	NA
Employees	19	18
Commercial lines	100%	100%
Admitted business	40%	35%
Non-admitted	60%	65%

Year founded: 1977.
Type of business: 68% managing general agent, 32% broker.
MGA for: Northland Insurance Co., Northfield Insurance Co., Scottsdale Insurance Co., Nautilus Insurance Co., Empire Fire & Marine Insurance Co., General Agents Insurance of America, Penn-America Insurance Co., Capitol Indemnity Corp., First Marine Insurance Co.
Broker for: Primarily First State Insurance Co., Employers Reinsurance Co., Illinois Insurance Exchange, Crum & Forster Managers Corp., Interstate National Corp., RLI Insurance Co., Stonewall Insurance Co., Tudor Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Trucking, commercial general liability.
Principal officers: Sidney McAdoo, Sydney Croxdale and Yvonne Bohrer.
Membership: AAMGA, NAPSLO.

W. Brown & Associates Insurance Services

4675 MacArthur Court, Suite 770, Newport Beach, Calif. 92660; 714-851-2060

	1987*	1986
Premium volume	$3,500,000	NA
Gross revenues	$200,000	NA
Employees	4	NA
Commercial lines	100%	NA
Admitted business	50%	NA
Non-admitted	50%	NA

* Figures are for six months of 1987.
Year founded: 1987.
Type of business: 50% managing general agent, 50% broker.
MGA for: Scottsdale Insurance Co.
Broker for: Primarily General Star Indemnity Co., Harbor Insurance Co., Fireman's Fund Insurance Cos., National Union Fire Insurance Co. of Pittsburgh, Pa., Admiral Insurance Co.
Correspondent: Lloyd's of London.
Subsidiaries: W. Brown Property & Casualty Insurance Services, Vulcan Excess & Surplus of Newport Beach.
Specialties: Aviation products.
Principal officers: W. Scott Brown, president; Vince Zimmerer, John Krebs and Brian English, exec-

Continued on facing page

Continued from facing page
utive vps; William Brown, consultant.

Brown & Riding Insurance Services Inc.

107 S. B St., San Mateo, Calif. 94401; 415-579-0172

	1987	1986
Premium volume.	$9,460,000	$10,640,000
Gross revenues...	NA	NA
Employees.....	10	10
Commercial lines.	100%	100%
Admitted business	60%	80%
Non-admitted....	40%	20%

Year founded: 1980.
Type of business: 100% broker.
Broker for: Primarily Admiral Insurance Co., Harbor Insurance Co., Transcontinental Insurance Co., RLI Insurance Co., Associated International Insurance Co., First State Insurance Co., Lexington Insurance Co., Interstate Fire & Casualty Insurance Co., The Home Group Inc., Constitution State Insurance Co.
Branch offices: Los Angeles.
Principal officers: B. Peter Brown, president; Ramon C. Howing, vp; Kaycie L. Palmer and Chris A. Brown, assistant vps.
Membership: AAMGA, NAPSLO, Surplus Lines Assn. of California.

Burke-Daniels Co. Inc.

P.O. Box 36069, Houston, Texas 77236; 713-242-2070

	1987	1986
Premium volume.	$23,507,000	$24,562,000
Gross revenues...	$1,787,000	$1,854,000
Employees.....	15	15
Commercial lines.	100%	100%
Admitted business	28%	20%
Non-admitted....	72%	80%

Year founded: 1981.
Type of business: 40% managing general agent, 60% broker.
Broker for: Primarily Cameron & Colby Co. Inc., CIGNA Corp.
Correspondent: Lloyd's of London.
Specialties: Energy and petrochemical risks.
Principal officers: Robert M. Daniels, president; Erwin J. Ruch, senior vp; John C. Meloy and William S. Stinson, vps; Robert Crump, assistant vp.
Membership: NAPSLO, Texas Surplus Lines Assn.

C

Cambridge General Agency

1825 Sacramento St., San Francisco, Calif. 94120; 415-441-8500

	1987	1986
Premium volume.	$27,000,000	$30,000,000
Gross revenues...	$2,700,000	$3,000,000
Employees.....	30	32
Commercial lines.	90%	90%
Admitted business	50%	50%
Non-admitted....	50%	50%

Year founded: 1966.
Type of business: 55% managing general agent, 45% broker.
MGA for: AEGON Insurance Group N.V., Scottsdale Insurance Co., First State Insurance Co., Penn-America Insurance Co.
Broker for: Primarily RLI Insurance Co., Associated International Insurance Co., Navigators Insurance Co., American Universal Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Covina, Calif.
Specialties: Difference in conditions, layered property, automobile, primary liability, umbrella, associations and programs.
Principal officers: A. Mason Blodgett, president; Paul Janofsky and Tom Rucki, vps; Frank T. Glynn, underwriting manager.
Membership: AAMGA, NAPSLO.

Cameron & Colby Co. Inc.

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

See profile on page 57

Centrex Underwriters Inc.

P.O. Box 171176, Memphis, Tenn. 38187; 901-362-7246

	1987	1986
Premium volume.	$3,000,000	NA
Gross revenues...	NA	NA
Employees.....	6	4
Commercial lines.	100%	100%
Non-admitted....	100%	100%

Year founded: 1985; began managing general agency business in 1986.
Type of business: 100% managing general agent.
MGA for: Transamerica Specialty Insurance Co., Transamerica Insurance Co. of Michigan, Homestead Insurance Co.
Specialties: Primary liquor liability, commercial umbrella and excess liability.
Principal officers: Joseph Carlson, president; Eric Sturm and Robert Smith, vps.

Century Underwriters Inc.

Suite 1414, Investment Building, 239 Fourth Ave., Pittsburgh, Pa. 15222; 412-281-7252

	1987	1986
Premium volume.	$6,951,000	$7,469,000
Gross revenues...	$1,168,450	$1,218,255
Employees.....	10	10
Commercial lines.	91%	90%
Admitted business	65%	70%
Non-admitted....	35%	30%

Year founded: 1965.
Type of business: 70% managing general agent, 30% broker.
MGA for: General Agents Insurance Co., Sphere Drake Insurance Co. P.L.C., AEGON Insurance Group N.V.
Broker for: Primarily International Surplus Lines Insurance Co., Evanston Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Auto physical damage, property.
Principal officers: Eugene J. Marsalek, president/treasurer; Alice J. Marsalek, secretary; H. Pat Cawley, vp.
Membership: NAPSLO.

Charter House Inc.

P.O. Box 1763, Hendersonville, Tenn. 37077-1763; 615-822-2200

	1987	1986
Premium volume.	$30,044,040	$25,083,780
Gross revenues...	$2,386,464	$2,369,121
Employees.....	17	16
Commercial lines.	100%	100%
Admitted business	1%	5%
Non-admitted....	99%	95%

Year founded: 1983.
Type of business: 100% broker.
Broker for: Primarily Titan Indemnity Co.
Branch offices: Atlanta; Birmingham, Ala.; Raleigh, N.C.; Louisville, Ky.
Specialties: City and county governments.
Principal officers: David Van Dyke, president; Walter Elliott Jr., senior vp; Del F. Powell, senior vp/secretary; D.L. Butts and Travis Shamel, vps.

Cochrane, Griffin & Co. Inc.

2663 Bel-Red Road, Bellevue, Wash. 98008; 206-881-6616

	1987	1986
Premium volume.	$9,500,000	$9,150,000
Gross revenues...	NA	NA
Employees.....	18	22
Commercial lines.	50%	50%
Admitted business	40%	40%
Non-admitted....	60%	60%

Year founded: 1956.
Type of business: 99% managing general agent, 1% broker.
MGA for: Guaranty National Insurance Co., Scottsdale Insurance Co., Jefferson Insurance Co. of New York, Empire Fire & Marine Insurance Co., Western Heritage Insurance Co., Nautilus Insurance Co., First Financial Insurance Co.
Broker for: Primarily Lexington Insurance Co., Evanston Insurance Co.
Correspondent: Lloyd's of London.
Principal officers: John C. Griffin, president; L.D. Wertz, vp; Marci K. Sherk, secretary; Carol J. Griffin, treasurer; Gerry Newman and Kevin Grim, directors.
Membership: AAMGA, NAPSLO, Washington State Surplus Lines Assn.

Continued on next page

Today, the insurance market is sharp-eyed. Clients are more sophisticated. More informed. More aware of their options. What counts is substance. Here's ours: RLI's niche is specialty products and personal and small business umbrellas. To be the best in our niche, we're investing in better service systems, more streamlined claims processing capability. We're expanding our staff with specialized experts. Pros you can depend on for answers and action. Our image is substance.

If you need a market for personal or small business umbrella or coverage for targeted groups then call us at (800) 445-5468 (National Accounts); in Illinois (800) 322-7344.

IMAGE VS SUBSTANCE

RLI
Reliability•Leadership•Innovation
© 1988 RLI Corp.

WORDS VS WISDOM

Talk, talk, talk. That's just hot air. But talking. Listening. Probing. Analyzing. Solving. That's good business. And that's how RLI works with clients. We stick to our strength: specialty insurance lines such as Directors and Officers Insurance for hard to place risks and Professional Liability for miscellaneous classes. We deliver quality in all of our services. In underwriting, pricing, claims handling and customer service. When you're good, the word spreads. So ask your colleagues about RLI. If you are a wholesaler, call direct at (201) 288-8620. Either is a wise move.

RLI
Reliability•Leadership•Innovation
© 1988 RLI Corp.

Continued from previous page

Commercial Insurance Underwriters Inc.

1200 E. Woodhurst, M-400, Springfield, Mo. 65808-9005; 417-883-3393

	1987	1986
Premium volume	$7,328,331	$7,081,190
Gross revenues	$891,347	$712,259
Employees	12	10
Commercial lines	99%	99%
Admitted business	50%	50%
Non-admitted	50%	50%

Year founded: 1984.
Type of business: 60% managing general agent, 40% broker.
MGA for: Acceptance Insurance Co., Capitol Indemnity Corp., Commonwealth General Insurance Co., Guaranty National Insurance Co., Essex Insurance Co., Scottsdale Insurance Co.
Broker for: Primarily Admiral Insurance Co., General Star Indemnity Co., RLI Insurance Co., United Capitol Insurance Co., Tudor Insurance Co., Lexington Insurance Co., Evanston Insurance Co.
Branch offices: Overland Park, Kan.
Specialties: Restaurants, taverns, commercial automobile.
Principal officers: David W. Hinrichs, president; Robert L. McGrew, vp.
Membership: AAMGA, NAPSLO.

Compass Insurance Group of Agencies

805 Fairmont Ave., Glendale, Calif. 91203; 818-507-1980

	1987	1986
Premium volume	$7,100,000	$8,250,000
Gross revenues	$760,000	$990,000
Employees	8	8
Commercial lines	80%	80%
Admitted business	30%	40%
Non-admitted	70%	60%

Year founded: 1971.
Type of business: 100% managing general agent.
MGA for: Scottsdale Insurance Co., Topa Insurance Co., America Modern Home Insurance Co.
Correspondent: Lloyd's of London.
Principal officers: Harry W. Gorst, president.

Connecticut Underwriters Inc.

329 Main St., Portland, Conn. 06480; 203-342-0713

	1987	1986
Premium volume	$31,975,210	$29,743,124
Gross revenues	$2,976,171	$3,012,970
Employees	32	32
Commercial lines	80%	80%
Admitted business	25%	25%
Non-admitted	75%	75%

Year founded: 1964.
Type of business: 60% managing general agent, 40% broker.
MGA for: Western World Insurance Co., American Empire Surplus Lines Insurance Co., Mount Vernon Insurance Co., United States Liability Insurance Co., Foremost Insurance Co., CNA Insurance Cos.
Broker for: Primarily CNA Financial Corp., American Home Assurance Co., The Home Group Inc., CIGNA Group, Royal Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Corexco Insurance Agency Inc., Southboro, Mass.
Subsidiaries: Cuinco Premium Finance.
Principal officers: Henry J. Stone Jr., president/treasurer; M. Marion Ward, vp/secretary.
Membership: AAMGA, NAPSLO.

Contingency Resources Inc.

1 Biscayne Tower, 2 S. Biscayne Blvd., Suite 1914, Miami, Fla. 33131; 305-372-3220

	1987	1986
Premium volume	NA	NA
Gross revenues	NA	NA
Employees	NA	NA
Commercial lines	NA	NA

Year founded: 1986.
Type of business: 100% broker.
Correspondent: Lloyd's of London.
Branch offices: Chicago.
Specialties: Kidnap and ransom, financial institutions.
Principal officers: N. Sofo, president; J.M. Griffiths, executive vp.
Membership: NAPSLO.

Corporate Advisors Inc.

910 Skokie Blvd., Northbrook, Ill. 60062; 312-564-5820

	1987	1986
Premium volume	$700,000	$655,000
Gross revenues	NA	NA
Employees	5	5
Commercial lines	99%	99%
Admitted business	63%	50%
Non-admitted	37%	50%

Year founded: 1970; reactivated in 1986.
Type of business: 100% broker.
Broker for: Primarily Illinois Insurance Exchange, Transamerica Insurance Co., Hartford Insurance Group.
Specialties: Participant and spectator liability, products liability, completed operations exposure, professional liability.
Principal officers: Louis W. Biegler, president; C.M. Murphy, vp/secretary; William L. Biegler and Eugene W. Bader, vps.
Membership: Illinois Surplus Lines Assn.

Cox Insurance Group Inc.

P.O. Box 17008, 5170 Commerce Circle, Indianapolis, Ind. 46217-0008; 317-887-0030

	1987	1986
Premium volume	$8,000,000	$7,500,000
Gross revenues	NA	NA
Employees	22	20
Commercial lines	100%	100%
Admitted business	1%	1%
Non-admitted	99%	99%

Year founded: 1982.
Type of business: 100% managing general agent.
Correspondent: Lloyd's of London.
Branch offices: Birmingham, Ala.; St. Petersburg, Fla.
Specialties: Medical stop loss.
Principal officers: Ray Cox, president; Bill Krantz, vp-finance; Terri Moriarty, vp-operations.
Membership: NAPSLO.

Cravens, Dargan & Co. Pacific Coast

3700 Wilshire Blvd., Suite 530, Los Angeles, Calif. 90010; 213-480-4400

	1987	1986
Premium volume	$45,917,030	$95,743,763
Gross revenues	$6,291,532	$9,996,034
Employees	66	85
Commercial lines	100%	100%
Admitted business	99%	95%
Non-admitted	1%	5%

Year founded: 1903.
Parent company: CIGNA Corp.
Type of business: 99% underwriting manager, 1% broker.
Underwriting manager for: Century Indemnity Co.
Broker for: Primarily California

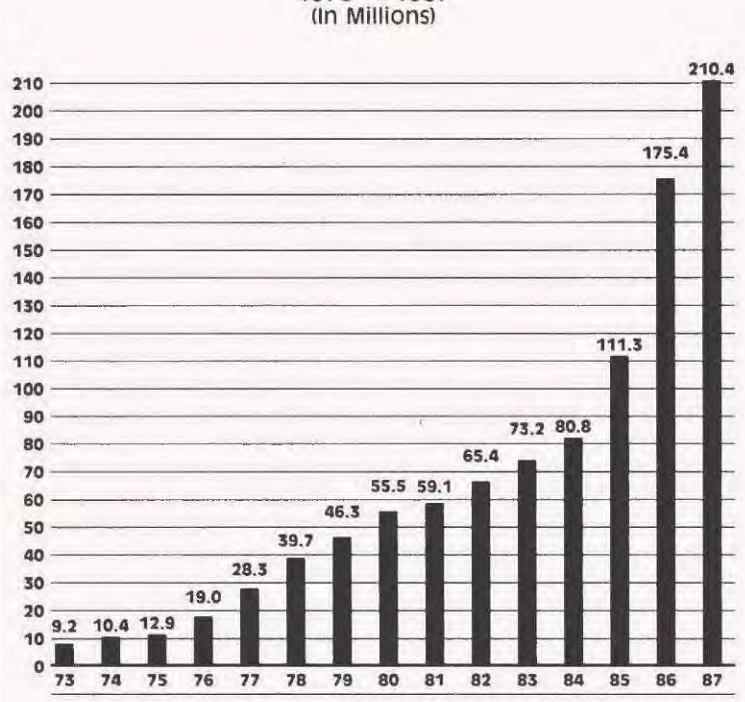
Continued on facing page

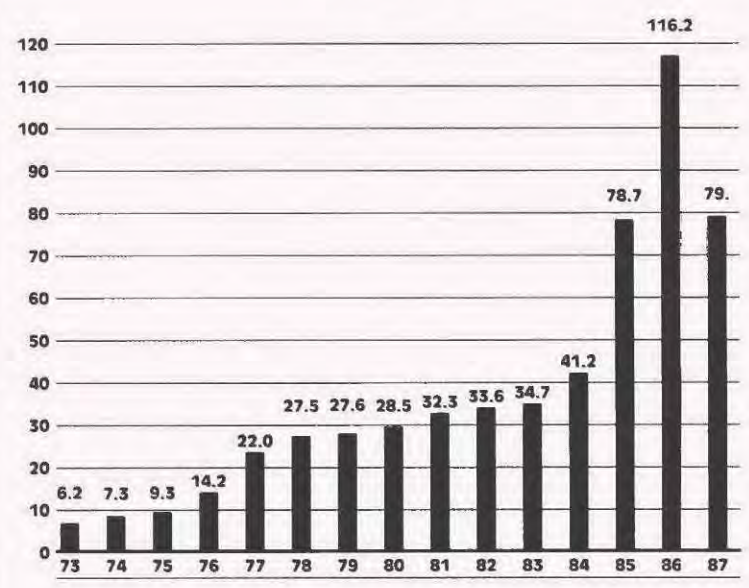
Western World. It's more than just excess and surplus lines and specialty covers.

At Western World we feel the quality of service depends entirely on the quality of the people on both the general agency and company levels.

It's expertise, commitment and foresight based on experience and imagination. And it's been happening year-in, year-out, in the good times and the tough times.

Western World — more than just specialty insurance. It's people, service, expertise and a tradition of success.





Western World Insurance Company
Ramsey, New Jersey 07446-0504

TIME AFTER TIME
DVA®
HAS THE ANSWER



MANAGING GENERAL AGENTS
SURPLUS LINES BROKERS
Since 1947
CORPORATE HEADQUARTERS
420 S. YORK RD.
HATBORO, PA 19040
(215) 443-3500

A PENN INDEPENDENT CORPORATION
New York NY | Chicago IL | Charleston WV | Pittsburgh PA | Cleveland OH | Portland OR | Springfield NJ

Continued from facing page

Union Insurance Co.

Branch offices: Atlanta, Chicago, San Francisco and Seattle.

Specialties: Commercial property.

Principal officers: Donald M. Shorey, president; William E. Rucker, vp-marketing operations; Arthur C. Werden, vp-property underwriting.

Membership: NAPSLO.

Criterion International Managers Inc.

8080 N. Central Expressway, Suite 1380, Dallas, Texas 75206; 214-891-8090

	1987*	1986
Premium volume	$2,560,821	NA
Gross revenues	$221,459	NA
Employees	12	NA
Commercial lines	100%	NA
Admitted business	43%	NA
Non-admitted	57%	NA

* Figures are for four months of 1987.

Year founded: 1987.

Type of business: 18% managing general agent, 82% broker.

Broker for: Primarily Harbor Insurance Co., First State Insurance Co., Admiral Insurance Co., Aetna Casualty & Surety Co., Fireman's Fund Insurance Cos., RLI Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Houston.

Subsidiaries: Criterion International Managers.

Specialties: Oil and energy industries, gas and electric utilities.

Principal officers: Keith Rutledge, president; Richard Davis, executive vp; Ray Eller, vp/treasurer; Bud Brickey, vp/secretary; Gary Atkins, Houston office manager.

Membership: Texas Surplus Lines Assn.

Crum & Forster Managers Corp. of Illinois

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

See profile on page 57.

Crum & Forster Managers Corp. of New York

110 William St., New York, N.Y. 10038; 212-306-4900

	1987	1986
Premium volume	$58,200,000	$41,500,000
Gross revenues	NA	NA
Employees	110	90
Commercial lines	100%	100%
Admitted business	80%	75%
Non-admitted	20%	25%

Year founded: 1980.

Parent company: Crum & Forster/Xerox Corp.

Type of business: 100% underwriting manager.

Underwriting manager for: The North River Insurance Co., International Surplus Lines Insurance Co., International Insurance Co., Employers Mutual Casualty Co., RLI Insurance Co., Interstate Fire & Casualty Co., Virginia Surety Co., The Home Insurance Co.

Correspondent: Lloyd's of London.

Subsidiaries: Crum & Forster Managers Corp. of New Jersey.

Specialties: Non-profit directors and officers liability, public official liability, school board liability, umbrella liability.

Principal officers: Roger J. Consolla, president; Donald M. McGuire, vp-financial; George V. Nichols, vp-professional liability; Richard M. Kennedy, vp-casualty; Charles T. Cox, vp-reinsurance.

Membership: AAMGA, NAPSLO.

Crump E & S Group

7557 Rambler Road, Suite 350, Dallas, Texas 75231; 214-891-5970

See profile on page 53.

D

DRI Ltd.

71 Murray St., New York, N.Y. 10007; 212-227-6160

	1987	1986
Premium volume	$5,200,000	$3,500,000
Gross revenues	NA	NA
Employees	6	5
Commercial lines	100%	100%
Admitted business	40%	50%
Non-admitted	60%	50%

Year founded: 1984.

Type of business: 60% managing general agent, 40% broker.

Broker for: Primarily Calvert Insurance Co., Frontier Insurance Co., Lloyd's, New York.

Correspondent: Lloyd's of London.

Subsidiaries: Barry L. Kochman Co. Excess & Surplus.

Specialties: Surety bonds, motor truck cargo, physical damage, construction, high limit excess liability.

Principal officers: Barry L. Kochman, president; Dudley Holaday and Michael LaRubbio, vps.

Membership: Professional Wholesale Insurance Assn.

Delta General Agency Corp.

4828 Loop Central Drive, Suite 1000, Houston, Texas 77082; 713-666-2777

	1987	1986
Premium volume	$17,639,960	$19,983,958
Gross revenues	$3,169,398	$2,838,601
Employees	50	54
Commercial lines	60%	60%
Admitted business	66%	74%
Non-admitted	34%	26%

Year founded: 1959.

Parent company: Delta Insurance Group Corp.

Type of business: 65% underwriting manager, 32% managing general agent, 3% broker.

Underwriting manager for: Delta Lloyds Insurance Co.

MGA for: Jefferson Insurance Group, Scottsdale Insurance Co., Nautilus Insurance Co., Acceptance Insurance Co., National Indemnity Insurance Co., National Fire & Marine Insurance Co., National Casualty Co., Old American County Mutual Insurance Co.

Broker for: Primarily Canadian Universal Insurance Co., Sheffield Insurance Co., Marine Office of America Corp.

Correspondent: Lloyd's of London.

Branch offices: Dallas.

Subsidiaries: Delta Budget Accout, Alpha Adjusting Co., Delta Lloyds Inspection Services.

Specialties: Commercial umbrella, jewelers block, trucking, low-value dwellings.

Principal officers: Avrohm I. Wisenberg, chairman; Donald A. King, president; William A. Fink, executive vp.

Membership: AAMGA, NAPSLO, Texas Surplus Lines Assn.

Doran Excess Underwriters Inc.

P.O. Box 1417, Mechanicsburg, Pa. 17055; 717-697-4626

	1987	1986
Premium volume	$38,724,174	$25,000,000
Gross revenues	NA	NA
Employees	7	8
Commercial lines	100%	100%
Non-admitted	100%	100%

Year founded: 1975.

Parent company: Doranco Inc.

Type of business: 100% underwriting manager.

Underwriting manager for: United National Group.

Specialties: Excess and umbrella liability, hospital professional liability.

Principal officers: William L. Doran, chairman; Ronald G. Hihn, president; Richard D. Richardson, chief financial officer; Deborah L. Grivens, vp/general counsel; Yvonne L. Shiner, secretary.

Membership: NAPSLO.

E

ECS Inc. (Environmental Compliance Services Inc.)

721 E. Lancaster Ave., Downington, Pa. 19335; 215-269-6731

	1987	1986
Premium volume	$41,000,000	$34,000,000
Gross revenues	NA	NA
Employees	31	29
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

Year founded: 1979.

Type of business: 90% managing general agent, 10% broker.

MGA for: Planet Insurance Co.

Broker for: Primarily Reliance Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa., Mutual Fire & Marine Insurance Co.

Subsidiaries: ECS Underwriting, ECS Brokerage, Bailey Meyers, CSI.

Specialties: Pollution liability, hazardous waste and material industry programs, chemical distributors.

Principal officers: William Kronenberg III, president/chief executive officer; David M. Rosenberg, executive vp; Frank A. Piliero, senior vp; Mark Vuono and Stanley I. Blaustein, vps.

Membership: NAPSLO.

E&S Facilities Inc.

31 Inverness Center, Suite 280, Birmingham, Ala. 35242; 205-969-1700

	1987	1986
Premium volume	$22,000,000	$24,500,000
Gross revenues	$2,100,000	$2,800,000
Employees	37	51
Commercial lines	100%	100%
Admitted business	40%	40%
Non-admitted	60%	60%

Year founded: 1975.

Type of business: 30% managing general agent, 70% broker.

MGA for: Employers National Insurance Co., Lexington Insurance Co., Carolina Casualty Insurance Co., First Financial Insurance Co., Burlington Insurance Co., Laramie Insurance Co., RLI Insurance Co., Crum & Forster Inc.

Broker for: Primarily First State Insurance Co.; Transamerica Insurance Co.; Fireman's Fund Insurance Cos; National Union Fire Insurance Co. of Pittsburgh, Pa.; Lexington Insurance Co.; Tudor Insurance Co.; Westco Insurance Co.; American Empire Surplus Lines Insurance Co.; The Home Group Inc.

Correspondent: Lloyd's of London.

Branch offices: Atlanta; Charlotte, N.C.

Principal officers: Don J. Pate, chairman/chief executive officer; Charles H. Garrison, president; D.L. Lackey, executive vp; Sondra H. Pate, secretary/treasurer.

Membership: NAPSLO.

ESL Inc.

1900 Derry St., P.O. Box 1458, Harrisburg, Pa. 17104; 717-255-6820

	1987	1986
Premium volume	$2,668,395	$2,194,571
Gross revenues	$207,998	$185,840
Employees	5	4
Commercial lines	100%	100%
Admitted business	21%	19%
Non-admitted	79%	81%

Year founded: 1980.

Parent company: Pennsylvania National Mutual Casualty Insurance Co.

Type of business: 35% managing general agent, 65% broker.

MGA for: Harco National Insurance Co.

Broker for: Primarily International Surplus Lines Insurance Co., Evanston Insurance Co., Lexington Insurance Co., Utica Mutual Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa.

Branch offices: Pittsburgh; Baltimore; Richmond, Va.; Birmingham, Ala.; Knoxville, Tenn.; Trenton, N.J.; Greensboro, N.C.; Kansas City, Mo.

Specialties: Professional liability.

Principal officers: D.D. Walters, president; D.L. Walmer, vp; R.S. Schade, executive vp; K.R. Shutts, secretary/counsel; K. Shaffer, treasurer.

Membership: Pennsylvania Suplus Lines Assn.

Esprit General Agency Inc.

701 N. Post Oak, Suite 204, Houston, Texas 77024; 713-681-6500

	1987	1986
Premium volume	$10,000,000	$4,000,000
Gross revenues	$625,000	$300,000
Employees	6	4
Commercial lines	100%	100%
Admitted business	50%	0%
Non-admitted	50%	100%

Year founded: 1983.

Type of business: 78% underwriting manager, 21% managing general agent, 1% broker.

Underwriting manager for: American Guardian Lloyds Insurance Co.

MGA for: Indemnity Underwriters Insurance Co., Adriatic Insurance Co., Presidential Fire & Casualty Insurance Co.

Broker for: Primarily Texas Marine Insurance Co.

Specialties: Workers compensation, excess general and auto liability.

Principal officers: John E. Boyd III, owner/president.

Euings Ltd./Lukis Stewart Inc.

20 Toronto St., Toronto, Canada M5C 2T1; 416-364-2001

	1987	1986
Premium volume	$96,170,444	$91,673,000
Gross revenues	NA	NA
Employees	46	46
Commercial lines	100%	100%
Non-admitted	100%	100%

Continued on next page

E&O/D&O

PUBLIC OFFICIALS
- Limits to $3,000,000
- Primary or Excess

SCHOOL BOARD
- Limits to $5,000,000
- Primary or Excess

LAW ENFORCEMENT
- Limits $1,000,000
- Primary Only

ASSOCIATION PROFESSIONAL
- Limits to $5,000,000
- Primary or Excess

INSURANCE AGENTS
- Including MGA's and Wholesalers
- Limits to $5,000,000
- Primary or Excess

LAWYERS PROFESSIONAL
- Limits to $25,000,000
- Primary or Excess

DIRECTORS AND OFFICERS
- For Profits
- Non-Profit Organizations
- Hospitals

ARCHITECTS AND ENGINEERS
- Limits To $10,000,000
- Primary or Excess

MISCELLANEOUS
- Real Estate Agents • Consultants
- E.D.P. • Testing Labs • Appraisers

Primary or Excess

HOSPITAL PROFESSIONAL LIABILITY
- Excess Only
- Required Underlying 2,000,000/4,000,000

U.S. RISK
INSURANCE AGENCY, INC.
5910 N. Central Expressway, Suite 1580
Dallas, Texas 75206

Fax: 214/891-6442
Telex: 75-8692
Direct: 214/891-6440
National WATS: 800/232-5830
Texas WATS: 800/942-4140

Continued from previous page

Year founded: 1951.
Parent company: Sedgwick Group P.L.C.
Type of business: 10% managing general agent, 90% broker.
MGA for: Energy Insurance Mutual Ltd. Co.
Broker for: Primarily Commonwealth Insurance Co., International Insurance Co., The Home Group Inc., Fireman's Fund Insurance Cos.
Correspondent: Lloyd's of London.
Principal officers: Jonathan P. Beach, president/chief executive officer; Donald H. Sutherland, managing director; David L. Hadler, Anthony C. Delaunay and Stuart B. Brown, senior vps/directors.

Excess & Surplus Lines Insurance Brokers Inc. (ESLIB)

13848 Ventura Blvd., Suite A, Sherman Oaks, Calif. 91423; 818-990-8860

	1987	1986
Premium volume	$22,000,000	$27,500,000
Gross revenues	$1,750,000	$2,612,500
Employees	22	28
Commercial lines	100%	100%
Admitted business	38%	22%
Non-admitted	62%	78%

Year founded: 1975.
Type of business: 20% managing general agent, 80% broker.
MGA for: American Empire Surplus Lines Insurance Co.
Broker for: Primarily Century Indemnity Co., Topa Insurance Co., Illinois Insurance Exchange.
Correspondent: Lloyd's of London.
Specialties: Primary general liability and product liability, difference in conditions, commercial umbrella liability and excess liability.
Principal officers: Douglas DeLano, chairman/executive vp/secretary; Jerry Boyer, president/treasurer.
Membership: NAPSLO, California Surplus Lines Assn.

Exchange Aviation Underwriting Group Inc./Flair Underwriting Management Inc.

1 Biscayne Tower, Suite 1914, 250 Biscayne Blvd., Miami, Fla. 33131; 305-372-9516

	1987	1986
Premium volume	$2,500,000	$5,000,000
Gross revenues	$109,342	$227,827
Employees	3	3
Non-admitted	100%	100%

Year founded: 1984.
Type of business: 100% underwriting manager.
Branch offices: Chicago and Atlanta.
Specialties: Aviation.
Principal officers: Trevor Jarvis, executive vp.

Ex-Plus Agency Inc.

15 Spinning Wheel Roac, Suite 326, Hinsdale, Ill. 60521; 312-325-7557

	1987	1986
Premium volume	$3,532,266	$5,035,225
Gross revenues	$254,772	$411,853
Employees	8	8
Commercial lines	100%	100%
Admitted business	95%	95%
Non-admitted	5%	5%

Year founded: 1983.
Type of business: 90% managing general agent, 10% broker.
MGA for: Harco National Insurance Co., Essex Insurance Co., Protective Casualty Co.
Broker for: Primarily Marine Office of America Corp., RLI Insurance Co., Mount Hawley Insurance Co., American Capacity Insurance Co., Merit Insurance Co., Illinois Insurance Exchange.
Subsidiaries: Ex-Check Inc.
Specialties: Long haul truck liability, physical damage, cargo.
Principal officers: William J. Wilson, president; Marilyn J. Wilson, vp/treasurer.
Membership: Illinois Surplus Lines Assn.

F

FG Special Risk Inc.

4801 Woodway, Suite 285W, Houston, Texas 77056; 713-993-9200

	1987	1986
Premium volume	$22,000,000	$18,000,000
Gross revenues	NA	NA
Employees	20	17
Commercial lines	100%	100%
Admitted business	20%	25%
Non-admitted	80%	75%

Year founded: 1975.
Parent company: Financial Guardian Group Inc.
Type of business: 5% managing general agent, 95% broker.
MGA for: General Agents Insurance Co., Southern County Mutual Insurance Co.
Broker for: Primarily Albany Insurance Co., Arkwright Mutual Insurance Co., First State Insurance Co., Interstate Fire & Casualty Insurance Co., Gotham Insurance Co., United Capitol Insurance Co., United National Insurance Co., California Union Insurance Co., United States Fire Insurance Co., Sheffield Insurance Co., Royal Insurance Co., Marine Office of America Corp., Atlantic Insurance Co., Lexington Insurance Co., The Home Group Inc., Fireman's Fund Insurance Cos., St. Paul Surplus Lines Insurance Co., Evanston Insurance Co., Canadian Universal Insurance Co. Ltd., Mount Hawley Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Metairie, La.
Specialties: Oil and gas, marine-related exposures.
Principal officers: Robert Kopal, president; Lawrence Mennes, executive vp.
Membership: AAMGA, NAPSLO.

Farmington Management Inc.

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

	1987	1986
Premium volume	$100,000,000	$75,000,000
Gross revenues	NA	NA
Employees	20	16
Commercial lines	100%	100%
Admitted business	100%	100%

Year founded: 1986.
Parent company: Aenta Life & Casualty Co.
Type of business: 100% managing general agent.
MGA for: The Aetna Casualty & Surety Co., American Home Assurance Co., Continental Casualty Co., Federal Insurance Co., The Continental Insurance Co., United States Fire Insurance Co., General Star National Insurance Co., The Home Insurance Co., Insurance Co. of North America, Maryland Casualty Co., North American Co. for Property & Casualty Insurance, Royal Insurance Co. of America, The Travelers Indemnity Co., Zurich Insurance Co.
Branch offices: New York.
Principal officers: Clint Greene, president; Hank Poirier, vp-underwriting; Charlie Stevens, assistant vp-underwriting; Mike St. Pierre, manager-underwriting; Don Francis, manager-administration; Debra Winter, manager-accounting.

Fenmar International Insurance Services Ltd.

Suite 2314, 4 Executive Park Drive, Atlanta, Ga. 30329; 404-634-8901

	1987	1986
Premium volume	$15,000,000	$7,000,000
Gross revenues	NA	NA
Employees	25	4
Commercial lines	100%	100%
Admitted business	20%	0%
Non-admitted	80%	100%

Year founded: 1986.
Type of business: 100% underwriting manager.
Underwriting manager for: American Trust Insurance Co. Ltd., National Insurance Guaranty Corp., Victoria Insurance Co. Ltd., Old American Insurance Co. Ltd., American Marine Insurance Group, American Trade Insurance Co. Ltd.
Branch offices: Toronto; Limassol, Cyprus.
Principal officers: Alan Teale, chairman/president; C.C. Rentz, vice chairman; K. Stricklin, chief operating officer, W.R. Jacques, chief underwriter.

Fischer Underwriting Group Inc.

P.O. Box 814, 777 Terrace Ave., Hasbrouck Heights, N.J. 07604; 201-288-8620

	1987	1986
Premium volume	$15,000,000	$15,000,000
Gross revenues	NA	NA
Employees	7	7
Commercial lines	100%	100%
Admitted business	80%	80%
Non-admitted	20%	20%

Year founded: 1981.
Parent company: Nelson Hurst & Marsh Ltd.
Type of business: 100% underwriting manager.
Underwriting manager for: RLI Insurance Co., Mount Hawley Insurance Co.
Specialties: Non-standard directors and officers liability, professional liability.
Principal officers: Donald R. Fischer, president.
Membership: AAMGA, NAPSLO, New Jersey Surplus Lines Assn.

G

Gateway Underwriters Agency Inc.

319 N. Fourth St., St. Louis, Mo. 63102; 314-621-7000

	1987	1986
Premium volume	$6,603,673	$9,685,210
Gross revenues	NA	NA
Employees	11	11
Commercial lines	100%	100%
Admitted business	23%	18.5%
Non-admitted	77%	81.5%

Year founded: 1954.
Parent company: Berkshire Hathaway Inc.
Type of business: 92% managing general agent, 8% broker.
MGA for: National Indemnity Co., Western World Insurance Co.
Broker for: Primarily Admiral Insurance Co., Tudor Insurance Co.
Specialties: Trucks and buses.
Principal officers: Alan Marlette, president; Ray Clines, vp; Patsy Woolen, secretary/treasurer.
Membership: NAPSLO, Missouri Surplus Lines Assn.

Gemblock Associates Inc.

24 W. 45th St., New York, N.Y. 10036; 212-302-5599

	1987	1986
Premium volume	$1,750,000	$669,000
Gross revenues	$125,484	$100,000
Employees	5	3
Commercial lines	99%	100%
Admitted business	100%	100%

Year founded: 1985.
Type of business: 100% broker.
Broker for: Primarily Chubb & Son Inc., Albany Insurance Co.
Correspondent: Lloyd's of London.

Continued on facing page

There are many good reasons to "invest" in an Excess & Surplus Lines Company. A critical one is:

Ownership!

TBK Partners, a private partnership with capital in excess of $150 million, is the largest investor in Investors. The four General Partners of TBK also operate Tweedy Browne Co. L.P./New York — one of the nation's top three money managers of the last five years. These people — and other successful investors — have chosen to invest in Investors.

Another reason —

INVESTORS INSURANCE GROUP
100 METRO PARK SOUTH, CN-007
LAURENCE HARBOR, NEW JERSEY 08878
(201) 566-1600/(800) 243-6869
FAX (201) 566-0181 or (201) 583-8661
Exclusively Through Professional Wholesale Brokers

YOU can invest in Investors!

Some of the people are candidates for public office- and all of those people are candidates for...

PUBLIC OFFICIAL LIABILITY INSURANCE

Tudor
Serving Wholesale Surplus Lines Brokers Exclusively

SCHOOL BOARD ERRORS AND OMISSIONS LIABILITY

Because risks rise with position... Directors and Officers Liability

Miscellaneous Errors & Omissions

Tudor Insurance Company

48 South Franklin Turnpike
Ramsey, New Jersey 07446-0504
Telephone (201) 825-3300
Telex 130-3224
FAX 201-825-1052

Continued from facing page

Subsidiaries: Security Transit Insurance Brokerage.

Specialties: Jewelers block, furriers block, fine arts and blanket bonds, armored cars.

Principal officers: Peter L. Eyl, president; Frederick J. Nielson, vp; Laura A. Smith, secretary; Gina M. Eyl, assistant secretary.

General Star Management Co.

Financial Centre, P.O. Box 10354, Stamford, Conn. 06904-2354; 203-328-5700

See profile on page 58.

Glanville Special Risk Insurance Brokers

90 John St., New York, N.Y. 10038; 212-619-4220

	1987	1986
Premium volume.	$38,700,000	$52,000,000
Gross revenues...	$2,556,000	$3,865,000
Employees.....	27	33
Commercial lines.	100%	100%
Admitted business	52%	42%
Non-admitted....	48%	58%

Year founded: 1980.

Parent company: JIB Holdings Inc.

Type of business: 37% managing general agent, 63% broker.

MGA for: Scottsdale Insurance Co., National Casualty Insurance Co., American Alliance Insurance Co., Agricultural Excess & Surplus Lines Insurance Co.

Broker for: Primarily Crum & Forster Managers Corp., First State Insurance Co., Harbor Insurance Co., Interstate Fire & Casualty Insurance Co., CIGNA Corp., St. Paul Surplus Lines Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Los Angeles and San Francisco.

Specialties: Primary and excess commercial property, casualty, professional liability.

Principal officers: Roger S. Walsh, president; Arthur J. Forenza Jr., executive vp.

Membership: NAPSLO, New York Professional Wholesalers Assn., Western States Surplus Lines Assn.

Global Facilities Inc.

P.O. Box 743, 146 Merrick Road, Lynbrook, N.Y. 11563-0743; 516-599-3800

	1987	1986
Premium volume.	$4,700,000	$4,675,000
Gross revenues...	NA	NA
Employees.....	4	4
Commercial lines.	99%	99%
Admitted business	96%	96%
Non-admitted....	4%	4%

Year founded: 1977.

Type of business: 65% managing general agent, 35% broker.

MGA for: Colonia Insurance Co., Mount Vernon Fire Insurance Co., New York Merchant Bankers Mutual Fire Insurance Co., First Central Insurance Co.

Broker for: Primarily Royal Insurance Co., Security Insurance Co. of Hartford.

Specialties: Commercial auto, garage liability, artisan contractors.

Principal officers: Robert Shapiro, president; Sheldon Bagatell, vp; Franklyn Wallack, marketing manager.

Membership: NAPSLO, Professional Insurance Wholesalers of New York.

Global Underwriting Management Inc.

1 Biscayne Tower, 2 S. Biscayne Blvd., Suite 1914, Miami, Fla. 33131; 305-577-8390

	1987	1986
Premium volume.	$24,000,000	$60,000,000
Gross revenues...	$1,169,199	$2,586,537
Employees.....	8	8
Commercial lines.	100%	100%
Non-admitted....	100%	100%

Year founded: 1982.

Type of business: 100% underwriting manager.

Branch offices: Chicago.

Principal officers: J. Michael Griffiths, president.

Harry W. Gorst Co. Inc.

805 Fairmont Ave., Glendale, Calif. 91203; 818-507-0900

	1987	1986
Premium volume.	$28,500,000	$28,000,000
Gross revenues...	$3,250,000	$3,000,000
Employees.....	30	29
Commercial lines.	36%	38%
Admitted business	20%	18%
Non-admitted....	80%	82%

Year founded: 1968.

Type of business: 80% managing general agent, 20% broker.

Broker for: Primarily Scottsdale Insurance Co., Topa Insurance Co., Western Heritage Insurance Co., American Bankers Insurance Co.

Subsidiaries: Compass Insurance Group of Agencies.

Principal officers: Harry W. Gorst, president; Robert C. Blackwell, chief financial officer; Leighton R. Cairns and Michael F. Heagerty, senior vps; William A. Lemon, vp.

Membership: AAMGA, NAPSLO.

Greenwich American Underwriters Inc.

P.O. Box 290757, 1 Lakeview Place, Suite 401, 25 Century Blvd., Nashville, Tenn. 37229-0757; 615-391-4428

	1987	1986
Premium volume.	$4,700,000*	$4,500,000
Gross revenues...	$470,000*	$440,000
Employees.....	7	7
Commercial lines.	99%	99%
Admitted business	10%	10%
Non-admitted....	90%	90%

*Estimate.

Year founded: 1981.

Type of business: 60% managing general agent, 40% broker.

MGA for: Gainsco, Essex Insurance Co., Lexington Insurance Co.

Broker for: Primarily First State Insurance Co., Lexington Insurance Co., Fireman's Fund Insurance Cos., Illinois Insurance Exchange, Carolina Casualty Insurance Co., Essex Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Longhaul trucking, umbrellas, liquor liability.

Principal officers: James W. Edwards, chairman; Benjamin C. Armistead, president; Frances S. Birdwell, vp.

Membership: NAPSLO.

Gresham & Associates Inc.

P.O. Box 547, 7193 Jonesboro Road, Morrow, Ga. 30260; 404-961-8810

	1987	1986
Premium volume.	$41,487,058	$41,235,872
Gross revenues...	$3,111,529	$3,092,690
Employees.....	35	34
Commercial lines.	100%	100%
Admitted business	55%	55%
Non-admitted....	45%	45%

Year founded: 1979.

Type of business: 30% managing general agent, 70% broker.

MGA for: Scottsdale Insurance Co., National Casualty Co.

Broker for: Primarily International Insurance Co., First State Insurance Co., Gotham Insurance Co., Lexington Insurance Co., Fireman's Fund Insurance Cos., The Home Group Inc.

Branch offices: Palm Beach Gardens, Fla.; Nashville, Tenn.

Specialties: Commercial umbrella, self-insured retention, general liability.

Principal officers: James V. Gresham, president; David L. Gresham, senior vp; William A. Burger, vp; Gail S. Gresham, secretary/treasurer.

Membership: AAMGA, NAPSLO, Georgia Surplus Lines Assn.

H

H&W Underwriters Agency Inc.

P.O. Box 10303; Kansas City, Mo. 64111; 913-676-9301

	1987	1986
Premium volume.	$10,304,969	$8,730,807
Gross revenues...	$1,720,000	$1,421,000
Employees.....	11	10
Commercial lines.	99%	99%
Admitted business	20%	15%
Non-admitted....	80%	85%

Year founded: 1958.

Type of business: 45% underwriting manager, 50% managing general agent, 5% broker.

Underwriting manager for: Americana Excess & Reinsurance Corp., Paratransit Risk Retention Group of Maryland Inc.

MGA for: ULICO Casualty Co.

Broker for: Primarily General Star Indemnity Co., CNA Financial Corp.

Correspondent: Lloyd's of London.

Specialties: Public transportation, association professional liability.

Principal officers: Neil R. Pouppirt, Mike Kosednar and Richard Duer.

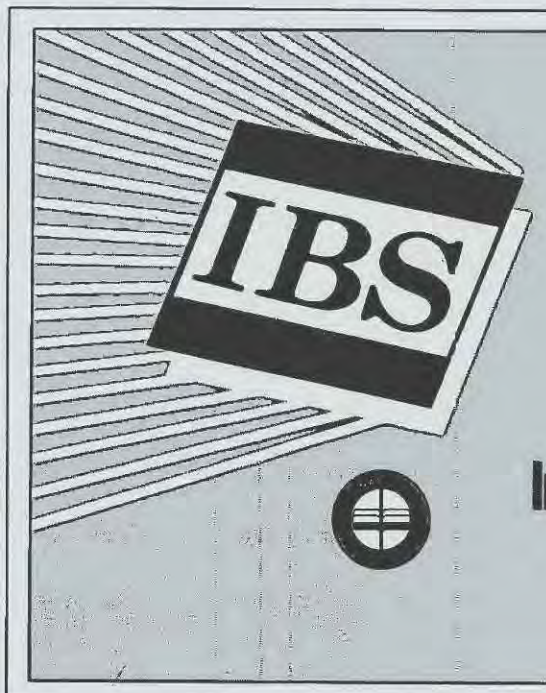
Membership: NAPSLO.

L.E. Harris Agency Inc.

1353 Holton Lane, P.O. Box 3899, Langley Park, Md. 20787; 301-439-4700

	1987	1986
Premium volume.	$11,676,000	$13,000,000
Gross revenues...	$1,448,084	$1,397,580
Employees.....	16	16
Commercial lines.	99%	99%
Admitted business	35%	30%
Non-admitted....	65%	70%

Continued on next page



take advantage of our binding facilities

We have immediate binding contracts for your small to mid-size commercial risks...Primary General Liability, Professional and Property covers. Call us today.

Insurance Brokers Service, Inc.

230 West Monroe Street
Chicago, IL 60606
Telephone 312 621-1770
Telex 25-6231
Fax: 312-621-0262

Primary Products

Sherwood Insurance Services is a leading wholesale broker specializing in the placement of tough primary products liability. Call Pat Farrell in San Francisco at

(415) 956-3236

or Dave Hartoch in Los Angeles at

(213) 487-3260

for competitive quotations.

SI SHERWOOD INSURANCE SERVICES

201 California St., Suite 900 • San Francisco, CA 94111 • (415) 956-3236 • Telex 171719 • SHERINSUR SFO
3435 Wilshire Blvd., Suite 2930 • Los Angeles, CA 90010 • (213) 487-3260 • Telex 71275568 • SILAUR
10 So. Riverside Plaza, #1610 • Chicago, IL 60606 • (312) 648-0700 • Telex 282-113 • SHERINSUR CGO

Continued from previous page
Year founded: 1922.
Type of business: 65% managing general agent, 35% broker.
MGA for: National Indemnity Cos., Jefferson Insurance Group, Penn-American Insurance Co., United States Liability Insurance Co., Nautilus Insurance Co.
Broker for: Primarily International Surplus Lines Insurance Co., Lexington Insurance Co., RLI Insurance Co., Mount Hawley Insurance Co., Evanston Insurance Co., Constitution State Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Buses, limousines, trucks, other autos.
Principal officers: David A. Riffert, president; Nicholas Taube, executive vp; Mark J. Baldwin, vp-specialty lines; Donald A. Miller, vp-administration.
Membership: AAMGA, NAPSLO.

Huycke General Agency
2900 Boniface Parkway, Suite 200, Anchorage, Alaska 99504; 907-338-0491

	1987	1986
Premium volume	$3,075,000	$3,962,000
Gross revenues	$797,000	$608,000
Employees	6	6
Commercial lines	95%	90%
Admitted business	5%	10%
Non-admitted	95%	90%

Year founded: 1976.
Type of business: 100% managing general agent.
MGA for: American Family Home Insurance Co., National Casualty Insurance Co., Scottsdale Insurance Co.
Specialties: Commercial auto liability, contractors' general liability.
Principal officers: Peter C. Huycke, owner.
Membership: AAMGA.

I

Independent Insurance Wholesalers Inc.
722 S.W. Second Ave., Suite 340, Portland, Ore. 97204-3130; 503-224-1956

	1987	1986
Premium volume	$9,000,000	$10,500,000
Gross revenues	$950,000	$1,050,000
Employees	11	13
Commercial lines	100%	100%
Admitted business	30%	20%
Non-admitted	70%	80%

Year founded: 1982.
Type of business: 10% managing general agent, 90% broker.
MGA for: Western World Insurance Co., Nautilus Insurance Co., Agricultural Excess & Surplus Lines Insurance Co.
Broker for: Primarily Harbor Insurance Co., Navigators Insurance Co., Homestead Insurance Co., Admiral Insurance Co., Tudor Insurance Co., Royal Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Seattle.
Principal officers: Robert K. Stahl, president; Thomas E. Sawyer and Edward Stroming, vps; Sherrie L. Stahl, secretary/treasurer.
Membership: NAPSLO.

Insurance Facilities Inc.
140 N. Main Ave., Sioux Falls, S.D. 57102; 605-336-0798

	1987	1986
Premium volume	$9,091,817	$10,265,315
Gross revenues	$999,008	$1,037,327
Employees	28	30
Commercial lines	25%	25%
Admitted business	80%	80%
Non-admitted	20%	20%

Year founded: 1965.
Type of business: 90% managing general agent, 10% broker.
Branch offices: Minneapolis; Bismarck, N.D.
Principal officers: James T. Schneider, president/chief executive officer; Donald Dougherty, secretary/treasurer; Bob J. Schneider, vp-operations.
Membership: AAMGA, Minnesota Surplus Lines Assn.

Insurex Inc.
66 Route 17 N., Paramus, N.J. 07653; 201-368-8040

	1987	1986
Premium volume	$12,500,000	$10,000,000
Gross revenues	$1,163,377	$984,980
Employees	22	19
Commercial lines	87.5%	85%
Admitted business	42%	37.5%
Non-admitted	58%	62.5%

Year founded: 1976.
Type of business: 65% managing general agent, 35% broker.
MGA for: Terra Nova Insurance Co. Ltd., Sphere Drake Insurance Co. P.L.C., United National Insurance Co., Jefferson Insurance Co., Riunione Adriatica di Sicurta S.p.A., Hartford Insurance Group.
Broker for: Primarily Chubb Custom Insurance Co., Lexington Insurance Co., United Capitol Insurance Co., The Home Group Inc., Canadian Universal Insurance Co. Ltd., Calvert Insurance Co., Kodiak Insurance Co.
Correspondent: Lloyd's of London.
Principal officers: Gregory Gross, chief executive officer; Barry Riff, president/chief operating officer.
Membership: NAPSLO, New Jersey Surplus Lines Assn.

Insurisk Excess & Surplus Lines
1500 Riverfront Drive, Little Rock, Ark. 72202; 501-661-1417

	1987	1986
Premium volume	$27,997,912	$32,776,040
Gross revenues	$3,315,910	$3,706,012
Employees	8	8
Commercial lines	100%	100%
Admitted business	15%	23%
Non-admitted	85%	77%

Year founded: 1980.
Parent company: Rebsamen Insurance.
Type of business: 16% managing general agent, 84% broker.
MGA for: Scottsdale Insurance Co., Employers National Insurance Co.
Broker for: Primarily Fireman's Fund Insurance Cos., The London Agency Inc., International Insurance Co., Lexington Insurance Co.
Correspondent: Lloyd's of London.
Principal officers: Charles Harper, president; Charles Campbell, executive vp; Max Campbell, secretary/treasurer; Jack Garrison, senior vp.
Membership: NAPSLO.

International Excess & Treaty Managers Inc.
10 Davol Square, Providence, R.I. 02903; 401-272-5198

	1987	1986
Premium volume	$10,798,948	$4,600,000
Gross revenues	NA	NA
Employees	10	10
Commercial lines	100%	100%
Admitted business	70%	70%
Non-admitted	30%	30%

Year founded: 1972.
Type of business: 80% managing general agent, 20% broker.
MGA for: Casualty Indemnity Exchange, Rumford Insurance Co., Lexington Insurance Co.
Broker for: Primarily National Union Fire Insurance Co. of Pittsburgh, Pa., Calvert Insurance Co., United National Insurance Co.
Branch offices: New York; Hingham, Mass.
Specialties: Restaurants, taverns, contractors.
Principal officers: Thomas A. Kelley, president; James H. Kelley, vp/treasurer; Thomas A. Kelley Jr. and Donald Darling, vps.
Membership: Massachusetts Surplus Lines Assn.

International Managers & Brokers Ltd.
200 S. Wacker Drive, Chicago, Ill. 60606; 312-993-7510

	1987	1986
Premium volume	$7,219,827	$4,515,069
Gross revenues	$426,297	$345,690
Employees	5	2
Commercial lines	100%	100%
Admitted business	85%	80%
Non-admitted	15%	20%

Year founded: 1971.
Parent company: Crum & Forster Managers Corp. of Illinois.
Type of business: 100% broker.
Broker for: Primarily International Insurance Co., International Surplus Lines Insurance Co., Illinois Insurance Exchange, RLI Insurance Co., The Home Insurance Co., Virginia Surety Insurance Co., Employers Mutual Casualty Co., Interstate Fire & Casualty Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Directors and officers liability, professional liability errors and omissions.
Principal officers: David N. Thompson, chairman; Norman R. Reid, president; Robert E. Stalker, Roger A. Quigley and Dennis C. Gibbs, vps.
Membership: Illinois Surplus Lines Brokers Assn.

International Placement Services Inc.
7710 Carondelet, St. Louis, Mo. 63105; 314-725-8394

	1987	1986
Premium volume	$13,390,000	$13,149,000
Gross revenues	NA	NA
Employees	17	17
Commercial lines	100%	100%
Admitted business	20%	20%
Non-admitted	80%	80%

Year founded: 1981.
Type of business: 15% managing general agent, 85% broker.
MGA for: American Empire Surplus Lines Insurance Co., Empire Fire & Marine Insurance Co., First Financial Insurance Co., Penn-America Insurance Co., Lincoln Insurance Co., Northfield Insurance Co.
Broker for: Primarily American International Group Inc., American Empire Surplus Lines Insurance Co., Colony Insurance Co., Crum & Forster Inc., Empire Fire & Marine Insurance Co., Evanston Insurance Co., Employers Reinsurance Corp., Fireman's Fund Insurance Cos., First Financial Insurance Co., First State Insurance Co., Great Central Insurance Co., Home Insurance Co., Illinois Insurance Exchange, Intercontinental Insurance Co., Interstate Fire & Casualty Insurance Co., Lincoln Insurance Group, Midwest Employers Insurance Co., Northfield Insurance, Old Republic Insurance Co., Penn-America Insurance Co., RLI Insurance Co., Reliance Insurance Co., Royal Surplus Lines Insurance Co., Safety Mutual Insurance Co., St. Paul Surplus Lines Insurance Co., Transamerica Insurance Co., Stonewall Surplus Lines Insurance Co., United Capitol Insurance Co., United National Insurance Co., Wausau Insurance Co., Zurich American Insurance Co.
Correspondent: Lloyd's of London.
Principal officers: Richard J. Eichhorn, president; Gary C. Uhlemeyer, executive vp; Robert Fagan, vp-property; Sheri Rau, binding unit manager, Ranjan Ratna, casualty broker.
Membership: NAPSLO.

Interprofessional Underwriters Inc.
723 DeKalb St., Bridgeport, Pa. 19405; 215-275-4300

	1987	1986
Premium volume	$13,746,073	$9,992,310
Gross revenues	NA	NA
Employees	10	10
Commercial lines	100%	100%
Admitted business	100%	100%

Year founded: 1982.
Type of business: 100% underwriting manager.
Underwriting manager for: Imperial Casualty & Indemnity Co., Interstate Guaranty Insurance Co.
Branch offices: Norcross, Ga.
Principal officers: Anthony J. Witczak, president/treasurer; Nicholas P. Croce Jr., executive vp; Michael J. Doody, vp; Evangeline Spadaccini, secretary.
Membership: NAPSLO.

Interstate Excess Inc.
1471 Woodward Ave., Suite 104, Bloomfield Hills, Mich. 48013; 313-338-3232

	1987	1986
Premium volume	$7,293,100	$3,733,800
Gross revenues	$296,913	$115,113
Employees	5	4
Commercial lines	100%	100%
Admitted business	54%	63%
Non-admitted	46%	37%

Year founded: 1974.
Type of business: 100% broker.
Broker for: Primarily Crum & Forster Managers Corp., Lexington Insurance Co., United Capitol Insurance Co., American Continental Insurance Co., Liberty National Fire Insurance Co., Stonewall Surplus Lines Insurance Co.
Principal officers: Charles E. Marlin, president; John F. Flaherty, executive vp; Donald C. Marlin, vp; Katherine V. Marlin.
Membership: Michigan Surplus Agents Assn.

J

Jaeger & Haines Inc.
P.O. Box 1623, Fayetteville, Ark. 72702; 501-521-2551

	1987	1986
Premium volume	$12,000,000	$12,000,000
Gross revenues	$1,700,000	$1,600,000
Employees	25	25
Commercial lines	70%	70%
Admitted business	30%	30%
Non-admitted	70%	70%

Year founded: 1976.
Type of business: 90% managing general agent, 10% broker.
Correspondent: Lloyd's of London.
Principal officers: Larry Haines, president; Mike Johnson, Ed Elliott, Mary Huff and Gloria Taylor, vps.
Membership: AAMGA, NAPSLO.

Jay Mar Group Ltd.
P.O. Box 310, Matamoras, Pa. 18336; 717-491-2414

	1987	1986
Premium volume	$10,000,000	$10,000,000
Gross revenues	$875,000	$1,000,000
Employees	10	10
Commercial lines	98%	98%
Admitted business	60%	60%
Non-admitted	40%	40%

Year founded: 1976.
Type of business: 60% managing general agent, 40% broker.
MGA for: Sphere Drake Insurance Co. P.L.C., Frontier Insurance Co., Terra Nova Insurance Co. Ltd., Marine Office of America Corp.
Broker for: Primarily Investors Insurance Co. of America, Sphere Drake Insurance Co. P.L.C., Terra Nova Insurance Co. Ltd.
Branch offices: New Jersey, New York.
Specialties: Liquor liability and commercial auto physical damage.
Principal officers: Jay Martin, president; Robert L. Wasserman, vp.
Membership: NAPSLO, New York Surplus Lines Assn., New Jersey Surplus Lines Assn.

J.J. Jeffers Insurance Brokerage
P.O. Box 3337, Van Nuys, Calif. 91407; 818-780-2976

	1987	1986
Premium volume	$1,200,000	$2,500,000
Gross revenues	$120,000	$178,000
Employees	2	2
Commercial lines	100%	100%
Admitted business	50%	60%
Non-admitted	50%	40%

Year founded: 1983.
Type of business: 100% broker.
Broker for: Primarily Illinois Union Insurance Co., Topa Insurance Co., Navigators Insurance Co., Landmark Insurance Co., Illinois Insurance Exchange.
Correspondent: Lloyd's of London.
Specialties: Bare boat charters and artisan programs, primary and excess property & casualty.
Principal officers: Janet J. Jeffers.
Membership: NAPSLO, Western Assn. of Insurance Brokers, Surplus Lines Assn. State of California.

Don R. Jensen & Co.
100 S. Wacker Drive, Chicago, Ill. 60606; 312-939-5240

	1987	1986
Premium volume	$10,000,000	$9,000,000
Gross revenues	NA	NA
Employees	11	12
Commercial lines	100%	100%
Admitted business	60%	65%
Non-admitted	40%	35%

Continued on facing page

UNITED NATIONAL GROUP

United National Insurance Company
Diamond State Insurance Company
Hallmark Insurance Company

Current Best's Rating: A VII

Capital and Surplus (3/31/88): $86,214,629

Brokerage inquiries invited and special programs considered.

James E. Maier, Jr.,
Assistant Vice President—Brokerage Division Manager
Patricia M. Rodman, *Vice President, Underwriting*
Seth D. Freudberg, CPCU, *President and CEO*
Raymond L. Freudberg, *Chairman*

UNITED NATIONAL GROUP
1737 Chestnut Street
Philadelphia, PA 19103
(215) 568-6200
Fax: (215) 751-1163
Telex: 628-13640

Continued from facing page

Year founded: 1931.
Type of business: 25% managing general agent, 75% broker.
MGA for: Essex Insurance Co., First State Insurance Co., Monticello Insurance Co.; Jefferson Insurance Co. of New York.
Broker for: Primarily American Empire Surplus Lines Insurance Co., California Union Insurance Co., St. Katherine Insurance Co. P.L.C., Chubb Custom Insurance Co., Mount Hawley Insurance Co., Royal Surplus Lines Insurance Co.
Principal officers: Theodore R. Malecki, Robert L. Richards and Michael Kristof.
Membership: NAPSLO, Assn. of Lloyd's Brokers, Surplus Lines Assn. of Illinois.

Jensvold & Le Fevre Inc.

P.O. Box 40998, Houston, Texas 77240-0998; 713-462-6223

	1987	1986
Premium volume.	$6,226,342	$3,088,084
Gross revenues...	$579,668	$330,954
Employees.....	8	7
Commercial lines.	100%	100%
Admitted business	15%	15%
Non-admitted....	85%	85%

Year founded: 1982.
Type of business: 75% managing general agent, 25% broker.
MGA for: Lexington Insurance Co., Sphere Drake Insurance Co. P.L.C, Homestead Insurance Co.
Broker for: Primarily Evanston Insurance Co., United Capitol Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Oil and gas industry, oil lease operators, rig contractors and rig physical damage.
Principal officers: Marcus D. Jensvold, president; M. Doris Le Fevre, executive vp; William D. Wurdeman, vp-property.
Membership: NAPSLO, Texas Surplus Lines Assn.

Jimcor Agency Inc.

6 Sullivan St., Westwood, N.J. 07675; 201-666-8600

	1987	1986
Premium volume.	$3,800,000	$1,200,000
Gross revenues...	$375,000	$110,000
Employees.....	5	4
Commercial lines.	95%	100%
Admitted business	35%	5%
Non-admitted....	65%	95%

Year founded: 1986.
Type of business: 70% managing general agent, 30% broker.
MGA for: Scottsdale Insurance Co., National Casualty Co., Terra Nova Insurance Co. Ltd., Mount Vernon Fire Insurance Co., United States Liability Insurance Co., Lincoln Insurance Co., Western World Insurance Co., Home State Insurance Co.
Broker for: Primarily Tudor Insurance Co., United National Insurance Co., Illinois Insurance Exchange, Calvert Insurance Co., Imperial Casualty & Indemnity Co.
Subsidiaries: Jimcor Associates Corp., New York; Jimcor Associates Inc., Milford, Pa.
Specialties: Errors and omissions.
Principal officers: Francis J. Mastowski, president; Ellen Mastowski, treasurer; Anne Grippo, vp; Karen Eaton, resident vp.
Membership: NAPSLO.

Johnson Excess Ltd.

640 W. Street Road, Feasterville, Pa., 19047; 215-355-6200

	1987	1986
Premium volume.	$8,000,000	$10,000,000
Gross revenues...	$765,000	$802,000
Employees.....	8	9
Commercial lines.	100%	100%
Admitted business	70%	70%
Non-admitted....	30%	30%

Year founded: 1974.
Type of business: 6% managing general agent, 94% broker.
MGA for: United National Insurance Co.
Broker for: Primarily American International Group Inc., United Capitol Insurance Co., RLI Insurance Co., Illinois Insurance Exchange, Mount Hawley Insurance Co., Reliance Insurance Co., Imperial Casualty & Indemnity Co.
Correspondent: Lloyd's of London.
Branch offices: Marmora, N.J.
Subsidiaries: Johnson Underwriters Ltd.
Specialties: Asbestos abatement contractors.
Principal officers: Edward S. Johnson, president/secretary/treasurer; Dennis Pellegrino, vp; Carolyn Johnson, assistant secretary.
Membership: NAPSLO, Illinois Insurance Exchange Brokers' Assn., Pennsylvania Surplus Lines Assn., New Jersey Surplus Lines Assn.

K

Klinger Associates Inc.

P.O. Box 26542, Indianapolis, Ind. 46226; 317-542-9890

	1987	1986
Premium volume.	$10,000,000	$8,000,000
Gross revenues...	NA	NA
Employees.....	5	4
Commercial lines.	100%	100%
Admitted business	40%	40%
Non-admitted....	60%	60%

Year founded: 1982.
Type of business: 100% broker.
Correspondent: Lloyd's of London.
Specialties: Product and professional liability, errors and omissions, directors and officers coverages, property, special events.
Principal officers: Robert L. Klinger, president.
Membership: NAPSLO.

L

LUI Management Inc.

200 W. Madison St., Chicago, Ill. 60606; 312-855-0590

	1987	1986
Premium volume.	$36,950,405	$36,388,569
Gross revenues...	$3,458,135	$2,960,247
Employees.....	38	42
Commercial lines.	100%	100%
Admitted business	5%	5%
Non-admitted....	95%	95%

Year founded: 1985.
Parent company: London United Investments Inc.
Type of business: 100% underwriting manager.
Underwriting manager for: LUI Insurance Syndicate Inc., CalFed Insurance Syndicate Inc.
Principal officers: Richard E. Foss, president; Barbara K. Marrs, executive vp; Francis P. McGovern, vp; Gwen K. Frederick, treasurer.
Membership: NAPSLO, Illinois Lloyds Brokers Assn., Illinois Surplus Lines Assn., Underwriters & Brokers Assn. of Chicago.

Landmark Management Corp.

601 N.W. 23rd, P.O. Box 676, Oklahoma City, Okla. 73101; 405-521-9911

	1987	1986
Premium volume.	$16,500,000	$17,000,000
Gross revenues...	NA	NA
Employees.....	29	25
Commercial lines.	95%	95%
Admitted business	42%	58%
Non-admitted....	58%	42%

Year founded: 1971.
Parent company: Landmark Insurance Group.
Type of business: 60% managing general agent, 40% broker.
MGA for: Canal Insurance Co., Scottsdale Insurance Co., National Fire & Marine Insurance Co., National Indemnity Insurance Co., Northland Insurance Co., Interstate Fire & Casualty Insurance Co., First State Insurance Co., Guaranty National Insurance Co.
Broker for: Primarily Stonewall Underwriters Inc., Harbor Insurance Co., Marine Office of America Corp., Crum & Forster Inc., Employers Reinsurance Corp., California Union Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Commercial automobile, umbrella, general liability, oil related risks.
Principal officers: William E. Thompson, chairman; Charles C. Caldwell, president; Philip C. Tolleson and Sally A. Stursa, vps.
Membership: AAMGA, NAPSLO, Oklahoma Surplus Lines Assn.

Langan & Associates Inc.

5940 Tahoe Drive S.E., Grand Rapids, Mich. 49506; 616-942-8390

	1987	1986
Premium volume.	$40,929,142	$42,271,882
Gross revenues...	$2,263,691	$2,452,846
Employees.....	20	20
Commercial lines.	100%	100%
Admitted business	52%	52%
Non-admitted....	48%	48%

Year founded: 1981.
Type of business: 5% managing general agent, 95% broker.
MGA for: California Union Insurance Co., First State Insurance Co.
Broker for: Admiral Insurance Co.; Affiliated FM Insurance Co.; Allendale Insurance Co.; Allianz Underwriters Insurance Co.; California Union Insurance Co.; Canadian Universal Insurance Co.; Century Indemnity Co.; CIGNA Corp.; Columbia Casualty Co.; Employers Reinsurance Corp.; Fireman's Fund Insurance Co.; First State Insurance Co.; General Star National Insurance Co.; The Home Insurance Co.; Home Insurance Co. of Indiana; Illinois Insurance Exchange; Imperial Casualty & Indemnity Co.; International Insurance Co.; International Surplus Lines Insurance Co.; Lexington Insurance Co.; National Indemnity Insurance Co.; National Union Fire Insurance Co. of Pittsburgh, Pa.; Royal Surplus Lines Insurance Co.; St. Paul Surplus Lines Insurance Co.; United Capitol Insurance Co., United National Insurance Co.; United States Fire Insurance Co.; Transamerica Insurance Co.; Scottsdale Insurance Co.; Zurich-American Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Chicago.
Specialties: General liability including products, umbrella and excess umbrella, property, inland marine.
Principal officers: James Langan, president; David Young and George Stone, vps; Terri Grinwis, secretary; Kathleen Davis, assistant vp.
Membership: NAPSLO, Michigan Surplus Lines Assn.

Leverett, Smith & Co. Inc.

875 Old Roswell Road, Building A, Suite 500, Roswell, Ga. 30076; 404-993-0645

	1987	1986
Premium volume.	$6,000,000	$3,000,000
Gross revenues...	$300,000	$150,000
Employees.....	3	3
Commercial lines.	100%	100%
Admitted business	50%	20%
Non-admitted....	50%	80%

Year founded: 1985.
Type of business: 100% broker.
Broker for: Primarily RLI Insurance Co., Colony Insurance Co., American Specialty Insurance Co., The Home Insurance Co. of Illinois.
Specialties: Product liability, umbrella, automobile dealer liability.
Principal officers: Jerry J. Leverett, president; Robert L. Smith III, vp.

The London Agency Inc.

1230 W. Peachtree St. N.W., Atlanta, Ga. 30309; 404-875-9641

See profile page 55.

London American Risk Specialists Inc.

9301 Southwest Freeway, Suite 630, Houston, Texas 77074; 713-777-6404

	1987	1986
Premium volume.	$19,992,706	$23,952,327
Gross revenues...	$1,339,290	$1,611,923
Employees.....	18	16
Commercial lines.	100%	100%
Admitted business	57%	62%
Non-admitted....	43%	38%

Year founded: 1984.
Type of business: 2% managing general agent, 98% broker.
MGA for: Western World Insurance Co.
Broker for: Primarily Aetna Casualty & Surety Co., Fireman's Fund Insurance Cos., First State Insurance Co., Admiral Insurance Co., Lexington Insurance Co., Sun Insurance Co. of New York, Interstate Fire & Casualty Insurance Co., Marine Office of America Corp., The Home Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Dallas.
Principal officers: Brian L. Brecker, president; Kenneth S. Keathley, Roy S. Shoultz and Karl Emery, vps.
Membership: NAPSLO, Texas Surplus Lines Assn.

M

MacDuff Underwriters Inc.

P.O. Box 427, 220 S. Ridgewood, Daytona Beach, Fla. 32015; 904-252-6454

	1987	1986
Premium volume.	$9,600,000	$10,700,000
Gross revenues...	$910,000	$920,000
Employees.....	12	13
Commercial lines.	100%	100%
Admitted business	23%	10%
Non-admitted....	77%	90%

Year founded: 1980.
Parent company: Brown & Brown Inc.
Type of business: 40% managing general agent, 60% broker.
MGA for: Lincoln Insurance Co., General Agents Insurance Co., Essex Insurance Co.
Broker for: Primarily Admiral Insurance Co., Harbor Insurance Co., Lexington Insurance Co., Safety Mutual Casualty Corp., Royal Surplus Lines Insurance Co.
Subsidiaries: MacDuff America Inc., Daytona Beach, Fla.
Specialties: Errors and omissions, directors and officers liability, umbrella, property.
Principal officers: J Hyatt Brown, president; W.L. Rambo, vp/managing director; Kenneth E. Hill, vp; J. Henderson, chief financial officer.
Membership: AAMGA, NAPSLO, Florida Surplus Lines Assn.

Maclean, Oddy & Associates Inc.

1445 Ross Ave., Suite 3900, L.B. Suite 200, Dallas, Texas 75202; 214-855-7700

	1987	1986
Premium volume.	$85,928,000	$86,464,000
Gross revenues...	$6,013,000	$5,348,000
Employees.....	40	43
Commercial lines.	100%	100%
Admitted business	50%	50%
Non-admitted....	50%	50%

Year founded: 1983.
Parent company: Sedgwick Group P.L.C.
Type of business: 3% managing general agent, 97% broker.
Broker for: Primarily Continental Corp., CIGNA Corp., American International Group Inc., Fireman's Fund Insurance Cos., The Home Group Inc.
Correspondent: Lloyd's of London.
Principal officers: R.B. Oddy, chairman; Anita Chanpong, president; John Miller and E.J. Souza, executive vps; Stanley Partridge, senior vp.
Membership: NAPSLO, Texas Surplus Lines Assn.

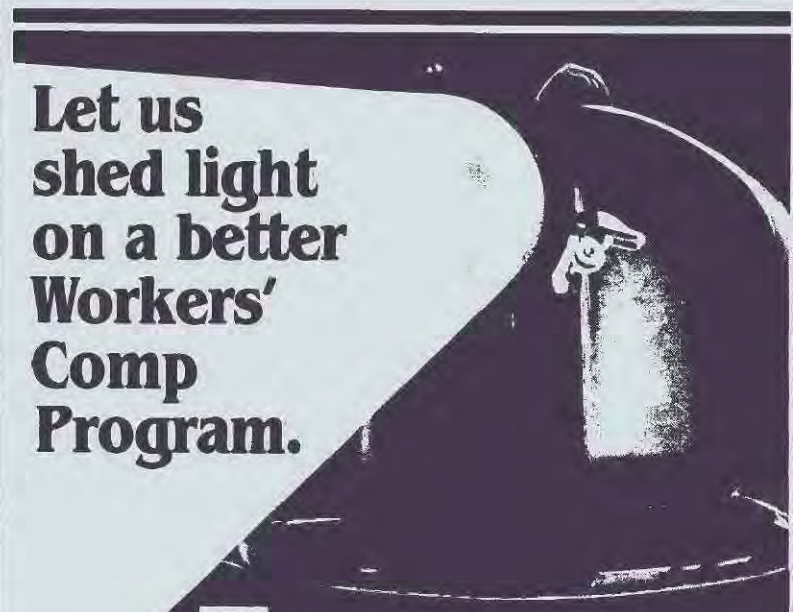
Markel Service Inc.

P.O. Box 6614, Richmond, Va. 23230-0614; 804-965-1690

	1987	1986
Premium volume.	$76,000,000	$74,000,000
Gross revenues...	$11,167,000	$11,072,000
Employees.....	72	79
Commercial lines.	100%	100%
Admitted business	60%	75%
Non-admitted....	40%	25%

Year founded: 1930.
Parent company: Markel Corp.

Continued on next page



Let us shed light on a better Workers' Comp Program.

Coal workers' comp programs aren't new. But in many ways they are better.

Compare group programs and traditional insurance rates with the kind of customized coverages and the kind of cost savings Underwriters Safety and Claims Inc. can provide. Ours is a standard workers compensation policy offering you affordability.

You pay a low deposit premium and have up to an additional 30% of your premium returned as dividend. You are never required to have indemnity agreements and your dividends are paid eight months after your expiration date.*

Best of all, you receive the full management and claims handling services of Underwriters Safety and Claims.

Call today for more information. Our Workers' Comp program can mean light at the end of the tunnel.

Agents and brokers invited to inquire.

USC

Underwriters Safety & Claims, Inc.
Post Office Box 23790
Louisville, Kentucky 40223

Attn: Doug Donaldson (502) 244-1343 Telex 204-111

*Dividends are not guaranteed as they must be declared by Board of Directors

Continued from previous page

Type of business: 93% managing general agent, 7% broker.

MGA for: Scottsdale Insurance Co., National Casualty Co., General Insurance Co. of Trieste & Venice, Essex Insurance Co., Western World Insurance Co.

Broker for: Primarily Marine Office of America Corp., First State Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Law enforcement liability, public official liability, school board and transportation liability.

Principal officers: Edmund G. Langhorne, president; Art Pagnini, senior vp-wholesale brokerage; Jim Chapman, senior vp-governmental programs; John Dunbar, Della Garrison and Sue Ellen Witten, vps.

Membership: NAPSLO.

Market Finders Insurance Corp.

P.O. Box 6549, Louisville, Ky. 40206; 502-423-1800

	1987	1986
Premium volume	$30,000,000	$23,000,000
Gross revenues	$3,000,000	$2,200,000
Employees	50	48
Commercial lines	90%	92%
Admitted business	40%	43%
Non-admitted	60%	57%

Year founded: 1972.

Type of business: 60% managing general agent, 40% broker.

MGA for: Western World Insurance Co., American Empire Surplus Lines Insurance Co., Essex Insurance Co., Carolina Casualty Insurance Co., Empire Fire & Marine Insurance Co., Orion Capital Corp., St. Katherine Insurance Co. P.L.C., Sphere Drake Insurance Co. P.L.C.

Broker for: Primarily Admiral Insurance Co.

Correspondent: Lloyd's of London.

Branch offices: Nashville, Tenn.; Pittsburgh; Dayton, Ohio.

Specialties: Trucking, aviation.

Principal officers: James Ryan, president; C.B. Darland, vp; Jerome Boyette, secretary/treasurer; Richard Langan, vp-personal lines.

Membership: AAMGA, NAPSLO, Kentucky Surplus Lines Assn., Kentucky Lloyd's Assn.

McClelland & Hine Inc.

1 Park 10 W., Suite 296, P.O. Box 100960, San Antonio, Texas 78201; 512-735-6157

	1987	1986
Premium volume	$5,400,000	$8,800,000
Gross revenues	$581,000	$882,000
Employees	15	18
Commercial lines	95%	97%
Admitted business	63%	67%
Non-admitted	37%	33%

Year founded: 1982.

Type of business: 59% managing general agent, 41% broker.

MGA for: National Indemnity Insurance Co., National Fire & Marine Insurance Co., Gulf States Insurance Co.

Broker for: Primarily Admiral Insurance Co., Delta Lloyds Insurance Co., Northfield Insurance Co., International Indemnity Co.

Subsidiaries: MHI Premium Finance Inc., Alamo Risk Management Services Inc.

Principal officers: Jack R. McClelland, president; Gilbert C. Hine Jr., vp.

Membership: AAMGA, NAPSLO, Texas Surplus Lines Assn.

Mining Insurance Markets Inc.

2130 Highland Ave. S., P.O. Box 55825, Birmingham, Ala. 35255; 205-933-9162

	1987	1986
Premium volume	$2,500,000	$2,300,000
Gross revenues	NA	NA
Employees	3	3
Commercial lines	100%	100%
Admitted business	100%	100%

Year founded: 1985.

Type of business: 100% broker.

Broker for: Primarily Rockwood Insurance Co., Rockwood Insurance Co. of Indiana.

Specialties: Coal, sand and gravel; mining risks.

Principal officers: Chandler F. Cox Jr., president.

Montgomery & Collins Inc.

3700 Wilshire Blvd., Suite 400, Los Angeles, Calif. 90010; 213-480-4501

See profile on page 51.

Moore Excess Inc.

1 Center St., Croton Falls, N.Y. 10519; 914-277-3955

	1987	1986
Premium volume	$16,000,000	$14,000,000
Gross revenues	$1,300,000	$1,100,000
Employees	9	7
Commercial lines	100%	100%
Admitted business	65%	75%
Non-admitted	35%	25%

Year founded: 1977.

Type of business: 60% managing general agent, 40% broker.

MGA for: United States Liability Insurance Co., Nautilus Insurance Co.

Broker for: Primarily General Star Management Co., Canadian Universal Insurance Co. Ltd.

Principal officers: Robert Moore, John Buckley.

Membership: NAPSLO, Professional Insurance Wholesalers Assn. of New York.

N

NAS Ltd.

100 S. Wacker Drive, Chicago, Ill. 60606; 312-726-2186

	1987	1986
Premium volume	$21,000,000	$24,000,000
Gross revenues	$1,700,000	$1,900,000
Employees	11	10
Commercial lines	100%	100%
Admitted business	30%	35%
Non-admitted	70%	65%

Year founded: 1975.

Type of business: 100% broker.

Broker for: Primarily Crum & Forster Inc., Admiral Insurance Co., St. Paul Surplus Lines Insurance Co., Columbia Casualty Co.

Correspondent: Lloyd's of London.

Branch offices: Indianapolis.

Specialties: Hospital professional liability, errors and omissions, product liability, truckers liability, umbrella.

Principal officers: Tom Cath, chairman; Steve Johnson, president; John Bogart, executive vp; John Cornelius, vp; Joanna Gesicki, assistant vp.

Membership: NAPSLO, Assn. of Lloyd's Brokers.

J.J. Negley Associates Inc.

388 Pompton Ave., Cedar Grove, N.J. 07009; 201-239-9107

	1987	1986
Premium volume	$33,000,000	$26,000,000
Gross revenues	NA	NA
Employees	38	38
Commercial lines	100%	100%
Admitted business	10%	10%
Non-admitted	90%	90%

Year founded: 1960.

Type of business: 5% underwriting manager, 95% managing general agent.

Underwriting manager for: Mental Health Risk Retention Group Inc.

MGA for: Scottsdale Insurance Co., National Casualty Co.

Specialties: Health care and social service agencies.

Principal officers: J.J. Negley, chairman; E.T. Negley, president; Brian J. Waters and Lori Ortiz, vps.

Membership: AAMGA, NAPSLO.

The Norco Agency Inc.

6308 Woodman, Suite 204, Van Nuys, Calif. 91401; 818-782-1912

	1987	1986
Premium volume	$8,918,126	$6,601,302
Gross revenues	$905,000	$700,000
Employees	10	9
Commercial lines	20%	20%
Admitted business	95%	95%
Non-admitted	5%	5%

Year founded: 1960.

Type of business: 90% managing general agent, 10% broker.

MGA for: Century National Insurance Co., Chicago Insurance Co., Sutter Insurance Co., Topa Insurance Co.

Broker for: Primarily Interstate Fire & Casualty Insurance Co.

Specialties: Commercial monoline fire.

Principal officers: Norman J. Levine, Adelyne F. Levine.

Membership: AAMGA, NAPSLO.

North Island Group Inc.

30 Park Ave., Manhasset, N.Y. 11030-2444; 516-365-7440

	1987	1986
Premium volume	$41,000,000	$40,000,000
Gross revenues	NA	NA
Employees	40	35
Commercial lines	95%	95%
Admitted business	95%	95%
Non-admitted	5%	5%

Year founded: 1976.

Parent company: Orlando Management Corp.

Type of business: 40% managing general agent, 60% broker.

MGA for: National Union Fire Insurance Co.; United States Liability Insurance Co.

Broker for: Primarily North Star Reinsurance Corp., Hermitage Insurance Co., Royal Surplus Lines Insurance Co., The Insurance Co. of the State of Pennsylvania.

Branch offices: New York; Warwick, R.I.; Oradell, N.J.

Subsidiaries: N.I.F. Services of New York Inc., New York; N.I.F. Services of New England Inc., Warwick, R.I.; N.I. Services of New Jersey Inc., Oradell, N.J.

Specialties: Professional liability.

Principal officers: Michael A. Orlando, president; Dennis Loggie, John G. Orlando and William A. Battistini, vps; Euclid F. Maggiani, secretary.

Membership: NAPSLO.

O

Orabona Dunn Snyder Inc.

116 John St., New York, N.Y. 10038; 212-233-6262

	1987	1986
Premium volume	$16,500,000	$13,000,000
Gross revenues	$900,000	$800,000
Employees	9	8
Commercial lines	98%	98%
Admitted business	65%	65%
Non-admitted	35%	35%

Year founded: 1985.

Type of business: 100% broker.

Broker for: Primarily Harbor Insurance Co., Berkshire Hathaway Inc., The Home Insurance Co. of Illinois, Interstate Fire & Casualty Insurance Co., Royal Surplus Lines Insurance Co., United Capitol Insurance Co.

Specialties: Product liability, umbrella and excess layers, general liability.

Principal officers: Lee Orabona, George Dunn and Abe Snyder, directors.

Membership: AAMGA, NAPSLO, Professional Insurance Wholesalers Assn., Illinois Insurance Exchange Brokers Assn.

P

PMI Insurance Services Inc.

2 N. Riverside Plaza, Suite 1460, Chicago, Ill. 60606; 312-559-0101

	1987	1986
Premium volume	$400,000	NA
Gross revenues	NA	NA
Employees	2	NA
Commercial lines	100%	NA
Admitted business	0%	NA
Non-admitted	100%	NA

Year founded: 1987.

Type of business: 100% broker.

Broker for: Primarily Lexington Insurance Co., Admiral Insurance Co., Constitution State Insurance Co., Evanston Insurance Co., Equity General Insurance Co.

Specialties: Professional liability, specialty casualty, directors and officers liability, umbrella.

Principal officers: John Van Cleave, president; Guy R. Calhoun, executive vp; Brian Van Cleave, assistant vp/manager.

Paige-Ruane Inc.

Irwin Building, P.O. Box 1562, King of Prussia, Pa. 19406-0962; 215-265-4170

	1987	1986
Premium volume	$14,500,000	$15,352,000
Gross revenues	$1,513,000	$1,857,000
Employees	8	8
Commercial lines	100%	100%
Admitted business	50%	50%
Non-admitted	50%	50%

Year founded: 1979.

Type of business: 85% underwriting manager, 15% broker.

Underwriting manager for: Planet Insurance Co., United National Insurance Co., Progressive Casualty Insurance Co.

Broker for: Primarily Hull & Co.

Specialties: Long-term automobile leasing.

Principal officers: Ronald R. Ruane Sr., president; Frederick G. Paige, secretary/treasurer; Lisa Shaffran, resident vp; R. Nite Ruane, assistant secretary.

Membership: NAPSLO.

Pennock Insurance Agency Inc.

7055 Terminal Square, Upper Darby, Pa. 19082; 215-352-3120

	1987	1986
Premium volume	$13,500,000	$9,800,000
Gross revenues	NA	NA
Employees	28	30
Commercial lines	89%	80%
Admitted business	9%	6%
Non-admitted	91%	94%

Year founded: 1973.

Type of business: 70% managing general agent, 30% broker.

MGA for: Scottsdale Insurance Co., Nautilus Insurance Co., Essex Insurance Co., United States Underwriters Insurance Co., St. Katherine Insurance Co. P.L.C., Terra Nova Insurance Co. Ltd., Rockwood Insurance Co., Mid-Continent Insurance Co.

Broker for: Primarily Admiral Insurance Co., Illinois Insurance Exchange, First Central Insurance Co., RLI Insurance Co.

Correspondent: Lloyd's of London.

Principal officers: Milton L. Goldberg, president; Victor D. Giordano and Mary Marines, vps; Bernard Rosenfeld, secretary; Linda Purcell, assistant vp.

Membership: AAMGA, NAPSLO, Pennsylvania Surplus Lines Assn.

Political & Credit Risk Management Inc.

540 S. Glenhurst, Birmingham, Mich. 48009; 313-540-2615

	1987	1986
Premium volume	$1,100,000	$900,000
Gross revenues	NA	NA
Employees	2	2
Commercial lines	100%	100%
Admitted business	83%	65%
Non-admitted	17%	35%

Year founded: 1983.

Type of business: 100% broker.

Broker for: Primarily American International Group Inc., Pan Financial Ltd., Fidelity & Deposit Co. of Maryland, Foreign Credit Insurance Assn.

Correspondent: Lloyd's of London.

Specialties: Political risks, export and domestic receivables coverage.

Principal officers: D.G. Keesee, president; R.R. Riesgo, vp; Nancy T. Keesee, secretary/treasurer.

Professional Liability Brokers & Consultants Inc.

1011 E. Touhy, Suite 321, Des Plaines, Ill. 60018; 312-699-4151

	1987	1986
Premium volume	$3,750,000	$2,800,000
Gross revenues	NA	NA
Employees	4	4
Commercial lines	100%	100%
Admitted business	20%	20%
Non-admitted	80%	80%

Year founded: 1984.

Type of business: 100% broker.

Broker for: Primarily Admiral Insurance Co., Associated International Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Professional liability, directors and officers coverage.

Principal officers: Ervin A. Kranberg, president.

Membership: NAPSLO.

Professional Liability Underwriting Services Inc.

550 N. Reo, Suite 201, Tampa, Fla., 33609; 813-873-5170

	1987	1986
Premium volume	$10,000,000	$14,500,000
Gross revenues	NA	NA
Employees	6	6
Commercial lines	100%	100%
Admitted business	70%	95%
Non-admitted	30%	5%

Continued on facing page



Facultative and Treaty

For the most professional solutions in reinsurance, talk to the reinsurance professionals. Talk to IOA RE.

With over 30 years' experience as an underwriting manager and intermediary, we've earned a reputation for innovative, forward-thinking approaches to reinsurance challenges. And we've built a solid record for providing sound professional solutions to any reinsurance need.

Specializing in all forms of life, accident, and health Reinsurance.

• Excess Medical • Catastrophe Excess Treaties • Special Risks • Stop-Loss for Self-Funded Employee Benefit Plans • Stop-Loss for Aviation Worker's Compensation • Aviation Accident • Admitted Liability • Group Travel • Life

IOA RE

Mail To:
IOA RE, Inc.
8 Penn Center Plaza,
Suite 2300
Philadelphia, PA 19103-2901
Or call John W. Parker, Jr.
President at (215) 569-9595

☐ Send me more information on IOA RE, Inc.
☐ I am interested in a **No Obligation Reinsurance Contract/Pricing Analysis.**

Name
Title
Organization
City State Zip
( )
Phone

Continued from previous page

Year founded: 1985.
Type of business: 100% broker.
Affiliates: PLUS Excess Inc., Avenel, N.J.; Hudson Bay Brokerage Inc., Watchung, N.J.; PLUSTEX, Inc., Tampa, Fla.
Specialties: Non-medical professional liability, directors and officers liability.
Principal officers: Robert Ciuffreda, president; Mark D. Harris, vp; John A. Gerdts, underwriting manager; Linda A. Lent, office manager.

Professional Managers Inc.

2 N. Riverside Plaza, Suite 1460, Chicago, Ill. 60606; 312-559-0101

	1987	1986
Premium volume.	$13,000,000	$10,000,000
Gross revenues...	NA	NA
Employees.....	12	11
Commercial lines.	100%	100%
Admitted business	0%	0%
Non-admitted....	100%	100%

Year founded: 1981.
Type of business: 100% managing general agent.
MGA for: Lexington Insurance Co., North Atlantic Casualty & Surety Co.
Subsidiaries: PMI Insurance Services Inc.
Specialties: Architects, engineers and building contractors professional liability; college and university trustees professional liability.
Principal officers: John Van Cleave, president; Guy R. Calhoun, executive vp; Richard J. Gundlach, vp-underwriting.
Membership: NAPSLO.

Program Underwriters Group

3363 W. Commercial Blvd., Fort Lauderdale, Fla. 33309; 305-485-9442

	1987	1986
Premium volume.	$35,000,000	$33,000,000
Gross revenues...	$5,250,000	$5,000,000
Employees.....	70	60
Commercial lines.	100%	100%
Admitted business	10%	10%
Non-admitted....	90%	90%

Year founded: 1979.
Type of business: 80% managing general agent, 20% broker.
MGA for: Casualty Indemnity Exchange, English & American Insurance Co., Mount Vernon Fire Insurance Co., Sphere Drake Insurance Co. P.L.C., Eagle Insurance Co., Homestead Insurance Co.
Broker for: Primarily Sheffield Insurance Co., American Universal Insurance Co., The Home Insurance Co. of Indiana, United Capitol Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Brandon, Boca Raton and Longwood, Fla.; Birmingham, Ala.
Subsidiaries: Equity Adjustment Corp., Program Underwriters Financing Inc., Capacity Re-Insurance Inc.
Principal officers: Lawrence J. Buto, president; Frances T. Buto, secretary/treasurer.
Membership: AAMGA, NAPSLO, Florida Surplus Lines Assn.

R

RISC Inc.

750 N. St. Paul, Suite 990, Dallas, Texas 75201; 214-922-9898

	1987	1986
Premium volume.	$25,000,000	$26,000,000
Gross revenues...	$1,900,000	$1,800,000
Employees.....	23	24
Commercial lines.	99%	99%
Admitted business	40%	45%
Non-admitted....	60%	55%

Year founded: 1966.
Parent company: The Rigg Group Inc.
Type of business: 12% underwriting manager, 25% managing general agent, 63% broker.
Underwriting manager for: International Lloyd's Insurance Co.
MGA for: Sphere Drake Insurance Co. P.L.C, Penn-America Insurance Co.
Broker for: Primarily Interstate Fire & Casualty Insurance Co., Lexington Insurance Co., International Surplus Lines Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Trucking, energy and commercial property risks.
Principal officers: David L. Geary, president; Frances Griffin, Paul Warmingham and Allan T. Hidlebrand, vps; Jim Thomas, assistant vp.
Membership: NAPSLO, Texas Surplus Lines Assn.

Ranger-Allied Underwriters

P.O. Box 2807, 5333 Westheimer Road, Houston, Texas 77252-2807; 713-622-6500; 800-392-1970

	1987	1986
Premium volume.	$4,157,000	$6,500,000
Gross revenues...	$617,000	$631,000
Employees.....	14	13
Commercial lines.	98%	95%
Admitted business	54%	60%
Non-admitted....	46%	40%

Year founded: 1961.
Parent company: Ranger Insurance Co.
Type of business: 90% managing general agent, 10% broker.
MGA for: National Indemnity Co., National Fire & Marine Insurance Co., Ranger Insurance Co., Adriatic Insurance Co., Monticello Insurance Co., St. Katherine Insurance Co. P.L.C.
Broker for: Primarily Marine Office of America Corp., Constitution State Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Commercial automobile liability, general contractors liability.
Principal officers: Tom Friedberg, president/chairman; Ray E. Knickman II and Dan Krutilek, senior vps; Lowry D. Vaughn, vp.
Membership: AAMGA, NAPSLO, Texas Surplus Lines Assn.

Rathbone King & Seeley Insurance Services

350 California St., San Francisco, Calif. 94104; 415-421-3900

	1987	1986
Premium volume.	$12,000,000	$13,000,000
Gross revenues...	$1,400,000	$900,000
Employees.....	26	19
Commercial lines.	100%	100%
Admitted business	60%	60%
Non-admitted....	40%	40%

Year founded: 1849.
Parent company: Rathbone King & Seeley Inc.
Type of business: 30% underwriting manager, 70% broker.
Underwriting manager for: American Star Insurance Co., La Reunion Francaise.
Broker for: Primarily Topa Insurance Co., Admiral Insurance Co, Navigators Insurance Co., American International Group Inc.
Correspondent: Lloyd's of London.
Branch offices: Brea and Fresno, Calif.; Portland, Ore.
Specialties: Ocean marine, surety.
Principal officers: Anthony V. Raia, president/chief executive officer; Ralph Jackson, executive vp; Thomas Cockrell, executive vp/secretary; Chris Bernau, Ceil Norton, Walter Ryburn and James McFadden, vps.
Membership: NAPSLO.

Repath Associates Inc.

4301 Hillsboro Road, Suite 314, Nashville, Tenn. 37215; 615-297-1739

	1987	1986
Premium volume.	$22,000,000	$23,000,000
Gross revenues...	$1,280,000	$1,328,000
Employees.....	7	7
Commercial lines.	100%	100%
Admitted business	15%	15%
Non-admitted....	85%	85%

Year founded: 1984.
Type of business: 5% managing general agent, 95% broker.
MGA for: American Empire Surplus Lines Insurance Co.
Broker for: Primarily American International Group Inc., American Empire Surplus Lines Insurance Co., California Union Insurance Co., Chubb Custom Insurance Co., Columbia Casualty Co., Fireman's Fund Insurance Co., First State Insurance Co., Interstate Fire & Casualty Insurance Co., Investors Insurance Co. of America, RLI Insurance Co., Transamerica Insurance Co., Tudor Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Houston; Southfield, Mich.
Principal officers: Derek J. Repath, president; Robert A. Pugh and Edward A. Gorman, vps.
Membership: NAPSLO.

S

W.A. Schickedanz Agency Inc.

300 W. Main St., Belleville, Ill. 62222; 618-233-0644

	1987	1986
Premium volume.	$6,300,000	$6,900,000
Gross revenues...	NA	NA
Employees.....	16	18
Commercial lines.	80%	80%
Admitted business	90%	80%
Non-admitted....	10%	20%

Year founded: 1933.
Type of business: 90% managing general agent, 10% broker.
MGA for: Aegon Insurance Goup N.V., Bituminous Casualty Corp., Clarendon National Insurance Co., Empire Fire & Marine Insurance Co., First Financial Insurance Co., National Fire & Marine Insurance Co., National Indemnity Insurance Co., Sphere Drake Insurance Co. P.L.C., Transamerica Premier Insurance Co.
Broker for: Primarily Lexington Insurance Co., Mount Hawley Insurance Co., Mount Vernon Insurance Co., RLI Insurance Co.
Correspondent: Lloyd's of London.
Subsidiaries: Gateway Premium Budget Inc.
Specialties: Illinois liquor liability.
Principal officers: Carl J. Miller Sr., chairman; C. Jack Miller, president/chief executive officer; Steven C. Miller, executive vp/secretary.
Membership: AAMGA, NAPSLO, Illinois Surplus Lines Assn.

The Schinnerer Group Inc.

2 Wisconsin Circle, Chevy Chase, Md. 20815-7003; 301-961-9800

See profile on page 54.

Seaboard Underwriters Inc.

P.O. Box 659, 2732 Anne Elizabeth Drive, Burlington, N.C. 27215; 919-584-1465

	1987	1986
Premium volume.	$48,000,000	$43,000,000
Gross revenues...	NA	NA
Employees.....	55	50
Commercial lines.	100%	100%
Admitted business	70%	65%
Non-admitted....	30%	35%

Year founded: 1957.
Parent company: Crum & Forster Inc./Xerox Corp.
Type of business: 70% managing general agent, 30% broker.
MGA for: United States Fire Insurance Co., First State Insurance Co.
Broker for: Primarily International Insurance Co., First State Insurance Co., American International Group Inc., Fireman's Fund Insurance Co., Chubb Custom Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Trucker liability and truck physical damage.
Principal officers: Donald R. Sandgren, president; Thomas P. Fletcher, senior vp-claims; Joseph P. Hutelmyer, senior vp-underwriting; Andrew A. Wolff, senior vp-brokerage.
Membership: AAMGA, NAPSLO, North Carolina Surplus Lines Assn.

Seguros de San Miguel Inc.

Paseo Couadonga, Suite 151, Puerta de Tierra, P.O. Box 4027, San Juan, Puerto Rico, 00905; 809-722-4578

	1987	1986
Premium volume.	$32,980,000	$27,757,000
Gross revenues...	$2,623,752	$670,038
Employees.....	64	58
Commercial lines.	80%	80%
Admitted business	100%	100%

Year founded: 1935.
Parent company: H.P.H. Investment and Norstar Inc.
Type of business: 100% managing general agent.
MGA for: The Home Insurance Co., CNA Casualty of Puerto Rico, Hartford Steam & Boiler Inspection Co., American International Insurance Co., CIGNA Corp., Universal Insurance Co., United Capitol Insurance Co., Global Aviation Insurance Services, Federal Insurance Co., Royal Insurance Co., Zurich Insurance Co., The Home Insurance Co. of Indiana, The Home Insurance Co. of Illinois, United States Fire Insurance Co., Associated Aviation Underwriters, Ranger Insurance Co., RLI Insurance Co., Commercial Union Insurance Co., Westchester Insurance Co., North River Insurance Co., Industrial Risk Insurers, United States Fidelity & Guaranty Co.
Subsidiaries: Action Adjustment Bureau Inc., Contamec Inc., Financiadora de Primas San Miguel Inc.
Specialties: Automobile and property.
Principal officers: Roberto Serna, chief executive officer; Jaime Ordonez, chief operating officer; Victor Merced and Aristides Bencomo, executive vps; Elsa Ortiz, senior vp.
Membership: AAMGA.

Shand, Morahan & Co. Inc.

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

	1987	1986
Premium volume.	$191,595,000	$257,293,000
Gross revenues...	NA	NA
Employees.....	346	462
Commercial lines.	100%	100%
Admitted business	46%	44%
Non-admitted....	54%	56%

Year founded: 1970.
Parent company: F-M Acquisition Co.
Type of business: 100% underwriting manager.
Underwriting manager for: Evanston Insurance Co., Insurance Co. of Evanston.
Correspondent: Lloyd's of London.
Principal officers: Joseph J. Prochaska, chief executive officer; Robert H. Libby, president; William J. Wall and Richard A. Adler, executive vps; Paul W. Springman, senior vp.
Membership: AAMGA, NAPSLO.

Thomas F. Sheehan Inc.

801 N. Plaza Drive, Schaumburg, Ill. 60173-4919; 312-490-1400

	1987	1986
Premium volume.	$39,888,294	$42,125,903
Gross revenues...	$6,147,543	$7,620,708
Employees.....	25	25
Commercial lines.	100%	100%
Admitted business	100%	100%
Non-admitted....	0%	0%

Year founded: 1978.
Type of business: 95% underwriting manager, 5% broker.
Underwriting manager for: Imperial Casualty & Indemnity Co.
Broker for: Primarily Old Republic Insurance Co.
Subsidiaries: Peace Corp., Professional Risk Management Inc., Plaza Drive Partners.
Specialties: Architects and engineers, directors and officers and lawyers professional liability.
Principal officers: Thomas F. Sheehan, chairman; Ram H. Chandarana, executive vp; James F. Whitaker, vp/treasurer; Terrence P. Sheehan, vp.
Membership: AAMGA.

Sherwood Insurance Services

201 California St., San Francisco, Calif. 94111; 415-956-3236

	1987	1986
Premium volume.	$103,000,000	$124,000,000
Gross revenues...	$7,876,000	$9,369,000
Employees.....	65	70
Commercial lines.	100%	100%
Admitted business	85%	83%
Non-admitted....	15%	17%

Year founded: 1978.
Type of business: 1% managing general agent, 99% broker.
Broker for: Primarily The Home Insurance Co., Allianz Underwriters Insurance Co., Crum & Forster Inc., Associated International Insurance Co.
Correspondent: Lloyd's of London.
Branch offices: Los Angeles, Chicago.
Specialties: Commercial earthquake, products liability.
Principal officers: Donald K. Sherwood, president; James W. Barnes and David Hartoch, senior vps; Richard T. Nahas and John Middleton, vps.
Membership: NAPSLO, Western Assn. of Insurance Brokers.

Leon F. Skinner Agency Inc.

1258 Sibley Tower Building, Rochester, N.Y. 14604; 716-232-3585

	1987	1986
Premium volume.	$3,000,000	$2,500,000
Gross revenues...	NA	NA
Employees.....	6	6
Commercial lines.	70%	70%
Admitted business	80%	60%
Non-admitted....	20%	40%

Year founded: 1959.
Type of business: 100% broker.
Broker for: Primarily Connecticut Indemnity Co.
Specialties: Trucking, including bobtail/deadhead, physical damage, cargo, truckers workers compensation safety group.
Principal officers: Leon F. Skinner, president.

Sobieski & Bradley

P.O. Box 75750, Salt Lake City, Utah 84107; 801-268-9800

	1987*	1986
Premium volume.	$1,132,930	NA
Gross revenues...	NA	NA
Employees.....	4	NA
Commercial lines.	100%	NA
Admitted business	30%	NA
Non-admitted....	70%	NA

*Figures are for eight months of 1987.
Year founded: 1987.
Type of business: 35% managing general agent, 65% broker.
MGA for: Nautilus Insurance Co., American Empire Surplus Lines Insurance Co., General Agents Insurance Co.
Broker for: Primarily International Surplus Lines Insurance Co., Fireman's Fund Insurance Co., Interstate National Corp., Insurance Co. of the State of Pennsylvania, First State Insurance Co., The Home Insurance Co., United National Insurance Co., Illinois Insurance Exchange.
Specialties: Primary product liability, directors and officers liability.
Principal officers: Michael Sobieski, president; James A. Bradley, chief executive officer.

Southern Insurance Managers Inc.

95 Whitebridge Road, Cavalier Building, Suite 101-109, Nashville, Tenn. 37805; 615-356-2900

	1987	1986
Premium volume.	$8,500,000	$11,500,000
Gross revenues...	$1,150,000	$1,300,000
Employees.....	18	30
Commercial lines.	87%	83%
Admitted business	68.1%	73.1%
Non-admitted....	31.9%	26.9%

Year founded: 1953.
Type of business: 98% managing general agent, 2% broker.
MGA for: Canal Insurance Co., National Indemnity Insurance Co., National Fire & Marine Insurance Co., Scottsdale Insurance Co., National Casualty Co., Nautilus Insurance Co., Thomas Jefferson Insurance Co., Orion Insurance Co., Sphere Drake Insurance Co. P.L.C., Aegon Insurance Group N.V., First Financial Insurance Co.
Broker for: Primarily Mount Hawley Insurance Co., RLI Insurance Co., Employers Reinsurance Corp., Evanston Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Commercial automobile, long haul and local trucking.
Principal officers: Edward J. Knish, president; Roy E. Bearden, executive vp; Pam Evans, vp; Fay Bain, treasurer; Jan E. Bessire, assistant vp.
Membership: AAMGA, NAPSLO.

Sovereign Group International Ltd.

242 Main St., Staten Island, N.Y. 10307; 718-317-7000

	1987	1986
Premium volume.	$15,800,000	$20,000,000
Gross revenues...	NA	NA
Employees.....	25	27
Commercial lines.	100%	100%
Admitted business	90%	75%
Non-admitted....	10%	25%

Year founded: 1976.
Type of business: 80% managing general agent, 20% broker.
MGA for: National Casualty Co., United National Insurance Co.

Continued on next page

Continued from previous page

Broker for: Primarily Michigan Mutual Insurance Co.

Branch offices: New York.

Subsidiaries: Sovereign Insurance Services, Iselin, N.J.; Sovereign General Agency, Bristol, Pa.

Specialties: Umbrellas.

Principal officers: W.J Lynch, president; D.J. Lynch, secretary; R. McSweeny and W.F. Lynch, vps; J. Certo, assistant vp.

Membership: AAMGA, NAPSLO, Professional Insurors Wholesaler Assn.

Special Program Management Inc.

123 William St., 22nd Floor, New York, N.Y. 10038; 212-233-5577

	1987	1986
Premium volume	$18,900,000	NA
Gross revenues	NA	NA
Employees	10	NA
Commercial lines	100%	NA%
Admitted business	13%	NA
Non-admitted	87%	NA

Year founded: 1987.

Parent company: Willis Faber P.L.C.

Type of business: 100% underwriting manager.

Underwriting manager for: Associated International Insurance Co., Calvert Insurance Co.

Specialties: Directors and officers liability.

Principal officers: James R. Martocci, president; Marjorie B. Feit, assistant vp.

Special Risks Inc.

4663 Haygood Road, Suite 201, Virginia Beach, Va. 23455; 804-460-1104

	1987	1986
Premium volume	$27,908,168	$22,457,968
Gross revenues	$3,655,774	$2,107,478
Employees	17	17
Commercial lines	90%	90%
Admitted business	95%	95%
Non-admitted	5%	5%

Year founded: 1971.

Type of business: 93% managing general agent, 7% broker.

MGA for: Imperial Casualty & Indemnity Co., Northland Insurance Cos., American Bankers Insurance Co.

Broker for: Primarily Imperial Casualty Co., Northland Insurance Cos., American Bankers Insurance Co.

Correspondent: Lloyd's of London.

Specialties: Municipalities, including law enforcement and professional liability.

Principal officers: E. Joseph Nusbaum, chairman/chief executive officer; Robert M. Bryant Jr., president.

Membership: NAPSLO.

Specialty Insurance Services Inc.

6624 Merrill Road, Jacksonville, Fla. 32211; 904-743-4314

	1987	1986
Premium volume	$3,147,677	$2,750,907
Gross revenues	$485,468	$347,688
Employees	9	7
Commercial lines	100%	100%
Admitted business	42%	38%
Non-admitted	58%	62%

Year founded: 1979.

Type of business: 100% managing general agent.

MGA for: Empire Insurance Cos., Agricultural Excess & Surplus Insurance Co., Lincoln Insurance Co., English & American Insurance Co., St. Katherine Insurance Co. P.L.C.

Correspondent: Lloyd's of London.

Branch offices: Brunswick, Ga.

Specialties: Commercial automobile, pulpwood industry, surplus property.

Principal officers: Harley K. Dulaney, president; Joanne S. Dulaney and Harley K. Dulaney III, vps.

Membership: NAPSLO, Florida Surplus Lines Assn., Georgia Surplus Lines Assn.

Myron F. Steves & Co.

P.O. Box 4479, Houston, Texas 77210-4479; 713-522-1100

	1987	1986
Premium volume	$79,550,000	$72,264,000
Gross revenues	$9,397,757	$7,970,624
Employees	84	80
Commercial lines	97.5%	98%
Admitted busir.ess	66%	67%
Non-admitted	34%	33%

Year founded: 1955.

Type of business: 21% underwriting manager, 69% managing general agent, 10% broker.

MGA for: Guaranty National Insurance Co., Scottsdale Insurance Co., National Indemnity Insurance Co., United National Insurance Co.

Broker for: Primarily Sheffield Insurance Co., Marine Office of America Corp., Royal Excess & Surplus Lines Insurance Co., Lexington Insurance Co., United Capitol Insurance Co., Shand, Morahan & Co. Inc., Tudor Insurance Co., Victor O. Schinnerer & Co. Inc.

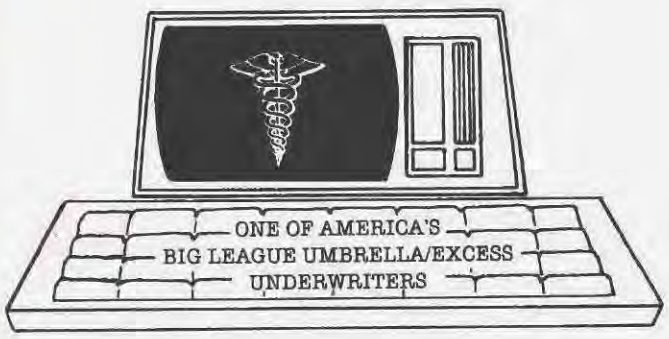
Correspondent: Lloyd's of London.

Specialties: Hospital professional liability.

Principal officers: Myron F. Steves, founder; Fred Steves, managing director; Buddy Steves, managing director-hospital; Larry Willoughby, managing director-insurance operations; Jack Reed, casualty director; Mike Driscoll, property director; Ida Havens, hospital director; Betty Sander, officer manager.

Membership: AAMGA, NAPSLO, Texas Surplus Lines Assn.

PROFESSIONAL MALPRACTICE MARKET FOR HOSPITAL AND NURSING HOME LIABILITY



DORANCO / DOREX

Doran Excess Underwriters Inc.
P.O. Box 1417
Mechanicsburg, PA 17055
717-697-4626

Philadelphia 215-925-0265
Outside PA 800-233-9797
Telex 842-546
Fax # 717-697-7506

Swett & Crawford Group

3699 Wilshire Blvd., Los Angeles, Calif. 90010; 213-251-1200

See profile on page 44.

T

Texas General Agency Inc.

4801 N.W. Loop 410, 10th Floor, P.O. Box 40600, San Antonio, Texas 78229; 512-522-1325

	1987	1986
Premium volume	$11,000,000	$9,000,000
Gross revenues	$1,400,000	$1,170,000
Employees	35	30
Commercial lines	35%	40%
Admitted business	68%	65%
Non-admitted	32%	35%

Year founded: 1981.

Type of business: 76% underwriting manager, 10% managing general agent, 14% broker.

Underwriting manager for: Gulf States Insurance Co., Old American County Mutual Fire Insurance Co.

MGA for: General Agents Insurance Co. of America Inc., Union Pacific Insurance Co.

Broker for: Primarily Appalachian Insurance Cos., International Surplus Lines Insurance Co., Royal Excess & Surplus Lines Insurance Co., Constitution State Insurance Co.

Branch offices: Lubbock, Texas.

Subsidiaries: Gulf States Insurance Co., Oklahoma City, Okla.

Specialties: Non-standard commercial, general liability, property.

Principal officers: Anne Cangelosi, president; Don E. Meyer, secretary/treasurer; Don Cangelosi and Sam Cangelosi, vps.

Membership: AAMGA.

Transco/IMI Holdings Inc.

2029 Village Lane, Solvang, Calif. 93463; 805-688-4995

	1987	1986
Premium volume	$183,000,000	$178,000,000
Gross revenues	$18,000,000	$17,511,000
Employees	150	150
Commercial lines	100%	100%
Admitted business	98%	0%
Non-admitted	2%	100%

*Figures reflect Transco only.

Year founded: 1975.

Type of business: 96% underwriting manager, 2% managing general agent, 2% broker.

Underwriting manager for: United National Insurance Co., IMI Insurance Co., Coronet Insurance Co., Transco Syndicate No. 1.

MGA for: Scottsdale Insurance Co., Penn-American Insurance Co.

Branch offices and subsidiaries: Chicago; TransRe Insurance Services; Camelback Reinsurance Underwriters, Phoenix; Trinity MGA Insurance Services, Palm Desert, Calif.; Trinity E&S Insurance Services, Palm Desert, Redwood City and Chula Vista, Calif.; Claims Control Corp.; IMI International Ltd., Insurance Management Inc.; IMI Insurance Co.; Transco Syndicate No. 1 Ltd.; IMI Reinsurance Co., Bridgetown, Barbados.

Specialties: Architects and engineers professional liability, product liability, treaty reinsurance, contractors liability.

Principal officers: Peter J. O'Shaughnessy, president/chairman/chief executive officer; Richard O'Gorman, executive vp; Michael S. Kelley, senior vp/treasurer; Richard Kersten, secretary/senior vp/legal counsel; Michael Gallagher, Steven Shinn, Jerry Hart, John Clark and Richard Shemitis, senior vps.

Membership: NAPSLO.

Tri-City Insurance Brokers Inc.

30 Cliff St., New York, N.Y. 10038; 212-766-1800

	1987	1986
Premium volume	$196,808,088	$127,550,888
Gross revenues	NA	NA
Employees	52	33
Commercial lines	100%	100%
Admitted business	60%	40%
Non-admitted	40%	60%

Year founded: 1985.

Type of business: 100% broker.

Broker for: Primarily Admiral Insurance Co., American Empire Surplus Lines Insurance Co., First State Insurance Co., Harbor Insurance Co., Illinois Insurance Exchange, Interstate Fire & Casualty Insurance Co., Lexington Insurance Co., The London Agency Inc., American International Group Inc.

Branch offices: Chicago; Los Angeles; San Francisco.

Specialties: Umbrella and excess umbrella liability, buffer liability, professional liability, crime and surety, directors and officers liability.

Principal officers: Kieran P. Burke, president; John G. Hahn, Alexander M. Kullman, Daniel S. Real, Michael P. Tilton, Edward G. Ulshafer, executive vps.

Membership: NAPSLO, New York Insurance Brokers Assn., California Surplus Lines Assn., Illinois Insurance Exchange Brokers Assn.

Tri-State General Insurance Agencies Ltd.

P.O. Box 2737, Salisbury, Md. 21801; 301-546-1255

	1987	1986
Premium volume	$9,104,539	$9,500,000
Gross revenues	$1,092,545	$1,235,000
Employees	35	32
Commercial lines	99%	99%
Admitted business	10%	10%
Non-admitted	90%	90%

Year founded: 1979.

Type of business: 70% managing general agent, 30% broker.

MGA for: Guaranty National Insurance Co., First Financial Insurance Co., English & American Insurance Co. Ltd.

Broker for: Primarily Adriatic Insurance Co., Tudor Insurance Co., Mount Hawley Insurance Co., Chubb Custom Insurance Co., United Capitol Insurance Co., Orion Group.

Correspondent: Lloyd's of London.

Branch offices: West Chester and Harrisburg, Pa.; Richmond, Va.; Cherry Hill, N.J.

Specialties: Garage keepers legal liability, commercial automobile physical damage.

Principal officers: Edward Dickerson, president; Edward A. Dickerson III and James Dickerson, vps; Eileen Dickerson, secretary.

Membership: NAPSLO.

Trinity E&S Insurance Services Inc.

44-100 Monterey Ave., Suite 208, Palm Desert, Calif. 92260; 619-341-2595

	1987	1986
Premium volume	$5,507,273	$4,700,000
Gross revenues	$605,000	$493,500
Employees	10	6
Commercial lines	99%	99%
Admitted business	40%	30%
Non-admitted	60%	70%

Year founded: 1985.

Parent company: Transco/IMI Holdings.

Type of business: 50% managing general agent, 50% broker.

MGA for: Penn-America Insurance Co.

Broker for: Primarily Illinois Insurance Exchange, Topa Insurance Co., Navigators Insurance Co., Superior National Insurance Co., Marine Office of America Corp.

Branch offices: Redwood City and Chula Vista, Calif.

Subsidiaries: Trinity MGA Insurance Services Inc.

Specialties: Contractor's liability.

Principal officers: Peter J. O'Shaughnessy, chairman; Thomas J. Gassen, president; Michael Gallagher, vp; R. Kersten, secretary/treasurer.

Truckers Insurance Associates Inc.

7117 Hickman Road, Des Moines, Iowa 50322; 515-276-7704

	1987	1986
Premium volume	$14,700,000	$13,300,000
Gross revenues	NA	NA
Employees	17	16
Commercial lines	99%	99%
Admitted business	100%	100%
Non-admitted	0%	0%

Year founded: 1943.

Type of business: 90% managing general agent, 10% broker.

MGA for: Northland Insurance Co., Carolina Casualty Insurance Co.

Broker for: Primarily Continental Western Insurance Co., Hawkeye Security Insurance Co., Empire Fire & Marine Insurance Co., Marine Office of America Corp.

Specialties: Trucking risks.

Principal officers: Gary Albaugh, chairman/chief operating officer; Doug Wilson, president; Kenneth Albaugh, senior vp.

Membership: AAMGA.

U

U.S. Overseas Agencies Inc.

1693 Stuyvesant Ave., Union, N.J. 07083; 201-964-5950

	1987	1986
Premium volume	$6,745,000	$8,213,000
Gross revenues	$823,000	$788,000
Employees	17	17
Commercial lines	85%	90%
Admitted business	10%	7%
Non-admitted	90%	93%

Year founded: 1933.

Type of business: 70% managing general agent, 30% broker.

MGA for: Mount Vernon Fire Insurance Co.

Broker for: Primarily Canadian Universal Insurance Co. Ltd., Imperial Casualty Co.

Correspondent: Lloyd's of London.

Specialties: General liability, automobile physical damage.

Principal officers: Jack Neubauer, president; Jeffrey S. Neubauer, vp; Ingrid Neubauer, secretary; Bernice Bender, treasurer.

Membership: NAPSLO.

U.S. Risk Insurance Agency Inc.

5910 N. Central Expressway, Suite 1580, Dallas, Texas 75206; 214-891-6440

	1987	1986
Premium volume	$6,970,000	$2,820,000
Gross revenues	$650,000	$209,000
Employees	13	12
Commercial lines	100%	100%
Admitted business	38%	12%
Non-admitted	62%	88%

Year founded: 1976.

Type of business: 4% underwriting manager, 19% managing general agent, 77% broker.

Underwriting manager for: General American Fidelity & Guaranty Insurance Co.

MGA for: Capital Insurance Ltd.

Broker for: Primarily Lexington Insurance Co., H.S. Weavers (Underwriting) Agency Ltd., Zurich Insurance Group.

Correspondent: Lloyd's of London.

Branch offices: Austin, Texas.

Specialties: Professional and directors and officers liability.

Principal officers: Randall G. Goss, president; Caren Roberts, vp-underwriting; James Welch, vp-finance; Richard Powell, vp-agency relations; Ken Moody, vp-Austin.

Membership: NAPSLO, National Assn. of Independent Insurers, Texas Surplus Lines Assn.

Underwriters Management Associates Inc.

95 White Bridge Road, Suite 216, Nashville, Tenn. 37205; 615-356-7272

	1987	1986
Premium volume	$10,414,654	$12,422,000
Gross revenues	$927,372	$1,015,000
Employees	13	13
Commercial lines	100%	100%
Admitted business	100%	100%
Non-admitted	0%	0%

Year founded: 1983.

Type of business: 100% managing general agent.

MGA for: Reliance Specialty Programs Inc.

Specialties: Wholesale and retail distributors of motor and heating fuels.

Principal officers: Don R. Jordan, chairman; William M. Sutcliffe, president; Frederic W. Bard, executive vp; John W. Scoggin, treasurer; W. Lee Corbett, secretary.

V

Variable Protection Administrators Inc.

16035 Industrial Parkway, Cleveland, Ohio 44135; 216-676-8585

	1987	1986
Premium volume	$50,000,000	$66,500,000
Gross revenues	$4,800,000	$6,005,223
Employees	53	63
Commercial lines	100%	100%
Admitted business	99%	99%
Non-admitted	1%	1%

Continued on next page

Continued from previous page

Year founded: 1968.
Type of business: 100% underwriting manager.
Underwriting manager for: CNA Insurance Cos., Nationwide Insurance Co., U.S. Life Insurance Co., Washington National Life Insurance Co.
Subsidiaries: VPA Group Dental Inc., Dover, Del.; VPA Insurance Ltd., Hamilton, Bermuda.
Principal officers: David Manley, president; Timothy M. Eisenmann, vp-operations; David Campbell, vp-marketing; Susan Maddock, vp-underwriting; Anthony Manley, vp-claims.

W

Weicholz Management Corp.

1750 University Drive, Suite 201, P.O. Box 75-4502, Coral Springs, Fla. 33075-4502; 305-752-1222

	1987	1986
Premium volume.	$39,291,259	$40,637,358
Gross revenues...	NA	NA
Employees.....	47	38
Commercial lines.	100%	100%
Non-admitted....	100%	100%

Year founded: 1978.
Type of business: 100% underwriting manager.
Underwriting manager for: Britamco Underwriters Inc.
Specialties: Restaurants, taverns, retail stores, garages; liquor law liability; excess and umbrella liability.
Principal officers: Stephen Weicholz, president; Myron A. Burdge, executive vp; Ian Walker, vp; Albert S. Solomon, treasurer.
Membership: AAMGA, Florida Surplus Lines Assn.

Willis Faber Holdings Inc.

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

See profile on page 48.

Wood & Co. Inc.

2900 Chamblee Tucker Road, Building 14, Atlanta, Ga. 30341; 404-455-6535

	1987	1986
Premium volume.	$29,406,817	$25,688,103
Gross revenues...	$1,860,161	$1,494,128
Employees.....	13	11
Commercial lines.	100%	100%
Admitted business	33%	17%
Non-admitted....	67%	83%

Year founded: 1984.
Parent company: McGriff, Seibels & Williams Inc.
Type of business: 100% broker.
Broker for: Primarily Chubb Custom Insurance Co., Crum & Forster Inc., Fireman's Fund Insurance Co., Hartford Specialty Co., The Home Insurance Co., Interstate Fire & Casualty Insurance Co., Lexington Insurance Co., Northfield Insurance Co., Royal Indemnity Co., St. Paul Surplus Lines Insurance Co., Transamerica Insurance Co., United Capitol Insurance Co.
Correspondent: Lloyd's of London.
Specialties: Property, inland and ocean marine, umbrella, excess, professional and directors and officers liability.
Principal officers: Bruce A. Wood, president/treasurer; Evelyn W. Wood, vp/secretary; Michael G. Rimbey, George E. Showalter and Don L. Swift Jr., vps; Chester Londrum, assistant vp.
Membership: NAPSLO.

World Trade Services Inc.

1 World Trade Center, Suite 3369, New York, N.Y. 10048; 212-466-0600

	1987	1986
Premium volume.	$8,400,000	$11,000,000
Gross revenues...	NA	NA
Employees.....	6	7
Commercial lines.	100%	100%
Admitted business	100%	100%

Year founded: 1984.
Type of business: 100% underwriting manager.
Underwriting manager for: North American Specialty Insurance Co.; Lloyd's, New York.
Specialties: Commercial property.
Principal officers: Patrick S. Whalen, president; Winfried Mohr, senior vp; Therese Haughie, vp. ■

States broaden regulation of surplus lines industry

By MEG FLETCHER

Increased regulatory scrutiny of admitted insurers is spilling over into the surplus lines industry.

State legislators are beginning to blur the distinctions between the admitted and surplus lines markets in several areas.

For example, the Texas Legislature now is requiring some surplus lines insurers to indirectly participate in a residual market mechanism, said George Klotzbaugh, counsel for the American Insurance Assn. in Washington, D.C.

Previously, an admitted insurer's participation in an assigned risk pool covering windstorm losses had been based on only its own premium volume. However, the state enacted a law last year requiring an admitted insurer to add any affiliated surplus lines insurers' premium volume to its own volume when calculating pool assessments, said Mr. Klotzbaugh.

In addition, the Vermont Legislature earlier this year considered—but did not pass—a bill that included provisions requiring surplus lines insurers doing business in the state to post a bond to guarantee solvency and giving the state insurance commissioner authority to establish a surplus lines guaranty fund.

And, proposals are pending to require surplus lines insurers to meet extensive data reporting requirements (see story, page 72).

The AIA is "very concerned" about the trend to broaden insurance company regulations to include surplus lines insurers because "it is not healthy to blur distinctions" because "it increases costs and diminishes flexibility," Mr. Klotzbaugh explained.

In addition, maintaining surplus lines insurers' freedom to establish rates and forms is considered key to the operation of the market for unusual or hard-to-place risks, said Richard Bouhan, government relations director for the National Assn. of Professional Surplus Lines Offices Ltd. in Kansas City, Mo.

The trend toward such legislation began during the waning days of hard insurance market of the mid-1980s, when buyers were forced to seek coverage in the non-admitted market, Mr. Bouhan said.

Other recent legislative activity affecting the surplus lines market includes:

- Texas passed legislation in 1987 that beefed up minimum capital and surplus requirements for surplus lines insurers. Under the law, a non-admitted insurer operating in Texas now is required to have capital and surplus of $2.5 million and must have $3.5 million in 1989; $4.5 million in 1991; and $6 million in 1992. However, the state insurance commissioner has the authority to exempt an insurer from the requirement (*BI*, Jan. 26, 1987).

And, foreign-based individual surplus lines insurers—those based outside Texas—for the first time are required to deposit a minimum of $1.5 million in an irrevocable trust fund in a Federal Reserve System bank. An unincorporated group of alien insurers—those based outside the United States—must maintain at least $50 million in such a trust fund to pay policyholder claims in the event of insolvency.

In addition, the state approved legislation last year that establishes the Surplus Lines Stamping Office of Texas to handle administrative paperwork connected with surplus lines policies.

Under supervision of the state insurance commissioner, agents are required to submit all surplus lines insurance contracts to the stamping office. Office personnel review the contracts, evaluate the eligibility of the contracts and report such information to the commissioner.

The stamping office is funded by a special fee levied on surplus lines premiums.

- Missouri last year adopted legislation similar to the National Assn. of Insurance Commissioners Model Surplus Lines Law, which establishes guidelines that surplus lines brokers must follow when placing business with non-admitted insurers. The law also requires surplus lines brokers to post a $10,000 bond.

The Legislature earlier this year failed to approve proposed amendments to clarify provisions of the measure, including how premium taxes should be allocated among states when a policyholder operates in

Continued on next page

1988
Lloyd's of London celebrates its 300th Birthday!
Join the celebration ... advertise in the August 29th issue...
Plus bonus distribution at the Monte-Carlo Rendez-Vous de Septembre.
Ad Closing: August 16
Business Insurance
NEW YORK · 212/210-0228 CHICAGO · 312/649-5276 LOS ANGELES · 213/651-3710

Surplus lines regulation

Continued from previous page
more than one state.

- The New York Legislature currently is considering bills to establish a surplus lines association—referred to as "excess lines" in New York—that would receive, record and stamp all surplus lines insurance documents. The association, which would operate under the direction of the state insurance superintendent, also would be responsible for filing periodic reports with the department.
- Oklahoma considered—but did not approve—a bill that would have allowed a surplus lines policyholder to recover premium balances from a wholesaler if the retail broker failed to return the premium.
- New Jersey legislators discussed two proposals that were never formally introduced as bills.

One proposal was to merge the state's two guaranty funds: one fund for admitted property/casualty insurers and the nation's only guaranty fund for surplus lines insurers.

The other proposal was to prohibit an insurer admitted in New Jersey from operating an affiliated surplus lines insurer in the state. The proposal was aimed at preventing an admitted insurer from filtering business to its surplus lines affiliates, thereby avoiding rate and filing requirements.

Surplus lines insurers and wholesalers also are concerned by the regulatory and legal controversy stemming from the federal Risk Retention Act of 1986, although the law has not had a significant impact on the traditional surplus lines market, Mr. Bouhan said.

Currently, few surplus lines brokers are involved with risk retention or purchasing groups, he said, though some surplus lines insurers are underwriting coverage for purchasing groups.

Surplus lines brokers are concerned that some insurers, which fail to be approved as a non-admitted insurer in a state, may try to market coverage in the state through a purchasing group to evade regulation.

However, federal court rulings in Iowa and New York have thus far upheld the authority of state regulators to impose restrictions on purchasing groups, like those included in the National Assn. of Insurance Commissioners Model Risk Retention Act (*BI*, June 29, 1987).

Earlier this year, a federal court in Iowa upheld a state regulation that requires insurers domiciled in another state that write coverage for Iowa members of a purchasing group to be admitted or authorized in Iowa (*BI*, May 9).

And, federal courts in New York have upheld a regulation that requires insurers to obtain policy form and rate approval for coverage written for the purchasing groups.

In addition, the New York Insurance Department earlier this year began requiring purchasing groups to attempt to place coverage with authorized insurers before the groups can tap non-admitted markets (*BI*, Feb. 29). ■

Regulators seek more surplus lines data

By MEG FLETCHER

The last hard commercial property/casualty insurance market created a thirst among state legislators for information that can only be quenched by increased data reporting from surplus lines insurers as well as admitted insurers.

"Policymakers, regulators and the public have been confronted with a need for relevant and verifiable information on the property/casualty insurance industry," according to model legislation proposed by the Conference of Insurance Legislators.

"There is a high degree of interest on the part of state legislators," said Robert Pastel, counsel to New York State Assemblyman Howard Lasher, D-Brooklyn, who has been active in developing the COIL model legislation.

That interest stems from legislators' frustration in trying to cope with problems created by the last market crunch and in preparing for future hard markets without sound data on which to base decisions, he said.

Information about surplus lines insurers is of special interest because the non-admitted market writes "a fair amount" of the special liability lines like day-care and liquor liability that were unaffordable or unavailable during the last hard market, he said.

At least one state—Ohio—has already passed legislation that requires insurers writing at least $5 million in annual premium to meet special annual reporting requirements beginning with 1990 business reported in 1991, according to a spokeswoman for the state's Insurance Department. However, the law does not expressly name surplus lines insurers and may be tested in the courts before it becomes effective.

Many more states are likely to act after three groups of state legislators and regulators finalize model legislation currently under discussion:

- The Conference of Insurance Legislators drafted a Model Information Reporting Law that requires a state insurance commissioner to file an annual report with a state legislature that contains information about both admitted and surplus lines insurers regarding insurer solvency and market availability for specific lines of insurance.

Non-admitted insurers and risk retention groups "must report to the domiciliary commissioner the information required pursuant to this statute, segregated by state, for every state in which the company operates," states a measure in the COIL model that was proposed by the National Assn. of Insurance Commissioners.

In addition, the model calls for property/casualty insurers with questionable financial results—as determined by the NAIC—to file an annual certification of loss reserves by an independent expert.

The model also requires licensed property/casualty insurers to provide policyholders with loss and claim information on request.

- A panel of the National Assn. of Insurance Commissioners adopted the COIL model as an exposure draft in June and will review it for formal adoption by the organization in the near future.

The NAIC has adopted a policy requiring every type of insurer to file a report containing greater detail than currently required by admitted insurers' annual statements and is now in the process of developing model regulations that spell out the details, said David A. Gates, the Nevada insurance commissioner and an NAIC vp.

Meanwhile, the NAIC adopted its own data reporting measures for admitted companies in June (*BI*, June 27).

- The National Conference of State Legislators also adopted a bill similar to the one proposed by COIL.

The three organizations are working to smooth out differences in their respective model laws before Congress convenes in January, said Charles Davis, COIL's executive director.

The timetable is designed to demonstrate to members of Congress—who are considering federal regulation of the insurance industry—that state legislators are acting on the issue (*BI*, June 27).

"We want to impress upon them that federal data collection proposals are not necessary," Mr. Davis said.

Surplus lines brokers are concerned about how much information should be reported and how the information will be used, said Richard Bouhan, director of government relations for the National Assn. of Professional Surplus Lines Offices Ltd. in Kansas City.

The concern is that increased reporting of information will lead to increased regulation and that restrictions on rate and form freedom could lead to the demise of the traditional surplus lines market, he said.

"We've got to work with the regulatory ranks on this," but it is not going to be "an easy job," Mr. Bouhan said. ■

Wisconsin offers flexible spending plan

State employees in Wisconsin will be able to use pretax dollars to pay for out-of-pocket health care or dependent care expenditures under a flexible spending plan slated for introduction in January 1990.

The concept of the flexible spending plan was approved by state lawmakers in May, and the state Department of Employment Relations plans to begin soliciting bids from plan administrators this January.

Under the plan, employees would make pretax deposits into individual reimbursement accounts to pay for supplemental health insurance, dental care, catastrophic health care, hearing devices, weight control programs, day care, elderly care and other authorized programs.

However, state employees' core benefits, which include the choice of enrolling in either the state's self-insured indemnity plan or in 25 health maintenance organizations throughout the state, would not change after the flexible spending plan is installed.

The flexible spending program is expected to be most attractive to employees who pay for day care for their children or elderly care for adult dependents, said David Stella, director of retirement and survivor benefits for the state Department of Employee Trust Funds in Madison.

Employees who use the flexible spending account will reduce their taxable income by the amount they deposit, he explained.

"The attraction obviously is the tax advantage," Mr. Stella pointed out.

While employee contributions are expected to average $1,000 annually, the amount each employee deposits will vary depending on the desired benefits, he said. While the state will not match any employee contributions to the flexible spending accounts, it will fund administration of the plan.

As designed now, the program would be available only non-union employees, but may be expanded to include union employees when labor contracts are renegotiated next year, Mr. Stella said.

The state of Wisconsin currently has about 20,000 non-union employees and another 30,000 employees belong to unions.

Benefit beat

Michigan Blues

About 500 of 600 eligible Blue Cross & Blue Shield of Michigan employees have opted for an early retirement plan intended to thin the plan's ranks this year.

The early retirement offer, which expired at the end of June, is part of the Detroit-based Blues' overall program to reduce administrative costs by $100 million over the next two years and to restore the plan to profitability, a BC/BS of Michigan spokesman explained.

The Detroit-based BC/BS of Michigan plans to reduce employee ranks by 1,600, or about 20%, and to cut administrative costs, which had been "creeping up" to nearly 7% of revenues recently, to 5%, the spokesman said.

The Blues reported net losses of $303 million in 1987 on gross revenues of $4.3 billion and $19 million in 1986 on revenues of $4.1 billion.

Other cost-cutting measures BC/BS of Michigan has implemented include a 1987 hiring freeze that spans all levels of employment; a reduction in overtime and temporary work; and a system for monitoring employees' telephone use.

Under the early retirement plan, which was offered to employees with at least 10 years of service who are age 50 or older, employees will receive partial pay until they are eligible for their full pensions at age 65.

For example, employees with slightly more than 10 years of service will collect 20% to 25% of their annual salary, while those with 30 or more years of service will receive 60% to 70% of their annual pay.

Under the company's defined benefit pension plan, retirees receive benefits averaging about 60% of the average salary over the last three years of employment.

BC/BS of Michigan has hired Cresap, a division of Towers, Perrin, Forster & Crosby Inc., in Chicago, to help it evaluate its internal structure and decide what positions will be filled following the retirements.

Benefit awareness

Despite the best efforts of employee benefit managers, many employees do not read information about their benefits, a recent survey reports.

About 42% of benefit managers representing 156 large and mid-sized companies have found that employees do not pay attention to materials presented to them, according to Buck Consultants Inc., a New York-based consulting firm.

The results indicate that benefit managers should educate employees by emphasizing video and audio presentations, said Mary Poker-Page, manager of communications services for Buck Consultants' Midwest region.

"It calls for more creativity whenever possible to break away from the printed word," she said.

The study also found that 43% of benefit managers believe their communications efforts have failed or are uncertain about their success.

Too often employers spend a lot of money on benefits but then scrimp on programs to tell employees about them, she said.

Continued on next page

DRI

DRI, LTD.

71 Murray Street
New York, NY 10007

STOCK THROUGHPUT POLICY
Custom Designed for Manufacturers, Wholesalers, Distributors, Large Retail Accounts

MOTOR TRUCK CARGO
With Limits Up To $1 Million*
*Higher limits upon request
ALL Risk ALL States
ALL Filings ALL Commodities

PHYSICAL DAMAGE COMPETITIVE RATES
including dump, cement, refuse haulers

SURETY
contract, license & miscellaneous
MGA

Call, Write, or Telex for Applications and Information
212-227-6160 • Telex 126364 • FAX 212-608-1704

Continued from previous page

In other instances, employee benefit managers have little contact with the company's internal communications operation, which could offer help in telling employees about their benefits, she said.

"Responding organizations that regularly communicate with employees via newsletters, etc., are nearly twice as likely as other organizations to regularly provide employees information about their benefits," Ms. Poker-Page pointed out.

More than half of the responding companies, about 57%, reported their benefit communications programs were successful and most employees understood their benefit plans, the survey said.

Other survey results showed:

- 66% of respondents have ongoing benefit communications plans.
- Overall, respondents spent a median of $20,000 on benefit communications last year. The average was $77,528.
- Companies that do not regularly communicate about employee benefits are three times more likely than other organizations to lack a formal benefit communications plan.

Copies of the survey results, "Getting the Message Out: A Survey on Employee Benefit Communication," are available for $50 each from Carolee P. Martin, Manager of Marketing, Buck Consultants Inc., 500 Plaza Drive, Secaucus, N.J. 07096.

Retirement benefits

Retirement, thrift and profit-sharing plans changed little at the country's largest companies last year, according to a recent employer survey.

The country's top corporations made few major changes in these benefits in 1987, instead focusing on complying with the Tax Reform Act of 1986 and on meeting new accounting requirements, said Willard A. Hartman, chairman of The Wyatt Co.'s actuarial practice, which conducted the survey.

"The Top 50 Survey" results were based on responses from 50 of the largest U.S. industrial companies, as listed by Fortune magazine, about the 1987 retirement and capital accumulation plans at the companies.

The Wyatt survey found:

- Forty-nine companies offered 401(k) features in their benefit plans, 32 companies had 401(k) provisions in thrift/savings plans, 10 had separate 401(k) plans, and seven had the provision in their profit-sharing plans.
- Twelve companies were offering at least one early retirement option at the time of the survey.
- Thirty companies offered Supplemental Executive Retirement Plans (SERPs) to top managers. The SERPs can include unfunded remunerations based on past bonuses, early retirement provisions and higher-valued benefits.

Overall, the companies found that lower inflation rates have resulted in fewer benefit increases for retired employees. The surveyed companies reported they made a total of 21 increases in post-retirement benefits from 1985 to 1987, compared to a total of 59 increases between 1979 and 1981.

Copies of the study can be obtained from any Wyatt office or from Wyatt's Research and Information Center, 1850 M St. N.W., Washington, D.C. 20036.

●

Benefit beat keeps insurance and employee benefit managers informed on what other companies are doing and of current developments in the employee benefit field. We'd like to know if you've made any changes. Write Glenn Huntley, Business Insurance, 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 213-651-3710.

Sailors cast off to benefit Spencer fund

NEW YORK—Sailing enthusiasts are invited to participate in a yacht race this fall to help raise funds for the Robert S. Spencer Memorial Foundation Inc.

The race—which is expected to chart a 10-to-12-mile course over a period of three hours, depending on the wind—will begin off the Norwalk, Conn., coast into Long Island Sound at 1:15 p.m. on Saturday, Sept. 24.

The purpose of the race is to "publicize further the importance of the Spencer Foundation," which provides scholarships to deserving students of risk management, insurance and employee benefits, explained Felix Kloman, a principal at the Tillinghast Division of Towers, Perrin, Forster & Crosby Inc. in Darien, Conn., who is spearheading the event.

The Spencer Foundation was established in 1979 by the Atlanta Chapter of the Risk & Insurance Management Society Inc. to honor Robert S. Spencer, an exemplary risk manager and former RIMS president.

Each yacht participating in the race must contribute $250 to the Spencer Foundation as an entry fee, plus $20 per crew member attending an evening cook-out.

These contributions will be added to the growing Spencer Foundation scholarship fund, which amounted to more than $415,000 as of June 30, according to Anita Benedetti, foundation president.

Based on a Dec. 31, 1987, balance of $286,459, the foundation raised $128,541 in the first six months of this year—almost double the amount raised in all of 1987.

Last year, the Spencer Foundation added $69,216 to its coffers, which stood at $217,243 on Dec. 31, 1986, Ms. Benedetti said.

Tillinghast's Mr. Kloman hopes the yacht race will become an annual event and is encouraging RIMS chapters near waterways to host similar events.

"If it's a success this year, we have every intention of running the race on a regular basis," he said.

The Long Island yacht race, which will be run under the auspices of the Norwalk Yacht Club Race Committee, will be open to cruising yachts of 22 feet or longer.

Each yacht will race under the performance handicap rating formula of the Yacht Racing Assn. of Long Island Sound.

Prizes and the Spencer Trophy will be awarded at a steak cook-out following the race at the Norwalk Yacht Club in Wilson Cove, South Norwalk, Conn.

For further information about the race, contact Mr. Kloman at Tillinghast, 722 Post Road, Darien, Conn. 06820; 203-655-9791. After Aug. 15, Mr. Kloman can be reached at Tillinghast, Suite 600, 695 E. Main St., Stamford, Conn. 06901-2138; 203-326-5400.

To make donations to the Spencer Foundation, contact Ms. Benedetti at RIMS, 205 E. 42nd St., Suite 1504, New York, N.Y. 10017; 212-286-9292.

Editorial Index Service 1988

The Business Insurance Editorial Index Service for 1988 is available. This valuable service directs you to all news reports and feature articles published by Business Insurance newsmagazine.

The annual service includes three quarterly reports and a cumulative annual volume. In addition, article citations between publication of quarterly reports are availble from BI's Information Centers in New York and Chicago — at no additional charge ... it's part of the service. Complete alphabetical and chronological listings by company, person, subject and geographic location enables you to access data quickly and accurately.

If it's in Business Insurance, it's in the Editorial Index. Uncover the issues. Track the trends. Follow the changes and developments in risk management, employee benefits and the commercial insurance industry — with topics such as self-insurance, cost control, captives, plan design & administration, systems and analysis, surplus lines, insurance exchanges, reinsurance, market conditions, financial developments, claims settlements, government regulations and legislations, and more.

The fee for the 1988 Editorial Index Service from Business Insurance is $100. Take advantage of this cost effective resource tool and fill out the coupon today.

Business Insurance

Please send me the following Editorial Index(es):
Full Index Service at $100* ☐ 1988
Softcover edition at $100* each ☐ 1986 ☐ 1987
Hardcover edition at $150* each ☐ 1981 ☐ 1982 ☐ 1983 ☐ 1984 ☐ 1985

TOTAL ENCLOSED $_____

Payment must accompany order —

☐ Visa ☐ Mastercard ☐ Optima ☐ American Express

☐ Check Enclosed
(make check payable to Business Insurance)
* foreign postage additional

Mail to: Editorial Index Service
Business Insurance
220 East 42nd St.
New York, NY 10017
or call:
212/210-0137, to order by phone or for further information.

name _____
title _____
company _____
address _____
city _____ state _____ zip _____
phone# _____
account# _____ exp. date _____
signature _____

Business Insurance

The professional marketplace

RATES AND CLOSING TIME:

Rates: Display classified is $92.75 per column inch, minimum of one inch. Straight classified is $7.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $15.00 charge for all blind box ads. Only those reponses which fit into a business size envelope will be fowarded. Responses are fowarded daily.

Closing: Published every Monday. Copy must in typewritten form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required for straight advertisements. Mail ads to Margaret Hikido, Classified Advertising, 740 N. Rush St. Chicago, IL 60611. For more information call 312-649-5340.

DIRECTOR OF RISK MANAGEMENT

Ferrellgas is a leader in the propane gas industry with operations in 40 states.

Responsibilities include:

- Develop & maintain loss prevention efforts & Risk financing programs.
- Direct & manage the Risk Management function.
- Supervision & coordination of safety, finance, insurance, and claims management.

Qualified candidates will have 5 plus years of supervisory Risk Management and insurance experience. Requires knowledge of the laws, rules, and regulations pertaining to insurance, workers' compensation, business law; and 3rd party liability. Understanding of accounting and application of actuarial concepts required. Excellent communication skills.

Interested candidates should send resume & salary requirements to:

FERRELLGAS, EmployeeServices
Two LibertyPlaza, Liberty, MO 64068
EOE

HEADQUARTERS FOR INSURANCE & EMPLOYEE BENEFITS PERSONNEL

SERVING ALL AREAS INCL. ACTUARIAL, UNDERWRITING & CLAIMS, RISK, COMPENSATION & BENEFITS MGMT.
CALL
BILL KELLY
(LIFE & HEALTH AND EMPLOYEE BENEFITS)
ANDY DAVIS
(PROPERTY/CASUALTY AND RISK MGMT.)

don HOWARD PERSONNEL
135 WILLIAM STREET
NEW YORK, N.Y. 10038
(212) 227-9000

CLARENDON INSURANCE GROUP

Our E & S Division is seeking qualified individuals for the following Positions:

FINANCIAL OFFICER — CPA with 5 years insurance company experience. Ideal candidate will come from small to medium home office supervising DP/MIS operations.

CASUALTY UNDERWRITER — 5 years experience. Knowledge of general liability coverages with exposure to rating primary auto, commercial & personal lines.

Clarendon Insurance Group offers a competitive salary with full benefit package in a prestigious Main Line Philadelphia suburb.

Interested candidates should send resume to:

CIG, E&S Division
St. Davids Center
P.O. Box S-415
St. Davids, PA 19087
Attn: Human Resources

ACCOUNT EXECUTIVE

North Suburban Chicago Agency searching for aggressive/successful Account Executive. We have the markets and back office support necessary for your success if you've got the winning get-up and go! Send resume to P.O. Box #106, Evanston, IL 60204

VICE PRESIDENT SALES AND MARKETING

San Francisco Bay Area, start-up financial services company providing specialized annuity products, seeks a mature, senior executive to spearhead their sales and marketing effort. Minimum 20 years of sales experience, 5 as a manager. Life insurance sales background is preferred. Recruitment experience a must. Bachelor's Degree required, MBA preferred. Please send resume and salary history to:

Box 2450
Business Insurance
740 Rush St.
Chicago, IL 60611-2590
EOE

CONSOLIDATED FREIGHTWAYS, INC.

The CF Company

Consolidated Freightways, Inc., one of the nation's leading transportation companies, and a Fortune 500 company, has immediate career opportunities in our Workers' Compensation Dept. located in Portland, Oregon.

WORKERS' COMPENSATION CLAIMS EXAMINER

The ideal candidate should meet the following qualifications:

- Minimum 5 years claims handling experience
- Proven communication skills
- Sound decision making and analytical skills
- Multi-jurisdictional experience desired
- College degree preferred

This position is an excellent opportunity for a well qualified individual. Salary commensurate with experience, plus profit bonus and an unequaled fringe benefit program in the transportation industry. To apply send resume to:

Ms. Eunice Christopherson, Claims Mgr.
P.O. Box 4670
Portland, OR 97208
Confidential.

An equal opportunity employer.

SALES EXECUTIVE

Gates, McDonald is a prominent national provider of services aimed at controlling costs associated with workers' compensation, unemployment compensation and related areas. We are seeking an exceptional individual based in the central states, to manage and develop new business opportunities in our central U.S. region.

The high performance candidate we seek will have a minimum of 6 years successful sales experience demonstrating the ability to close large sales at the executive level. A background in commercial insurance, self-insurance or unemployment compensation is required. An advanced degree and knowledge of workers'/unemployment compensation benefits are definite pluses.

If you are aggressive and possess the interpersonal skills that will enable you to communicate effectively with top level executives, consider the high earnings potential of a Gates, McDonald career. We offer a base salary plus commission, car allowance, expense reinbursement and other attractive fringe benefits. For confidential consideration, please send your resume to: Human Resources Department BV, P.O. Box 1944, Columbus, OH 43216.

GATES, McDONALD
A Subsidiary of Nationwide Insurance
An Equal Opportunity Employer M/F/H/V

Director of Underwriting

A major corporation on the leading edge of health care is seeking a professional with a knowledge of group health, HMO and PPO insurances. Candidates must have a mirimum of 5-10 years underwriting experience to include managing an underwriting department or related department. Experience in underwriting group health cases a must. Strong technical, interpersonal and management skills required.

Based in a pleasant metropolitan area, we offer a high standard of living, an excellent salary, bonus plan, anc outstanding opportunities for advancement. For consideration, please submit a resume with salary history to:

Box 2451
Business Insurance
740 Rush St.
Chicago, IL 60611-2590

Assistant Director of Claims

A large public sector self-insurer is seeking an Assistant Director of Claims for its Workers' Compensation group. The individual will be responsible for managing office activities related to the evaluation, adjustment and administration of Workers' Compensation claims.

The successful candidate will have a thorough and demonstrable knowledge of insurance, labor law, Workers' Compensation law and regulations gained through five or more years of Workers' Compensation specialization, as well as an administrative and supervisory background. Excellent oral and written communication skills are required. We offer a competitive salary and excellent benefits. Please send your resume, with salary history, in confidence to: Box 718A, 12 W. 37th Street, 10th Fl., New York, NY 10018. Equal Opportunity Employer.

CASUALTY ACTUARY

ACCEL

ACCEL International, a leading specialty insurance company, is seeking a well-rounded Casualty Actuary. In reporting directly to the President, this senior management position will be responsible for managing existing product groups, as well as developing new product groups.

A FCAS or ACAS with some underwriting experience is desired. In addition to this unique opportunity, ACCEL offers an excellent total compensation package, including profit sharing and stock options. Please send your resume, or call, with absolute confidence to: **Dirk Raderstorf, V.P. Personnel.**

ACCEL INTERNATIONAL
475 Metro Place North
Dublin, OH 43017
1-800-848-5866

An Equal Opportunity Employer

HELP WANTED

SENIOR FIRE PROTECTION ENGINEER This position, located in the Corporate Insurance Department, establishes fire protection guidelines for all Company facilities, specifies criteria for construction projects and interfaces with insurance companies. Applicant must have a BS degree in Engineering, 5-7 years experience in HPR engineering including plan review. An understanding of the Forest Products industry is desirable. Opportunity for growth in team-oriented environment. Send resume and salary history to: **Weyerhaeuser Company, Marla Rea, CH 2H34-B, Tacoma, WA 98477**

RISK MANAGER
City of Kansas City, Kansas population 160,000. Salary range $32,156.80-$43,222.40. This is an administrative and supervisory position directing all aspects of the City's Risk Management program. Bachelors degree in Risk Management, Business, Public Administration or a related field and/or 3 years experience as a Risk Manager. Apply by September 1, 1988 to: **MUNICIPAL OFFICE BUILDING, PERSONNEL DEPARTMENT, ROOM 646, 701 NORTH 7TH STREET, KANSAS CITY, KANSAS 66101.** EOE M/F/H

CONSTRUCTION SPECIALIST
TOP 20 P&C BROKER with multi-state locations, is seeking to "beef up" their sales staff and wanting to do so with the addition of account executives possessing a solid background in the production of construction oriented accounts. **DIRECT WRITING COMPANY** background will be strongly considered. Starting compensation in extremely negotiable DOE but will consist of base/bonus/expenses arrangement. Contact: **GILBERT-HAFNER & CO. 6060 N. Central. #470, Dallas, TX 75206. (214) 361-9341.**

E&O UNDERWRITER
If you are a motivated individual with eight or more years diversified E&O underwriting experience, you are a prime candidate for Golden Eagle Insurance Company. We are looking for a self-starter who can supervise others, market E&O products and devise E&O programs. Golden Eagle Insurance Company offers a competitive salary with excellent and complete benefits. Located in beautiful sunny San Diego, you can enjoy the pleasure of working for a rapidly growing company while living in America's finest city. If qualified, send your resume to: **GOLDEN EAGLE INSURANCE COMPANY, 7171 NAVAJO ROAD, SAN DIEGO, CA 92119-1642, ATTN: HUMAN RESOURCES.**

UNDERWRITER
Equicor Health Plan of Florida, Inc. has an immediate opening for an Underwriter in it's St. Petersburg, Florida office. Candidates must have working experience in calculating large group health rates (100+) and thorough understanding of the concepts of risks, profitability and statistical analysis. A 4 year degree in Business, or similar mathematical or statistical orientation as well as 4 years indemnity or 2 years HMO underwriting experience required. The successful candidate will be professional in appearance and demeanor, possess excellent communication skills and be able and willing to assume responsibilities for the entire rating process. Competitive salary and benefits package. Send resume and salary history to: **Janice Ballensinger, Equicor Health Plan of Florida, 888 Executive Center Dr. West, Suite 200, St. Petersburg, FL 33702.**

NOTICES

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS COUNTY DEPARTMENT CHANCERY DIVISION
IN THE MATTER OF THE REHABILITATION OF AMERICAN MUTUAL REINSURANCE COMPANY NO. 88 CH 1595
NOTICE OF PROPOSED REVISED PLAN OF REHABILITATION

TO: ALL INSURANCE COMPANIES WHICH HAVE CEDED REINSURANCE LIABILITIES TO AMRECO; ALL INSURANCE COMPANIES WHICH ASSUMED REINSURANCE LIABILITIES FROM AMRECO AND ALL OTHER INTERESTED PARTIES: PLEASE TAKE NOTICE, that on February 22, 1988, American Mutual Reinsurance Company ("Amreco") was placed into Rehabilitation by Order of the Honorable Harold Siegan, Judge of the Circuit Court of Cook County, Illinois. John E. Washburn, Director of Insurance of the State of Illinois is the statutory and Court affirmed Rehabilitator of the Company. TAKE FURTHER NOTICE, that the date for the hearing on the Revised Plan of Rehabilitation has been reset to August 22, 1988, commencing at the hour of 3:00 p.m. in the Courtroom occupied by the Honorable Harold Siegan in the Richard J. Daley Center, Chicago, Illinois. TAKE FURTHER NOTICE, that the date for submitting objections to the Revised Plan has been extended to August 12, 1988. Written objections should be addressed to the following: **Garry L. Smith, Counsel for the Rehabilitator, 446 E. Ontario Street, Suite 700, Chicago, Illinois 60611, Telephone: (312) 915-4700, Telefax: (312) 915-4727.** A copy of the Revised Plan of Rehabilitation may be secured by contacting the counsel for the Rehabilitator. JOHN E. WASHBURN, Director of Insurance of the State of Illinois as Rehabilitator of American Mutual Reinsurance Company. By Frank J. Csar, Special Deputy Rehabilitator.

BUSINESS OPPORTUNITIES

REQUEST FOR PROPOSAL
CITY OF NEW YORK
GROUP LIFE INSURANCE BENEFITS

The Management Benefits Fund of the City of New York provides supplemental benefits for 19,000 active and retired managers, officials and confidential employees. The Fund is soliciting proposals from qualified vendors interested in competing for its ongoing group insurance program of Optional Supplemental Life and Accidental Death and Dismemberment Insurance. A letter of intent should be submitted within two weeks (2) of this notice. Details can be obtained from: **Mr. James A. Paul, Director, Management Benefits Fund, 100 Church Street, Room 1620 New York, NY 10007, (212) 566-6701** Interested bidders must submit an original plus four (4) copies of bid proposals by August 31, 1988.

Business Insurance
Circulation Breakdown*
Commercial Consumers

Administrative:	
CEO's Presidents and Owners	2,779
Vice-Presidents, General Managers and Other Administrative Personnel	3,155
Financial:	
Chief Financial Officers and Vice-presidents of Finance	2,732
Secretaries, Treasurers, controllers and other Financial Personnel	5,585
Risk/Employee Benefits:	
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	10,021
Sub-total	**24,272**
Associations	481
Government, Unions and Educational Institutions	972
Commercial Consumers	
Sub-total	**25,725**
Insurance Agents and Brokers	10,697
Insurance Companies	7,344
Actuaries, Attorneys, Adjusters, Appraisers and Consultants	4,311
Others Allied to the Field	1,982
TOTAL	**50,059**

* Source Business/Occupational breakdown of qualified circulation, Nov. 30, 1987 issue, as submitted to BPA for Dec. 1987 BPA Publisher's Statement.

Earthquake insurer forming in California

Twenty-four risk managers are working with the organizers of Earthquake Mutual Insurance Co. in Costa Mesa, Calif., to explore formation of a mutual commercial earthquake insurer.

EMIC is forming to underwrite residential earthquake risks under a long-term policy.

Initially, EMIC had planned to also underwrite commercial earthquake risks, but now is exploring the development of a separate mutual to underwrite commercial risks.

EMIC has established a Risk Managers Advisory Committee to evaluate the earthquake coverage needs of businesses and "to advise us as to whether a large earthquake funding policy can be developed by EMIC that would be of interest to risk managers," said Richard V. Rupp, chairman and chief executive officer of EMIC.

The advisory committee includes risk managers from large corporations such as Seattle-based Boeing Co. and Cincinnati-based Federated Department Stores Inc.

The Risk & Insurance Management Society Inc. in New York has alerted its members that EMIC is looking for risk managers to join its advisory committee.

"We actually started out wanting to concentrate on commercial earthquake risks, but we found out that the insurance industry was more interested in working on residential earthquake coverage. And, I know that in this soft market, large commercial risks aren't having a problem getting earthquake coverage," Mr. Rupp said.

"Risk managers are working with EMIC now because they know the market is going to turn. When the market does harden, earthquake will be one of the first coverages to be affected," Mr. Rupp said.

EMIC, which plans to be operational around the end of the year, will assume the compliance notification and earthquake insurance underwriting obligations of homeowner insurers in the state, which are required by the California Insurance Code to offer earthquake coverage with every residential policy they write in the state.

EMIC will provide this service to insurers that help capitalize it.

EMIC's homeowner's policy will be a 10-to 20-year noncancelable policy with annually adjusted premiums, like a "life insurance" policy on a home that can be transferred to new owners of the home.

Most homeowners or businesses do not buy the coverage for long periods of time because of its high cost and deductibles and the infrequent occurrence of major quakes. "Historically, the public buys earthquake insurance for six to eight months after a quake occurs," said Mr. Rupp, who also is president of the risk management consulting firm Rupp & Johnson Inc. in Costa Mesa.

EMIC filed a request for a Certificate of Authority with the Insurance Department in May, which is pending.

Markets

Insurers capitalizing EMIC would issue subordinated notes for a minimum of $25,000 and a maximum of $4 million per insurer. The amount of an insurer's note would be a pro rata share of its homeowners premium in California at year-end 1987.

EMIC would begin to pay back these loans about 18 to 24 months after it begins operation.

EMIC is striving for initial policyholder surplus of $20 million so that it will be approved as a non-assessable mutual, he said.

Insurers that don't capitalize EMIC could later buy its notification and underwriting of residential earthquake coverage service for a minimum fee of $15 for each residential property insurance policy the particular insurer writes, subject to a minimum annual fee of $50,000.

In addition, insurers whose earthquake underwriting obligation is assumed by EMIC will be allowed to reinsure EMIC on a pro rata basis up to 20% on any policies issued to their homeowner policyholders. This reinsurance option was added to encourage participation by insurers.

EMIC has so far received commitments for about $65 million in domestic and Lloyd's of London earthquake catastrophe reinsurance with limits of $50 million excess of $50 million, he said. The San Francisco office of E.W. Blanch Co. is placing EMIC's reinsurance coverage.

So far, 20 homeowners insurers out of 62 contacted have expressed interest in EMIC.

Florida workers compensation fund

A new statewide workers compensation insurance fund sponsored by the Florida Chamber of Commerce expects to offer eligible companies state-mandated limits of coverage beginning Aug. 1.

Most companies headquartered in the state may participate if they are—or are willing to become—chamber members. Excluded are employers in high-risk categories, such as explosives and chemical manufacturers.

Coverage requests from about 40 employers are being processed, said William D. Griffin, president of Risk & Insurance Services Corp., which administers the fund.

The fund is not required to meet state minimum capitalization requirements because it is considered a self-insurance fund by the state Department of Insurance.

However, it must show proof of $100,000 on deposit to fund its self-insured claims and $200,000 on deposit to fund its excess aggregate coverage premium.

The fund expects to write up to $2.5 million in premiums in the next 30-60 days, and up to $7 million in premiums in the fund's first year.

The fund projects a 63.75% loss ratio and will offer comprehensive services, including loss control and rehabilitation management, Mr. Griffin said.

"The cost of insurance is one of the biggest problems facing today's business person," said Frank M. Ryll, executive vp of the Florida Chamber. "With the formation of the Florida Chamber Fund, our members now have access to a program that will hold down their out-of-pocket expenses while improving safety and productivity in the workplace."

The fund is buying $10 million in excess workers compensation insurance from National Union Fire Insurance Co. of Pittsburgh, Pa.

Work comp insurer formed

NorGUARD Insurance Co. has been licensed to write workers compensation insurance in Pennsylvania at manual rates.

NorGUARD is the sister company of AmGUARD Insurance Co., which writes workers compensation coverage in Pennsylvania at deviated rates.

Pennsylvania law requires that a workers compensation insurer apply any rate deviation granted by regulators to its entire book of business. Thus, NorGUARD was established to write business for which rates could not be deviated, says Susan W. Shoval, president and chief operating officer of NorGUARD and AmGUARD.

The new company has capital and surplus of $1.54 million.

For more information, contact George Nackley, Marketing Manager, Guard Center Complex, 16 S. River St., P.O. Box A-H, Wilkes-Barre, Pa. 18703; 717-825-9900.

Mergers/acquisitions

McDonough Caperton Insurance Group of Charleston, W.Va., the 18th-largest U.S. broker, has acquired **Davis & Stephenson Insurance Agency** of Roanoke, Va., a property/casualty agency with revenues of $1.3 million.

Health Care Review Systems Inc., a Cleveland-based health care management company, has merged with **Parkside Health Management Corp.** and will integrate its operation with Parkside's Cleveland-area operation.

New York-based **Corroon & Black Corp.** has completed the acquisition of **The Flamer Cos.**, a Los Altos, Calif.-based brokerage.

Tri-State Insurance Co., a unit of Greenwich, Conn.-based W.R. Berkley Corp., has acquired **American West Insurance Co.** in Grand Forks, N.D.

Rolling Meadows, Ill.-based **Arthur J. Gallagher & Co.** has signed a letter of intent to acquire **The Boston Insurance Center**, an insurance broker in North Quincy, Mass. ■

New group writes claims-made EIL coverage

Risk retention roundup

NEW YORK—A new risk retention group is writing claims-made environmental impairment liability insurance with limits of $1 million per claim and $2 million annual aggregate.

Following approval July 22 by the Illinois Insurance Department, Environmental Protection Insurance Co.—Risk Retention Group wrote its first EIL policy for Trinity General Co., a Framingham, Mass., chemical distributor. EPIC is capitalized at $10 million.

If reinsurance is available, EPIC could raise limits by year-end to $3 million per claim with a $6 million annual aggregate, said Harry Shuford, vp of New York-based Alexander & Alexander Services Inc., which sponsored the risk retention group (*BI*, March 21). Eventually, EPIC plans to offer limits of $5 million per claim with a $10 million aggregate.

The minimum premium for petroleum distributors and companies with underground storage tanks is $7,500. The minimum premium for all other EIL coverages is $10,000. One-time capitalization contributions are approximately double the premium amount.

EPIC is writing both sudden and gradual third-party EIL coverage, with defense costs included within policy limits. The policy also covers government-ordered cleanups of offsite damages but does not cover on-site cleanups or product liability.

EPIC already has received premium payments and capital contributions from four other companies and expects to bind three companies today, according to William Saffran, a consultant with A&A. The fourth company may be bound as soon as it cancels its existing coverage and as early as later this week, he added.

EPIC will be managed by Berkley Risk Retention Group Managers Inc. The Dallas-based unit of W.R. Berkley is opening a new office in Chicago today to manage EPIC.

—By Deborah Shalowitz

The professional marketplace

Looking for a candidate to fill the Job?

Advertise in The Professional Marketplace and reach 50,059 Top Professionals!

☎

Call 312/649-5340 for details.

FOR SALE
INSURANCE AGENCY MANAGEMENT COMPUTER SYSTEM

Hardware: IBM Series 1 and 11 terminals (18 months old)
Software: ARC/AMS System.

Currently handling an agency with a premium volume of, approximately $10,000,000. Available January 1, 1989. Priced to sell! If you are looking for an inexpensive way to automate your agency this is the way!

Box 2449
Business Insurance
740 Rush St.
Chicago, IL 60611-2590

CAROLYN DAVIS ASSOCIATES, INC.

STAFFING CONSULTANTS TO THE INSURANCE INDUSTRY

701 Westchester Avenue
Suite 308W
White Plains, N.Y. 10604
914-682-7040

ASSISTANT INSURANCE DIRECTOR

For Worker's Comp; Major Medical Life, DBL; dental programs with Major NYS Trade Assn. Minimum 5 years Exp in W/C & Gp Health at claims or administrative level. College degree, insurance related field desirable. Resume to:

EXEC. VP.
CAPITOL STATION BOX 7347
Albany, New York 12224

Are you having Program Placement PROBLEMS?

- We are Insurance Specialists in Program Placement, Development and Control.
- We also have binding facilities to meet your every need.

Contact Box 2401, Business Insurance, 740 Rush St., Chicago, IL 60611-2590.

SOUTHERN NEW JERSEY AGENCY SEEKS

Property/Casualty agency with $1,000,000/$2,000,000 volume. Prefer candidate with heavy personal lines' volume. Must have good company representation and be located in our geographical area.

Please reply in confidence to:

John Kelly
Senior Vice President & CFO
P.O. Box 8284
Cherry Hill, NJ 08002-0284

For a *Concise* and *Logical* Approach to Risk Management Recruiting

LOGIC
Associates, Inc.

EXECUTIVE SEARCH CONSULTANTS

170 Broadway
New York, N.Y. 10038
(212) 227-8000

INSURE YOUR CAREER WITH INDUSTRY EXPERTS

As veterans of the insurance industry, we specialize in the placement of insurance industry professionals. Dunhill offers a 35 year tradition of executive recruitment excellence. Our commitment to confidentiality insures that your job search will be handled professionally and without risk or cost to you.

SALES MANAGERS for northeast and southwest offices of national broker. 3 to 5 year production track record required in medium to large commercial p/c business.

MARKETING MANAGER for prestigious northeast broker. Strong casualty background and E&S market knowledge necessary. Salary $60K to $100K plus bonus incentive.

Bill LaMorte, President
DUNHILL OF BOCA RATON
8177 W. Glades Rd., Suite 214
Boca Raton, FL 33434
1-800-422-6306

Dunhill
A CONFIDENTIAL SOURCE FOR NATIONAL PLACEMENTS

Insurance industry targeted

Continued from page 1

"a study in fraud and arrogance."

Mr. Shernoff said there are opportunities for attorneys to also bring fraud, bad-faith and false advertising lawsuits against insurers.

To illustrate his allegation of rampant fraud by insurers, Mr. Shernoff told of a $4.5 million fraud lawsuit he won against a life/health insurance company.

Mr. Shernoff explained that the case involved "new and improved" health insurance policies that the insurer had sent to 500,000 elderly policyholders. The new and improved policy amounted to a 40% reduction in benefits, Mr. Shernoff said.

To qualify for this coverage, policyholders had to be at least 65 years old, but the only improvements in the revised policy included increased pregnancy benefits and benefits for current military service injuries, he said.

However, the revised policy significantly reduced policyholders' medical and hospital benefits, Mr. Shernoff said.

"The only people who go to jail for insurance fraud are consumers," Mr. Shernoff said. "Insurance company executives never go to jail for insurance fraud."

Mr. Shernoff said the problem of false advertising by insurers has "gotten so bad that even the few insurance commissioners who are in bed with the insurers have taken commercials off the air."

He said insurers "can tell vicious lies and there is no remedy unless trial lawyers take action."

The sentiments expressed at the ATLA convention underscore the long standing rift between insurers and plaintiffs' lawyers, which has been exacerbated by the recent tort reform movement.

Trial lawyers believe the nationwide effort to reform the

Continued on next page

Chandler proposal

Continued from page 1

Currently, the maximum annual benefit that can be funded through a defined benefit plan is capped at $94,023, and the maximum annual contribution to a defined contribution plan is $30,000 (*BI,* Feb. 8).

For example, under Rep. Chandler's proposal, a defined contribution plan sponsor that already is contributing $30,000 on behalf of one participant would not be allowed to make contributions toward retiree health care or long-term care benefits.

Employers already are "bumping up" against the maximum benefit limits for higher-paid employees, Mr. Ugoretz noted, leaving little room to fund new benefits.

"Long-term care benefits are incredibly expensive," Mr. Ugoretz continued. By making these benefits subject to the tax code limits, "you're cutting into the pension benefit."

Also, Rep. Chandler's proposal would allow employers to transfer from a defined benefit pension plan assets exceeding 125% of plan liabilities—without terminating the plan—to fund retiree health care or long-term care costs.

This provision of the proposal resembles an amendment to pension legislation Rep. Chandler proposed last year, but was defeated by the House Ways and Means Committee (*BI,* July 27, 1987).

Under that amendment, which was based on an earlier Reagan administration proposal, pension assets exceeding 125% of plan liabilities could have been transferred on a tax-exempt basis to a special Voluntary Employee Beneficiary Assn. account for current retirees. Assets in the VEBA would have earned tax-free interest (*BI,* Feb. 23, 1987).

Under Rep. Chandler's new proposal, employers would be required to account for these funds separately, but they could be pooled with other funds for investment purposes. The funds would earn tax-free interest.

However, while employers could transfer surplus funds from a defined benefit plan, the proposal would impose a 100% excise tax on reversions of excess assets when overfunded defined benefit pension plans are terminated.

Currently, the excise tax generally is only 10%.

Mr. Ugoretz said that the provision prohibiting employers from receiving excess assets from a terminated overfunded defined benefit plan is "going to cause some problems."

An aide to Rep. Chandler acknowledged that details of this provision still must be worked out.

Rep. Chandler's move to effectively ban reversions marks the first time that a moderate Republican has sought such restrictions.

Until now, only liberal Democrats, such as Sen. Howard Metzenbaum, D-Ohio, and Rep. Edward Roybal, D-Calif., have been in the forefront of the congressional drive to put a halt to asset reversions.

For example, Sen. Metzenbaum drafted a proposal, later inserted in an appropriations bill, that would have set a moratorium on asset reversions from terminated overfunded pension plans. This moratorium would have run retroactively from June 21 to Oct. 1, 1989.

While this provision was stripped last month from the appropriations bill on the Senate floor, the Senate did adopt a resolution calling for a 60% excise tax on reversions.

Experts note that severe restrictions on reversions may be inevitable, and that Rep. Chandler wants to preserve at least some employer use of excess assets.

"It may only be a matter of time before Congress takes away the right to recover excess assets. If you are going to lose that right, why not claim something—transferring excess assets to fund retiree health—that is badly needed," said Dallas Salisbury, president of the Employee Benefit Research Institute in Washington.

"Rep. Chandler is looking at where policy is going, but is trying to shape the policy to aid benefit programs rather than fight it at every turn," Mr. Salisbury added.

In addition, to ensure sound funding of defined benefit pension plans, the draft proposal would rescind a provision of the Omnibus Budget Reconciliation Act of 1987 that limits employers' annual maximum tax-deductible contributions to their defined benefit pension plans to 150% of the plan's current liabilities.

Prior to the change, employers could make contributions to their pension plans until assets equaled 100% of the plan's "accrued liability." Accrued liability includes anticipated pension benefits based on projected salary increases as well as benefits that would be due if the plan were terminated immediately (*BI,* Jan. 25).

For example, under the OBRA provision, employers sponsoring final-average-pay pension plans find it difficult to set aside money today anticipating raises the younger workers will earn later.

The change proposed by Rep. Chandler in intended "to increase the incentive for employers to sponsor and properly fund defined benefit pension plans," according to a summary of the proposal prepared by Rep. Chandler's office.

Besides the retiree health care, long-term care, asset transfer and pension funding provisions, the new proposal would:

- Allow all employers, regardless of size, to establish a salary reduction feature for simplified employee pension plans. Under the Tax Reform Act of 1986, only employers with 25 or fewer employees may establish a salary reduction feature for SEPs.
- Require employers with five or more employees that currently do not have a pension plan to establish a salary reduction feature for SEPS upon employee request.
- Require lump-sum pension plan distributions when an employee leaves a company to be paid to another qualified pension plan or to an Individual Retirement Account, except in certain hardship cases.
- Require distributions from tax-favored retirement plans or IRAs to be paid in an annuity form, regardless of age.
- Require the secretary of the Treasury to study the rules on the transfer of assets between qualified pension plans and from a qualified pension plan to an IRA and recommend changes to make these transfers easier.

The draft legislation being circulated by Rep. Chandler is the legislator's latest effort to give employers an incentive to prefund retiree health care costs.

Under a bill, H.R. 2860, introduced by Rep. Chandler last year, employers would be allowed to establish for each employee a voluntary retiree health plan account, which would accumulate tax-free interest until funds are dispersed for health care when an employee retires at age 65 (*BI,* July 6, 1987).

The bill was referred to the House Ways and Means Committee last year, but the committee has not acted on it. ■

Long-term care problems gain attention in Congress

By DEBORAH SHALOWITZ

WASHINGTON—Momentum is building in Congress to force employers to fund—at least in part—a federal long-term care program for the elderly.

Legislators testifying at a House Ways and Means Health Subcommittee hearing last week disagreed on exactly how a federal long-term health care program should be financed or what benefits it should provide, but they agreed that long-term care is fast becoming a congressional priority.

In addition, Sen. Edward M. Kennedy, D-Mass., last week formally introduced an earlier proposal to create a massive federal long-term care insurance program. The program would be partially funded by an $8.9 billion annual increase in employers' Social Security payroll taxes.

While the legislators at the subcommittee hearing did not comment directly on the Kennedy proposal, they agreed that the federal government must take action to protect the elderly from long-term care expenses, like extended stays in nursing homes.

"Although there is no consensus on what role the federal government should play, there is growing consensus that the problem makes reform essential," said Health Subcommittee Chairman Fortney "Pete" Stark, D-Calif.

"Something must be done almost immediately," said House Select Committee on Aging Chairman Edward R. Roybal, D-Calif.

"I hope you act as quickly as possible," said Rep. Matthew J. Rinaldo, R-N.J., ranking minority member of the House Select Committee on Aging.

Of the legislators who spoke at the hearing, only Rep. Willis D. Gradison, R-Ohio, said Congress should not move too quickly to enact long-term care legislation.

"This is the beginning of what I'm sure is going to be a very lengthy process and rightly so," said the ranking minority member on the health subcommittee.

Many legislators at the hearing agreed that subjecting all wages to the Medicare portion of the Social Security payroll tax would be a good way to partially fund a federal long-term care program. The Medicare tax—paid equally by employers and employees—currently is 1.45% of the first $45,000 of wages.

Both Rep. Claude Pepper, D-Fla., and Sen. George Mitchell, D-Maine, urged support for this financing method, which both legislators incorporated in their own long-term care proposals (*BI,* June 13; May 2).

Legislators also said incentives must be created to encourage the development of a market for private long-term care insurance.

These incentives should include allowing employers to deduct long-term care premiums, just as they can deduct premiums for health insurance policies, and allowing insurers to deduct contributions to reserves established to cover long-term health care claims.

Rep. Rod Chandler, R-Wash., late last month unveiled a proposal that would give employers tax incentives to fund long-term care and retiree health care expenses, though it would bar companies from recovering excess assets from a terminated overfunded defined benefit pension plan (see story, page 1).

Rep. Chandler did not testify at the subcommittee hearing.

Rep. Rinaldo also suggested creating a federal reinsurance program for long-term care insurance.

Rep. Rinaldo in October introduced a bill, H.R. 3501, that would establish such a program. That bill has not been acted on.

Among other suggestions made by legislators at the hearing:

- Long-term care beneficiaries should be responsible for copayments and deductibles, no matter what shape a federal program takes.
- A federal long-term care program should be structured so that beneficiaries receive the most cost-effective care possible, including home health care.

Meanwhile, Sen. Kennedy last week officially unveiled his federal long-term care proposal, which he dubbed "Lifecare."

Sen. Kennedy earlier this year estimated that the program would cost $18.6 billion. That cost would be shared nearly equally by employers and employees by increasing the wage base for FICA taxes to $75,000 from the current $45,000, which Sen. Kennedy estimates would generate about $17.8 billion. Participants would be responsible for paying the rest of the program's costs (*BI,* March 28).

The current FICA tax rate of 7.51%—that the employee and employer each contribute—would not be affected.

The Lifecare program would be divided into two parts:

- Part A would provide up to six months of nursing home care and unlimited coverage for necessary home health care without a deductible or coinsurance.

The entire $14.1 billion annual cost of Part A would be funded by the revenue generated by increasing the Social Security taxable wage base.

- Part B would pay for 65% of the daily cost of nursing home care after six months.

The revenue generated by raising the Social Security taxable wage base also would pay for $3.7 billion, or 82%, of the $4.5 billion cost of Part B. Premiums paid by participants would pay the remainder of the Part B cost.

Monthly Part B premiums, for example, would be $10 for a 45-year-old and $25 for a 65-year-old. ■

Business Marketing magazine &
National Account Marketing Assoc. (NAMA) sponsor:

THE NATIONAL ACCOUNT MARKETING SEMINAR

NEW JERSEY OCT. 3 — BOSTON OCT. 4

PITTSBURGH OCT. 6 — CHICAGO NOV. 14 — ATLANTA NOV. 15

- The right and wrong way to institute a National Account Program
- How to develop a vertical National Account market
- How to motivate distributors
- What is the best way to select and motivate a National Account Manager
- Why many firms give up and close down their National Account effort

For more information, call Sari Lipschultz at:
1-800-621-6877 ext. 5246
In Illinois call 312-649-5246.

Continued from previous page
tort system, including limits on plaintiffs' awards, is merely an attempt to mask problems in the insurance industry.

These attorneys say that without insurance affordability problems, there would be no need for tort reforms, which hit attorneys in their pocketbooks.

"The effort was to change the perception of an insurance crisis into a perception of a litigation crisis," said NICO's Mr. Hunter.

"The salvation of the insurance crisis was tort reform," he said.

Mr. Schroeter agreed: "Insurers created a false tort crisis—it was really an insurance crisis."

Mr. Hunter accused insurers of manufacturing the liability crisis of the mid-1980s as part of their efforts for tort reform.

To illustrate his point, Mr. Hunter said that in the hard market of the mid-1970s insurers really were short of capacity, but in the mid-1980s they were not. He said insurers created the most recent insurance crisis out of greed.


Mr. Brown

"Reserves tripled, cash-flow quadrupled and stock prices doubled—this was their period of crisis," Mr. Hunter said. "Insurers love these crises, they love them so much they make them up," he said.

While many of the speakers urged trial lawyers to take legal actions against insurers, two of the speakers who have been involved in antitrust actions against insurers warned of the pitfalls of antitrust suits.

William A. Trine, who is with Williams, Trine, Greenstein & Griffith in Boulder, Colo., sued 16 insurers in Colorado in February 1986 charging that the state's 726 day-care centers could not buy affordable liability coverage.

Mr. Trine said he has faced myriad legal obstacles, such as certifying as a class for a class-action suit, in what he originally hoped would be an expeditious suit.

And, Mr. Cohen said the biggest problem trial lawyers face when suing insurers for antitrust violations is a lack of knowledge. He pointed out that the attorneys general were able to conduct extensive discovery before they filed their lawsuit but that trial lawyers must first file their suit before they can conduct any discovery.

He suggested that trial attorneys wait until the massive amount of discovery documents in the attorneys general's lawsuit becomes public record before bringing any antitrust actions against insurers.

The attorneys general allege in their largely identical antitrust suits that the liability crisis of the mid-1980s was the result of a conspiracy among property/casualty insurers, reinsurers, trade organizations, brokers and individuals to manipulate the U.S. commercial liability insurance market.

A similar suit filed by the Texas attorney general also is pending in a state court in Austin.

'The effort was to change the perception of an insurance crisis into a perception of a litigation crisis,' says J. Robert Hunter, president of NICO.

The suits charge the defendants with conspiring to eliminate the occurrence-based commercial general liability policy drafted by the Insurance Services Office Inc. and to exclude all pollution coverage from both the occurrence and claims-made CGL forms.

The suits include allegations of "boycott, coercion and intimidation," acts prohibited by the 1945 McCarran-Ferguson Act (*BI*, June 27; April 4; March 28).

About 20 antitrust suits already have been filed by plaintiffs' attorneys on behalf of policyholders and as many as another 100 are being developed.

Speakers also attacked state regulation of the insurance industry and urged ATLA members to work toward repealing the McCarran-Ferguson Act.

"McCarran-Ferguson is the crown jewel of the insurance industry," Mr. Hunter said. "ATLA is on the sidelines," he said, but it is not too late to repeal the McCarran-Ferguson Act.

"State regulation is clearly lousy," said Attorney General Brown. "McCarran-Ferguson must be on the front-burner."

Mr. Shernoff drew a round of applause when he said, "If ATLA would push a little, we could get McCarran-Ferguson repealed this year."

Mr. Hunter also attacked the Federal Trade Commission's inability to study the insurance industry.

The FTC currently is barred by law from studying the insurance business unless requested by one of two committees of Congress.

Mr. Hunter called this the "equivalent of Hitler burning books."

Speakers also said the attorneys general's antitrust suits can help trial lawyers improve their image.

"It radically alters the landscape for the better," Mr. Hunter said.

He commented that every time a park or small business cannot get adequate liability coverage, lawyers are blamed for bringing lawsuits seeking high damages against these insurance buyers, which lead to unaffordable coverage.

"Every missing diving board is blamed on lawyers," he said, referring to municipal swimming pools that had to remove their diving boards or close down during the hard market because of unaffordable insurance.

"Your names have been dragged through the mud so much, you're down there with insurance companies," Mr. Hunter said. ■

Drought coverage suits

Continued from page 2
Chubb did not require drought insurance applicants who accepted the insurer's offer of double their premium back to sign a waiver, said a Chubb spokeswoman.

The Ohio and Illinois suits, which seek full coverage and unspecified punitive damages, allege that Chubb used fraudulent business practices in marketing its drought coverage in 10 drought-stricken Midwestern states.

The farmers paid millions of dollars in premiums for the drought coverage, which would respond to below-average rainfall between June 1 and Aug. 31.

The coverage was marketed by Good Weather International Corp. of Jericho, N.Y., an underwriting manager for Federal Insurance Co., a Chubb unit.

The insurer authorized Good Weather to accept applications and bind a maximum of $30 million in coverage, a Chubb spokeswoman said. Because of the short-term nature of the policy, Chubb required farmers seeking the coverage to include premium checks with their coverage applications.

However, Good Weather accepted applications for a total of more than $390 million in coverage, according to the lawsuits.

Because the coverage was oversold, Chubb is processing the applications on a first-come, first-served basis up to its $40 million coverage limit, which was increased from the initial $30 million limit, and is offering all farmers the option to receive double their premium dollars back (*BI*, July 25).

The Ohio and Illinois suits allege that Chubb engaged in a breach of contract, breach of duty of good faith, fraud and conspiracy to defraud farmers by refusing to issue drought insurance to the farmers after they had paid their premiums.

Chubb has placed full-page advertisements in 27 newspapers throughout the Midwest and in several national newspapers and trade magazines explaining its position on the controversy, said a Chubb spokeswoman.

The Ohio and Illinois suits, which seek full coverage and unspecified punitive damages, allege that Chubb used fraudulent business practices in marketing its drought coverage.

The spokeswoman would not disclose the budget for the ad campaign.

The ads refute several "misleading" and "simply wrong" charges that Chubb says the media have reported, including that the insurer "watched the weather" while deciding how to handle the thousands of applications for the drought coverage.

The ads also deny that Chubb "reneged" on any policies. "No broker in the field had binding authority from Chubb on this policy. The premium checks were part of the application process for this policy, not the basis of an agreement," the ads explain.

And, in an interview with *Business Insurance*, the Chubb spokeswoman said although Good Weather had authority to bind the drought coverage until June 15, its 236 agents "probably" did not have that authority.

Chubb has since rescinded Good Weather's binding authority, she said.

In addition to totaling 10 times the amount of coverage Chubb had intended to write, some of the applications are dated July 20, more than a month later than the insurer had intended the coverage to be marketed, the spokeswoman pointed out.

Chubb also denies in the ads that it cashed any of the premium checks or earned any interest on the farmers' premiums.

The Chubb spokeswoman explained to *BI* that probably some of the local brokers cashed farmers' checks and consolidated those funds into a single check to submit to Good Weather for processing.

However, Minnesota Commerce Commissioner Michael A. Hatch said that under law in Minnesota, another state where the coverage was marketed, once an insurance agent accepts and cashes a check from a consumer, the policy generally cannot be canceled by either party.

The ad did not explain why the drought coverage endorsement was never approved for sale by state insurance regulators, and the Chubb spokeswoman refused to comment. ■

Update

Antitrust suits may be merged

Continued from page 2
attorney general, however, because it is pending in a state court.

The Texas suit was remanded to the State District Court in Travis County by U.S. District Judge James Nowlin last week. The case originally was filed in state court, but defendants had it removed to federal court by arguing that it raised questions of federal law.

In handing the suit back to the state court, Judge Nowlin cited a 1987 case he said shows that federal antitrust laws do not pre-empt or supercede state antitrust laws.

WPPSS E&O settlement

TUCSON, Ariz.—Three insurers will fund a $7.25 million settlement of a 1983 class-action lawsuit brought against a law firm that advised the Washington Public Power Supply System in connection with a multibillion-dollar bond default.

The firm, Houghton, Cluck, Coughlin & Riley of Seattle, was insured by General Accident Insurance Group; Affiliated FM Insurance Co., a unit of Factory Mutual System member Allendale Mutual Insurance Co.; and Employers Reinsurance Corp., according to Irwin Sugarman of the New York firm of Schulte, Roth & Zabel, who represents the Seattle firm. The insurers each wrote professional liability coverage for the firm in separate years, he said.

WPPSS sold $2.25 billion in bonds to fund construction of two nuclear power units, but the project was canceled in 1982. WPPSS defaulted on the bonds in 1983 (*BI*, Aug. 1, 1983).

The settlement, approved July 29 by U.S. District Judge William Browning in Tucson, is significant because it is the first of its kind to be settled for a policyholder's "likely" amount of coverage, Mr. Sugarman explained. He said the exact amount of coverage has not been determined because the insurers are still trying to iron out their respective liability, which has been complicated by the fact that some of the coverage was written on occurrence-based policies and the remainder on claims-made policies.

The insurers have paid Houghton, Clock's defense costs outside of policy limits, which added up to "millions of dollars," Mr. Sugarman said.

Ad exec's widow files suit

CINCINNATI—The widow of an advertising executive who died in a white-water rafting accident last summer in British Columbia is suing ad agency DDB Needham Worldwide and its parent, Omnicom Group, for $20 million.

Nancy B. Goldstein, whose husband was vp-advertising at Procter & Gamble Co., and Ronald J. Goodman, co-executor of Mr. Goldstein's $1.5 million estate, filed the wrongful death suit late last month in U.S. District Court in Cincinnati.

The suit alleges that Al Wolfe, then the Chicago-based president of DDB Needham's U.S. division, arranged the trip down the Chilko River without warning Mr. Goldstein and the other participants that it could be "exceedingly dangerous."

Stanley Chesley, the Cincinnati attorney representing Mrs. Goldstein and Mr. Goodman, said two other women whose husbands died in the August 1987 accident are likely to file similar suits.

"This clearly was a DDB Needham-sponsored trip," he said. "All of the plans were booked and arranged on their stationery."

An attorney for Davis & Gilbert, which is representing DDB Needham and Omnicom, said Mrs. Goldstein's action was the first suit in the Chilko trip's aftermath.

The Hartford Insurance Group is one of DDB Needham's general liability insurers.

Briefly noted

Hertz Corp. will pay a federal fine of $6.85 million and put $13.7 million in a national reimbursement fund for customers who were overcharged for repairs to damaged rental cars. About 70% of the restitution fund will be paid to insurers, a Hertz spokesman said. In a separate agreement with 41 state attorneys general, Hertz agreed to refund an additional $2 million to customers overcharged for collision damages. . . .Both the House and Senate last week passed the **Price-Anderson Act,** which limits for the next 15 years the nuclear power industry's liability in the event of an accident to about $7.5 billion. . . .Massachusetts Gov. Michael Dukakis has signed legislation approving **Arbella Mutual Insurance Co.,** the new non-profit insurer that will begin to assume all of Kemper Group's personal auto and homeowners business in the state on Oct. 1 (*BI*, April 18). . . .Ronnie Ben-Zur, the chief executive and major shareholder of Lloyd's of London broker **PWS Holdings P.L.C.,** resigned last Wednesday because of the financial problems at Glenn, Nyhan & Associates, a San Francisco-based insurance brokering, consulting and management services firm PWS bought in February. PWS will report a 4 million pound ($6.84 million) extraordinary loss for the year because of the investment. The price of PWS stock dropped to 153 pence ($26.16) last Thursday from 207 pence ($35.40) on July 28. . . .**KCP Holding Co.**—through its subsidiary National American Insurance Co. of California—has assumed the policyholder liabilities of Mission American Insurance Co. and its subsidiary, Compac Insurance Co., under an agreement with the California Insurance Department (*BI*, May 9). . . .Raymark Industries Inc. has filed a request for a review by the entire 11th U.S. Circuit Court of Appeals of a decision disbanding the class-action suit that had consolidated all **asbestos bodily injury claims** against the company. . . .**General Re Corp.** last week announced an agreement to sell its life reinsurance unit, General Reassurance Corp., for more than $300 million in cash to a new company formed by Insurance Investment Associates of New Canaan, Conn. The sale will result in an aftertax loss of $48.1 million for General Re, which reported net income of $218.5 million for the six months ending June 30, down 14.6% from $255.9 million for the same period in 1987. . . .**Technical corrections legislation** was passed last week by the House as expected, including new, more reasonable penalties for COBRA health care continuation violations as well as modest relief from Section 89's non-discrimination rules (*BI*, Aug. 1).

Brokers' results

Continued from page 2

Marsh & McLennan Cos. Inc., Alexander & Alexander Services Inc. and Corroon & Black Corp. all reported single-digit growth revenue in both quarters of 1988.

New York-based Marsh & McLennan's gross revenues for the first half of 1988 grew 6% to nearly $1.2 billion from $1.1 billion in first-half 1987, mostly due to strong growth in its consulting operations. Net income dipped slightly to $171.1 million from $171.8 million.

In the second quarter, M&M's gross revenues grew 5.7% to $570 million from $539.1 million in 1987, while net income dropped 2.4% to $77 million from $78.9 million in 1987.

In the second quarter, M&M "saw worsening results in its primary brokerage operations and continuing depressed results in its reinsurance brokerage operations, partially offset by another excellent quarter in its employee benefits and consulting business," said Mr. Rosencrants, predicting consulting will continue to show strong growth this year.

The broker's "insurance brokerage services revenues weren't such a pretty picture and its reinsurance brokerage business fell off the cliff," Mr. Smith noted, pointing out that M&M's brokerage revenues grew less than 5% and reinsurance brokerage revenues dropped almost 12% in the quarter.

M&M's 'insurance brokerage services revenues weren't such a pretty picture and its reinsurance brokerage business fell off the cliff," says Mr. Smith of Shearson Lehman Hutton Inc.

M&M's "expense controls and benefits business are helping them. . .(but) we lowered our earnings estimates conservatively after this quarter," said Mr. Malis. "They were bailed out by the exchange rates and a lower tax rate."

"Our consulting business has been going very strong, with internal growth of about 20% for the quarter, excluding growth from acquisition," agreed J. Michael Bischoff, vp-Corporate Development Group.

Including revenues from Lexington, Mass.-based management consultant Temple, Barker & Sloane Inc., which M&M acquired in December, consulting revenues grew 30%.

Mr. Bischoff noted that reinsurance brokerage has "been very weak, with reduced business activity on both sides of the Atlantic" over the past five quarters, compounded by "some downward price activity" last quarter.

Retail brokerage is still plagued by competitive pricing, though M&M has been successful in both new business development and business retention, he said.

M&M's expenses grew 10.9% in the second quarter and 11.4% in the first half, primarily because the broker hired 1,100 new employees in its consulting operations over the past year to meet rapid growth demands, Mr. Bischoff said.

"If you took out the increase for consulting—employees, facilities and equipment—and neutralized the foreign exchange rate, you would see zero expense growth," he stressed.

A stock repurchase program also "reduced net income, but has a positive effect on our earnings per share," Mr. Bischoff added.

Continued on next page

Insurance services guide

ENVIRONMENTAL CLAIM AUDITS & RISK ASSESSMENTS
ACTUARIAL CONSULTING
Financial Evaluation of Environmental Losses
TILLER CONSULTING GROUP, INC.
2833 N. Geyer Road / St. Louis, MO 63131-3320 314/567-7480

AFFORDABLE VIDEO IDEAL FOR...
Insurance, Health Care & Benefits
- Full service from scripts to duplication
- Award-winning computer graphics modules
- Inexpensive to modify or update

Write on your letterhead for FREE demo tape
Benefit Productions, Inc., 3540 Middlefield Rd., Menlo Park, CA 94025 (415) 365-4566

CASUALTY ACTUARIES, INC.
- Loss Reserve and Rate Evaluations for Insurance Companies and Self-Insureds.
- Statutory letters of opinion on loss and loss expense reserves.

12115 Lackland Road, Suite 370
St. Louis, Missouri 63146-4012
(314) 878-5002

Use the Insurance Services Guide to reach your best prospects.

RISKMASTER™ Software
by *Tillinghast*
a Towers Perrin company
ONSITE TRAINING
ONGOING SUPPORT
- GENERAL CLAIMS
- WORKERS' COMP
- VEHICLE ACCIDENTS
- CHECK WRITING
- EXP. MODIFICATION FACTORS
- ACTUARIAL REPORTING

FOR PC/MINI/MAINF
Installed in Over 38 States & Canada
For Marketing Questions or to Attend a Free Seminar, Call (313) 567-6616

WORKERS' COMPENSATION RISK MANAGEMENT SYSTEM
FOR SELF INSUREDS, TPA'S, ASSOCIATIONS AND CARRIERS
- PREPARES STATE REGULATORY REPORTS & FORMS
- HANDLES MULTIPLE EMPLOYERS
- CALCULATES BENEFIT AMOUNTS
- ADJUSTS BILLS AGAINST MEDICAL FEE SCHEDULES
- PROVIDES SAFETY AND OSHA REPORTS
- TRACKS RESERVES
- PROCESSES CLAIM PAYMENTS & CHECKS
- PERFORMS ON LINE INQUIRIES
- MANAGEMENT & AD HOC REPORTS
- MONITORS CLAIMS DUE REVIEW

VALUE LEADERS IN RISK MANAGEMENT SOFTWARE
INSTALLATIONS FROM COAST TO COAST • CALL FOR A FREE DEMO DISKETTE
INSURANCE SOFTWARE PACKAGES, INC.
5118 N. 56TH ST., TAMPA, FL 33610 800-237-8133 (US) 813-621-6069 (FL) 212-608-1674 (NY)

Advanced Insurance Software and Services

Software - Workers Compensation and Liability Claims Administration
- Association and Risk Retention Program Management
- Risk Management Claims Tracking and Analysis

Software or Services - Section 125 Plan Administration
- Section 125 Enrollment and Personal Tax Impact Models
- Section 89 Discrimination Testing

Pyramid Services, Ltd.
203-438-3883
Call William Kuebler or Robert Heaney

For advertising information in the INSURANCE SERVICES GUIDE
Contact: Margaret Hikido, 740 Rush Street, Chicago, Illinois 60611.
Telephone (312) 649-5340

McCarran-Ferguson Act

Continued from page 1

Earlier this summer, a congressional subcommittee for the first time approved legislation that would gut the McCarran-Ferguson Act (*BI*, June 20).

RIMS believes that repealing or modifying McCarran-Ferguson would hinder competition and would not prevent cyclical market swings, said Robert W. Esenberg, risk management administrator for the city of Virginia Beach, Va., and RIMS' vp of governmental affairs.

Although RIMS' objections to repealing McCarran-Ferguson are virtually identical to those voiced by the insurance industry, RIMS is not cozying up to the industry, Mr. Esenberg stressed.

"We are not jumping on the bandwagon with the insurance industry," he said in an interview preceding the briefing. "We go head-to-head with those fine people from time to time, and I think we will continue to do so."

Tom O'Day, associate vp in the Washington office of the Alliance of American Insurers, said RIMS is not "giving us a whitewash."

"They were telling it like it is," he said of the briefing.

RIMS, which represents 4,000 organizations and has 7,500 deputy members, decided to go public with a position on McCarran-Ferguson because of increasing congressional focus on insurance, Mr. Esenberg said.

In June, the House Judiciary Committee's Monopolies and Commercial Law Subcommittee approved a bill that would subject to antitrust law insurance price fixing or the development and publication of recommended rates and the sharing of data regarding expenses and profits.

The bill also would prevent insurers from engaging in loss trending activities, beginning several years after enactment of the legislation.

"We're plenty concerned" about the subcommittee's action, said RIMS' President Richard Heydinger, risk management director for Hallmark Cards Inc. in Kansas City, Mo.

The bill would limit competition in numerous ways, according to the RIMS officials.

For example, the subcommittee proposal could drive out of business many small and medium-sized insurers that lack the resources to compute loss and expense data, Mr. Esenberg said.

And, larger insurers may be hesitant to enter new lines if they don't have benchmarks on what rates should be, he added.

There is no need to abolish the development and publication of recommended rates because these benchmarks generally are not abused by the industry, Mr. Esenberg said.

In fact, the industry seldom relies on these advisory rates to determine premiums, the RIMS position paper points out.

But Congress, confronted with insurance problems, is looking for a solution. "Where can you lash out at the industry?" asked Jon Harkavy, RIMS' director of governmental affairs. "McCarran-Ferguson is the easy, short-term panacea, but tinkering around with McCarran-Ferguson" is not going to address availability or affordability of insurance, he said.

"To the extent that price gouging occurred in the last market cycle, advisory rates promulgated by the insurance industry had no bearing," states the position paper, titled "The Repeal or Modification of the McCarran-Ferguson Act, A RIMS Perspective."

"However, while the industry has rarely adhered to advisory rates in either the hard or soft markets, these rates are a valuable benchmark for consumers and regulators to determine whether a premium charged by an individual carrier is overpriced for the coverage offered or undervalued for the risk underwritten," the paper continued.

While RIMS advocates enhanced state regulation of the insurance industry, the organization is concerned that state insurance regulators may overreact to repeal or modification of McCarran-Ferguson to "preserve their turf," Mr. Esenberg said.

"As is apparent by the abundance of legal wrangling accompanying Congress' recent passage of the Risk Retention Act Amendments of 1986, many state insurance departments have an almost feudal reaction to any limited preemptive legislation that could impinge on their regulatory prerogative," states the position paper.

State insurance departments could reorganize state rating boards—such as those that existed in the 1950s and 1960s—that would set insurance rates the way utility rates are set, warned Mr. Esenberg.

This would be "the worst of all worlds," Mr. Heydinger said.

Such regulated rates would preclude negotiations between buyers and sellers of insurance and attendant rate reductions for good risk management.

The position paper advocates improving state regulation of insurance by:

- Creating more uniformity in regulation through the National Assn. of Insurance Commissioners.
- Establishing a centralized national guaranty fund administered by the NAIC.
- Enhancing regulatory scrutiny of policy forms developed by the Insurance Services Office Inc. with greater involvement by the NAIC in the development of these forms.
- Increasing to 25% the portion of state premium taxes used to fund state insurance departments.

RIMS estimates that less than 5% of premium taxes are allocated to state insurance departments.

- Encouraging state regulators to implement, rather than resist, the federal Risk Retention Act.

If Congress' intent is to prevent cyclical market swings, repealing McCarran-Ferguson is not the answer, RIMS states in the position paper.

Repeal of McCarran-Ferguson "would not have prevented the last insurance cycle nor will it prevent future ones," according to RIMS.

"Although the industry has always been cyclical, the particular viciousness of the last cycle was caused by cash-flow underwriting, the sharp drop in interest rates and the collapse of the reinsurance market," the paper states.

Mr. Heydinger suggested that if Congress really wants to increase the availability of insurance, it should permit tax deductions for premiums paid to alternative risk-financing vehicles, such as single-parent captives, as well as for contributions to self-insurance fund reserves.

Passage of a federal product liability reform bill also would be helpful, Mr. Heydinger added.

RIMS is also concerned that opponents of tort reform are using McCarran-Ferguson as "a red herring to defeat needed civil justice reform efforts," the paper states.

"Modifying or repealing the act will do nothing to remedy the unpredictability, inequities and huge transaction costs of our present tort system," the paper continued.

RIMS' officials emphasized that tort reform and McCarran-Ferguson are two distinct issues that must be addressed separately. ■

Shell settles claims from refinery explosion

HOUSTON—Shell Oil Co. has paid about $24 million to settle 5,200 property damage claims from the May explosion of a catalyst cracker at Shell's Norco, La., refinery (*BI*, May 9). Another 3,800 claims remain to be settled.

Shell also faces 25 lawsuits—including four filed by families of seven dead workers—related to the explosion, said a Shell spokeswoman.

The spokeswoman said the oil company is "fully insured" for the property damage, but said the refinery has no idea how much will ultimately be paid. Shell is a member of Oil Insurance Ltd., a Bermuda-based captive that writes all-risk property insurance, well-control insurance and third-party pollution liability insurance for its members. It is also a member of Oil Casualty Ltd., a sister company that writes liability insurance.

Total damage estimates are not available, she said.

The spokeswoman said a corroded pipe caused the blast, but no one knows what ignited the gas cloud that spewed from the ruptured pipe. The pipe passed routine safety checks three years ago, she said, adding that the investigation continues.

—By Mark Hofmann

Continued from previous page

Alexander & Alexander's gross revenues grew 2.8% in the first half of 1988 to $579.8 million from $564.2 million in 1987. Its net income dropped 13.5% to $36.6 million from $42.3 million in 1987.

In the second quarter, A&A's gross revenues grew 0.6% to $296.4 million from $294.7 million in the second quarter of 1987. Net income fell 28% to $20.1 million from $27.9 million in 1987.

Analysts commended the leadership ability of Tinsley H. Irvin, who was elected chairman of A&A in May in addition to his previously held positions of president and chief executive officer.

"I continue to give T. Irvin very good marks for putting this company back on the level of its peers," Mr. Rosencrants said. He noted that A&A's expenses were "essentially flat" (up only 0.2%) and that non-recurring gains in the first half of 1987—primarily from the sale of real estate—made it hard to compare net income performance. Without those gains, A&A's earnings per share would have risen 23% in the first half of 1988 from 1987, he said.

"The story on A&A is: If T. Irvin can continue this discipline when the market turns, this company can really show strong earnings potential. People have been taking notice," Mr. Malis stressed.

Mr. Irvin "has the company positioned to withstand the market. He's in this for the longer term," Mr. Smith agreed.

"On the strength of its first- and second-quarter results, I have raised my earnings estimate for A&A for the first time in six years" to $1.50 per share in 1988 from $1.25, said Mr. Rosencrants. Earnings per share for the first half of 1988 amounted to 87 cents, down from $1 in the first half of 1987.

A&A Corporate Secretary Frank R. Wieczynski said A&A's second quarter was "pretty straightforward" in terms of operations. "Our expense controls are intact and working, but market conditions have minimized our revenue growth. There is nothing out there to indicate to us that a change in the (commercial property/casualty) rating environment is imminent."

Mr. Wieczynski added that A&A's employee benefits consulting operations are "going along quite well:" Second-quarter revenues were up 16.2% and first-half revenues grew 15.6%.

Corroon & Black's gross revenues rose 5.3% in the first half of 1988 to $206.6 million from $196.2 million in 1987. Net income rose 311.8% in the first six months to $95.3 million from $23.2 million, largely due to a non-recurring, aftertax gain of $73.9 million from the sale of its 29.9% stake in Lloyd's of London broker Minet Holdings P.L.C. to The St. Paul Cos. Inc. (*BI*, Feb. 1; Dec. 14, 1987).

In the second quarter, gross revenues grew 7.1% to $100.5 million from $93.8 million in 1987. Net income dropped 12.3% to $8.3 million from $9.4 million in 1987.

Because more of New York-based Corroon & Black's revenues are commission-based than M&M's and A&A's, "rates hit them a little harder than the other brokers, but Corroon is expanding its market position very efficiently," Mr. Smith said.

Excluding expense growth of about 5% incurred as a result of acquisition activity, Corroon & Black's second-quarter operating expenses increased about 6% from the comparable 1987 period.

Mr. Rosencrants said that while "their expense controls have been tightened somewhat," the broker "seems to be content with expenses increasing at between 6% and 7% annually. I think that is too high and they should be doing better."

Mr. Malis disagreed, saying: "I do not think their expenses are out of line." While he called Corroon & Black's quarter relatively flat, it was "in line with our estimates."

"We are satisfied with our results, in light of the difficult operating environment," said Robert P. Cuthbert, vp and controller. He said the company has increased new business and retained more accounts on renewal.

Mr. Cuthbert said Corroon & Black's insurance brokerage operations showed slightly better revenue growth—at 7%, excluding acquisitions—than did benefits and specialty sales operations at 6%. While he declined to disclose the percentage drop in revenues of its reinsurance brokerage operations, he said it was "greater than we anticipated due to the reinsurance market environment."

Gallagher's gross revenues grew 12% in the first half to $69.8 million from $62.4 million in 1987. Its net income fell 10.1% to $5.7 million from $6.4 million in 1987.

Its second-quarter revenues grew 10.2% to $33.1 million from just under $30 million in 1987. Net income dropped 43.1% in the quarter to $1.6 million from $2.9 million.

Mr. Rosencrants said Gallagher's results for the quarter "were disappointing," with the biggest surprise that operating expenses not related to salaries and benefits "grew so substantially"—about double its growth in revenues. Operating expenses for the first-half of 1988 increased 16% to $60.4 million from $52.1 million in the corresponding 1987 period.

Michael Cloherty, vp-finance, said that Gallagher reduced its expenses substantially in 1987, but has now resumed acquisition activity as well as advertising and sales efforts, which caused expenses to rise. However, these expenses were necessary and "could only be cut back on" temporarily, he said.

"We were a little bit disappointed with our own second quarter in terms of revenue growth. We've been negatively impacted by the rating environment," he said.

Mr. Malis also viewed the quarter as a disappointment, but said that Gallagher's first and third quarters are traditionally the strongest. He added that the broker attributed its 11.8% growth in fee income, down from about 18% in recent quarters, to late billings that will be reflected in third-quarter results.

"If we see low growth in fees again in the third quarter, then it would be a cause for concern," Mr. Malis said.

Hilb, Rogal & Hamilton reported the strongest revenue growth of all the publicly held brokers in both the first half and second quarter, based primarily on an aggressive acquisition campaign: It made nine acquisitions during the first half of 1988, said President Robert H. Hilb.

HRH's revenues in the first half grew 16.4% to $21.4 million from $18.4 million in 1987, while net income rose 37.5% to $2.5 million from $1.8 million.

In the second quarter, revenues jumped 19.4% to $10.3 million from $8.6 million, and net income rose 38.4% to $767,000 from $554,000 in 1987.

HRH "had another excellent quarter," said Mr. Rosencrants, adding that the broker is "doing an excellent job of expense control." He predicted that the broker will perform even better in the second half.

Mr. Hilb "is building a beautiful network" of offices based on 27 acquisitions made since the beginning of 1984, Mr. Malis said. "They've registered 5 million in additional shares for acquisition purposes, and I expect larger acquisitions next year."

"We have worked very hard. We prepared for the competitive market and we think we can continue with the rate of growth we have established," Mr. Hilb said.

In addition, between 35% and 40% of HRH's book of business is insulated from market competition because it consists of personal lines, employee benefits and life business, where rates have been stable or have risen.

Poe & Associates' gross revenues grew 14.2% in the first half to $18.4 million from $16.2 million in 1987, and net income rose 49.6% to $2.8 million from $1.9 million.

In the second quarter, Poe's gross revenues rose 7.7% to $8.3 million from $7.7 million in 1987, while net income jumped 39.1% to $918,000 from $660,000.

Chairman William F. Poe said that because Poe "had a bad year last year, results look good comparatively."

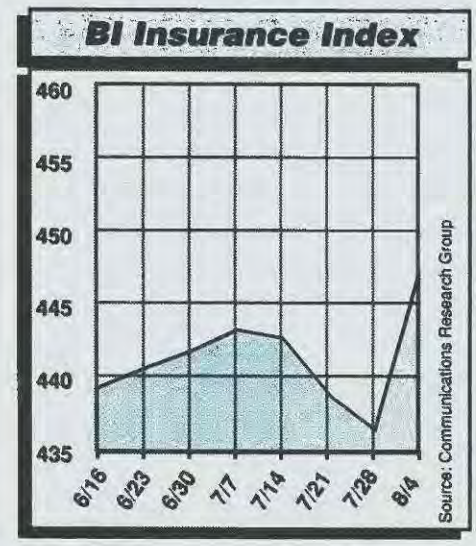
In the first half of 1987, Poe posted a 0.6% decline in gross revenues to $16.1 million from $16.2 million in the first half of 1986 (*BI*, Aug. 17, 1987).

"Our expenses are down 6% to 7% from last year," Mr. Poe noted, adding that the broker made strong new business gains while retaining about 95% of its accounts on renewal.

And while Poe's retail business is averaging rate reductions of about 15% to 17%, there is minimal rate softening on its wholesale business, particularly in malpractice coverages, Mr. Poe stressed.

"Our expenses are up slightly," due to the hiring of new producers and salary increases, "but not substantially," he said.

Analysts contacted do not track Poe & Associates. ■



Insurance industry stocks halted their recent downward slide last week, as the *Business Insurance Index* rose 10.5 points to 447.4 on Aug. 4, from 436.9 on July 28. Advancing issues were led by Hanover Insurance Co., up 12.5%; SCOR U.S. Corp., up 11.4%; W.R. Berkley Corp., up 9.8%; Provident Life & Accident Insurance Co., up 8.6%; Aetna Life & Casualty Co., up 8.1%; and Argonaut Group, up 7.4%. Declining issues were led by Business Mens Assurance Co., down 4.9%; Aneco Reinsurance Ltd., down 4.4%; AVEMCO Corp., down 4%; Phoenix Re Corp., down 3.9%; Alexander & Alexander Services Inc., down 3.2%; and Belvedere Corp., down 2.8%. Issues showing the most activity during the period were: Farmers Group Inc., 3.1 million shares traded; Sears, Roebuck & Co. (Allstate) 2.2 million shares traded; and American International Group Inc., 2 million shares traded. The *Business Insurance Index* gained 2.4% for the period, performing ahead of the leading market indicators: The Standard & Poor's 500 climbed 2.2%; and both the New York Stock Exchange Composite and the Dow Jones 30 Industrial grew by 2.1%.

British Issues

August 4 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Comml Union	384	14.5	21.9	5.6	384—382
Genl Accident	923	10.7	47.9	5.1	924—921
Gdn Royal Exch	196	14.7	55.2	5.6	197—195
Royal	408	10.8	26.4	6.3	408—403
Sun Alliance	998	16.3	43.1	4.1	998—988
Brokers					
Bradstock	225	12.6	5.0	3.0	225—225
CE Heath	444	17.0	34.5	7.7	447—444
Hogg Robinson	171	13.7	9.6	5.5	173—171
Lloyd Thompson	190	16.5	6.8	3.5	190—185
PWS Holdings	153	6.4	14.4	9.2	207—153
Sedgwick Grp	234	14.5	16.4	6.8	235—229
Steel Brrl Jones	196	12.1	13.7	6.8	196—195
Willis Faber	263	13.8	15.4	5.8	263—260

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

AUGUST 4, 1988 **7/29/88 THRU 8/4/88**

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
BROKERS												
Alexander & Alexander Svcs	NYSE	23.00	-3.2	29.6	24.88	17.75	141	1.00	4.3	16.4	3.71	6.20
Baldwin & Lyons Inc.	OTC	16.00	0.0	33.3	16.50	12.00	0	0.20	1.3	6.2	18.31	0.87
Corroon & Black Corp.	NYSE	29.75	-0.4	5.3	34.75	28.00	79	1.08	3.6	4.5	5.43	5.48
Gallagher Arthur J. & Co.	NYSE	18.00	4.3	12.5	18.88	13.88	30	0.48	2.7	12.9	5.16	3.49
Hall Frank B. & Co.	NYSE	4.63	5.7	60.8	5.50	2.88	227	0.00	0.0	12.9	0.00	N/A
Hilb, Rogal & Hamilton	OTC	11.00	-2.2	12.8	12.75	9.75	27	0.00	0.0	12.9	0.00	N/A
Marsh & McLennan Cos. Inc.	NYSE	54.25	4.6	9.6	58.50	45.25	444	2.40	4.4	13.3	6.74	8.05
Poe & Assoc Inc.	OTC	8.50	0.0	21.4	9.25	6.75	0	0.40	4.7	2.0	0.57	14.91
BROKERS	AVERAGE		1.1	23.2					2.6	9.2		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	28.13	9.8	17.2	29.00	23.50	103	0.36	1.3	6.3	17.63	1.60
Berkshire Hathaway Inc. DEL	OTC	4250.00	-1.2	44.1	4525.00	2755.00	66	0.00	0.0	20.7	69.38	11.51
ITT (Hartford Group)	NYSE	49.88	0.0	10.8	53.38	43.25	1402	1.25	2.5	6.8	52.23	0.96
Sears Roebuck & Co. (Allstate)	NYSE	36.13	0.7	7.4	39.88	32.25	2208	2.00	5.5	9.0	34.74	1.04
CONGLOMERATES	AVERAGE		2.3	19.9					2.3	10.7		
INSURERS/REINSURERS												
Aetna Life & Cas Co.	NYSE	48.25	8.1	6.6	49.88	39.50	1469	2.76	5.7	7.5	53.56	0.90
American General Corp.	NYSE	30.75	3.8	-3.1	36.38	27.50	1050	1.40	4.6	8.3	28.04	1.10
Amer Heritage Life Invt	NYSE	25.25	-1.0	4.1	26.00	24.00	1	1.08	4.3	11.0	20.98	1.20
Amer Indty Fin'l Corp.	OTC	11.00	2.3	22.2	11.75	8.25	7	0.56	5.1	16.9	15.26	0.72
American Int'l Group	NYSE	62.25	5.1	3.8	65.38	49.00	1971	0.40	0.6	10.2	33.56	1.85
Aneco Reins Ltd.	OTC	2.63	-4.4	-22.2	4.00	2.63	3	0.00	0.0	4.5	2.58	1.02
Aon Corp.	NYSE	27.13	0.0	18.6	27.75	21.88	314	1.28	4.7	9.5	15.13	1.79
Argonaut Group	OTC	43.75	7.4	47.1	49.00	29.50	327	0.00	0.0	7.1	29.19	1.50
AVEMCO Corp.	NYSE	24.00	-4.0	22.3	28.75	17.88	35	0.34	1.4	11.7	7.74	3.10
Belvedere Corp.	AMEX	4.13	-2.8	-5.7	6.00	4.00	15	0.04	1.0	5.7	7.87	0.52
Business Mens Assurn Co.	OTC	31.13	-4.9	16.4	36.75	25.50	150	1.20	3.9	56.6	24.45	1.27
Chubb Corp.	NYSE	56.00	3.2	0.2	63.38	51.25	434	2.16	3.9	6.5	46.13	1.21
CIGNA Corp.	NYSE	48.50	7.2	10.5	51.88	42.75	958	2.96	6.1	6.6	49.19	0.99
CNA Fin'l Corp.	NYSE	53.75	-1.8	-3.4	64.25	51.00	258	0.00	0.0	7.8	46.40	1.16
Continental Corp.	NYSE	41.00	5.5	5.8	41.63	34.75	382	2.60	6.3	7.8	42.10	0.97
Durham Corp.	OTC	33.00	0.8	53.5	36.25	21.50	26	0.92	2.8	34.0	26.00	1.27
Farmers Group Inc.	OTC	54.00	-2.0	34.2	65.75	40.50	3142	1.44	2.7	12.9	22.02	2.45
Fireman's Fund Corp.	NYSE	31.63	2.0	21.7	33.50	25.75	873	0.50	1.6	11.1	26.17	1.21
Fremont Gen Corp.	OTC	10.50	5.0	9.0	13.50	8.75	131	0.60	5.7	11.1	16.24	0.65
General Re Corp.	NYSE	55.63	3.2	-0.4	57.38	45.50	1474	1.20	2.2	11.0	26.21	2.12
Home Group Inc.	NYSE	13.00	-1.9	9.4	14.38	11.50	185	0.20	1.5	3.1	17.75	0.73
Hanover Ins Co.	OTC	27.00	12.5	16.1	27.50	20.50	129	0.36	1.3	6.0	25.10	1.08
Harleysville Group Inc.	OTC	15.63	-2.3	19.1	16.38	13.38	15	0.40	2.6	6.9	16.65	0.94
Hartford Steam Boiler Insp	OTC	30.75	0.8	33.7	32.75	22.50	56	1.20	3.9	11.1	10.65	2.89
Kans City Life Ins	OTC	31.25	0.8	19.0	31.25	25.25	0	0.00	0.0	11.1	0.00	N/A
Kemper Corp.	OTC	26.75	5.9	30.5	27.50	20.75	476	0.72	2.7	8.4	26.50	1.01
Lawrence Ins. Group	AMEX	11.00	6.0	144.4	11.63	4.50	4	0.21	1.9	17.2	2.90	3.79
Liberty Corp. S.C.	NYSE	39.00	-0.6	9.9	47.25	34.50	17	0.80	2.1	13.8	17.40	2.24
Lincoln Nat'l Corp.	NYSE	49.38	6.8	23.1	48.88	40.25	343	2.36	4.8	9.6	36.62	1.35
NAC Re Corp.	OTC	26.63	4.4	50.0	27.50	18.50	80	0.00	0.0	13.6	19.92	1.34
Nobel Ins Ltd.	OTC	6.25	6.3	-28.6	9.50	4.50	94	0.44	7.0	29.8	9.37	0.67
Northwestern Nat'l Life	OTC	30.13	2.6	31.7	30.38	22.63	100	1.12	3.7	7.7	35.05	0.86
Ohio Cas Corp.	OTC	35.50	3.6	-2.1	38.25	32.25	205	1.88	5.3	7.1	27.86	1.27
Old Rep Int'l Corp.	OTC	25.38	0.0	26.9	25.88	19.13	79	0.74	2.9	5.9	27.82	0.91
Orion Cap Corp.	NYSE	15.88	-1.5	17.6	17.63	13.13	33	0.76	4.8	5.4	9.34	1.70
Phoenix Re Corp.	OTC	9.13	-3.9	40.5	9.50	6.75	35	0.00	0.0	6.6	11.08	0.82
Protective Life Corp.	OTC	13.75	5.8	12.2	15.13	12.25	53	0.70	5.1	14.9	17.25	0.80
Re Capital Corp.	AMEX	9.88	1.3	-5.9	11.75	9.13	25	0.00	0.0	30.9	11.49	0.86
Provident Life & Acc Ins Co.	OTC	22.00	8.6	40.8	22.00	15.63	513	0.84	3.8	47.8	27.45	0.80
St. Paul Cos. Inc.	OTC	43.75	3.8	-4.9	51.00	38.25	1420	2.00	4.6	6.3	35.83	1.22
SAFECO Corp.	OTC	25.38	4.7	-8.5	30.00	22.75	653	1.08	4.3	7.8	21.39	1.19
SCOR US Corp.	NYSE	8.50	11.4	-8.1	9.50	6.63	48	0.10	1.2	6.2	9.39	0.91
Selbels Bruce Group Inc.	OTC	13.38	2.9	18.9	14.25	11.00	94	0.80	6.0	8.9	12.51	1.07
Selective Ins Group Inc.	OTC	26.00	1.0	36.8	26.25	19.25	143	1.24	4.8	5.8	19.52	1.33
Statesman Group Inc.	OTC	3.94	-1.5	-16.0	5.56	3.56	33	0.05	1.3	5.8	3.48	1.13
Tokio Marine & Fire Ins	OTC	76.00	4.1	15.4	85.88	63.25	26	0.22	0.3	67.9	0.00	N/A
Torchmark Corp.	NYSE	31.75	2.0	29.6	33.50	24.50	228	1.20	3.8	10.1	12.24	2.59
Transamerica Corp.	NYSE	34.13	5.0	14.7	36.75	29.75	1028	1.84	5.4	7.1	24.94	1.37
Travelers Corp.	NYSE	36.00	6.3	2.5	40.00	33.00	1401	2.40	6.7	9.2	45.28	0.80
Trenwick Group Inc.	OTC	13.13	1.0	28.1	13.50	9.75	71	0.16	1.2	10.2	15.41	0.85
United Fire & Cas Co.	OTC	26.25	1.9	1.0	27.00	24.00	2	1.08	4.1	5.0	22.56	1.16
United States Fid & Gty	NYSE	31.88	2.8	11.9	34.38	28.88	895	2.64	8.3	8.0	19.53	1.63
UNUM Corp.	NYSE	24.75	6.5	33.8	24.75	17.88	339	0.48	1.9	11.3	28.53	0.87
USLIFE Corp.	NYSE	38.00	-0.3	33.3	40.13	28.00	253	1.28	3.4	9.8	46.77	0.81
Washington Nat'l Corp.	NYSE	28.38	0.5	18.8	28.75	24.00	20	1.08	3.8	13.2	32.33	0.88
Zenith Nat'l Ins Corp.	NYSE	20.38	1.9	35.9	23.88	15.00	35	0.80	3.9	9.8	12.53	1.63
INSURERS/REINSURERS	AVERAGE		2.5	17.4					3.2	13.0		
ALL COMPANIES	AVERAGE		2.4	18.2					3.1	12.5		

System design: Communications Research Group

For reinsurance, it pays to go with a big name.

In today's business climate, strong, solid reinsurance is more important than ever.

And only a company the size of Allstate can provide you with the financial support you need.

With our resources, Allstate Reinsurance can make fast loss payments so vital to a business's continued success.

And we bring you the knowledge and expertise of over 25 years of reinsurance experience.

Which is something our Intermediaries and Ceding Companies in over 20 countries have come to appreciate.

In a very big way.

Allstate®
Allstate Insurance Company,
Northbrook, Illinois

Allstate Reinsurance Division
2 Allstate Commercial Plaza
51 W. Higgins Road
South Barrington, IL 60010
(312) 551-2500 Telex: 283513

Allstate REINSURANCE