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PROFILES ISSUE

Reporting Weekly on Corporate Risk, Employee Benefit and Managed Health Care News / \$30

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Brokers take a breather

As the pace of major brokerage acquisitions slowed in 1999, so did the revenue growth enjoyed by the world's largest brokers.

Some of the dramatic gains in revenues of recent years, as well as significant reshuffling among the market's largest players, were largely missing in 1999.

Indeed, there is only one new name among the companies in *Business Insurance's* annual ranking of the world's 10 largest brokers—HLF Insurance Holdings Ltd.—though it actually is the company created by the merger of Lambert Fenchurch Group P.L.C., which ranked as No. 10 last year, and Heath Group P.L.C., which itself was a former top 10 broker.

No other mergers of that scale took place in 1999.

As a result, the combined brokerage revenues of the top 10 brokers increased only 6%, to

\$14.83 billion in 1999, compared with \$13.99 billion in 1998.

That is the lowest revenue increase turned in by the top 10 in recent years. As a group, the top 10 reported a 21.4% jump in brokerage revenues from 1997 to 1998, and a 38.8% gain from 1996 to 1997.

In addition to no new companies among the top 10, movement within the ranks in this year's issue was minimal. One exception was USI Insurance Services Corp., which fell three spots to No. 9. USI was one of only two brokers in the top 10 to turn in lower revenues, allowing other companies to overtake it in the rankings.

This year's report on commercial insurance brokers includes a directory listing 194 brokers—including the top 10—that reported a total of \$19.13 billion in 1999 brokerage

revenues, up 8.2% from \$17.69 billion in 1998. The directory of agents and brokers begins on page 48.

The 29th annual report also features:

- Charts of the 100 largest brokers of U.S. business (page 3), the 20 largest retail brokers in the United States (page 18), a ranking of the 10 most productive agents/brokers (page 18) and the largest employee benefits specialists (page 18).
- An overview of current trends taking place in the global commercial insurance brokerage business (page 3).
- A report on the growth and expansion of agency and brokerage networks (page 12).
- Analysis of movement within the ranks of the leading brokerages (page 14).
- In-depth profiles of the world's 10 largest brokers (pages 20-48).

WORLD'S 10 LARGEST BROKERS

Company	Rank 1998	Brokerage revenues			Employees		
		1999	1998	% change	1999	1998	% change
1 Marsh & McLennan Cos. Inc.	1	\$6,104,000,000	\$5,878,000,000	3.8%	45,300	46,900	-3.4%
2 Aon Corp.	2	\$4,800,000,000	\$4,397,000,000	9.2%	39,000	34,000	14.7%
3 Willis Group Ltd.	3	\$1,239,388,000 ¹	\$1,189,726,000 ¹	4.2%	9,446	9,204	2.6%
4 Arthur J. Gallagher & Co.	4	\$586,054,000	\$524,435,350	11.7%	4,589	4,288	7.0%
5 Jardine Lloyd Thompson Group P.L.C.	5	\$432,006,000 ¹	\$417,564,000 ¹	3.5%	3,641	3,475	4.8%
6 HLF Insurance Holdings Ltd.	—	\$405,664,325 ²	\$411,336,568 ²	-1.4%	4,580	4,436	3.2%
7 Acordia Inc.	7	\$337,236,990	\$309,656,130	8.9%	3,584	3,361	6.6%
8 Alexander Forbes Ltd.	8	\$330,076,998 ³	\$275,991,200 ³	19.6%	4,758	4,228	12.5%
9 USI Insurance Services Corp.	6	\$320,555,000	\$327,000,000	-2.0%	3,159	3,232	-2.3%
10 Gras Savoye & Cie.	9	\$277,668,000 ⁴	\$259,420,000 ⁴	7.0%	2,179	2,005	8.7%
Totals/averages		\$14,832,649,313	\$13,990,129,248	6.0%	120,236	115,129	4.4%

¹ British pound=\$1.618 (1999), \$1.657 (1998); fiscal year ending 12/31. ² British pound=\$1.595 (1999), \$1.654 (1998); fiscal year ending 3/31. ³ South African rand=\$0.172 (1999), \$0.152 (1998); fiscal year ending 3/31. ⁴ French franc=\$0.162 (1999), \$0.170 (1998); fiscal year ending 12/31.

Source: BI survey

100 LARGEST U.S. BROKERS

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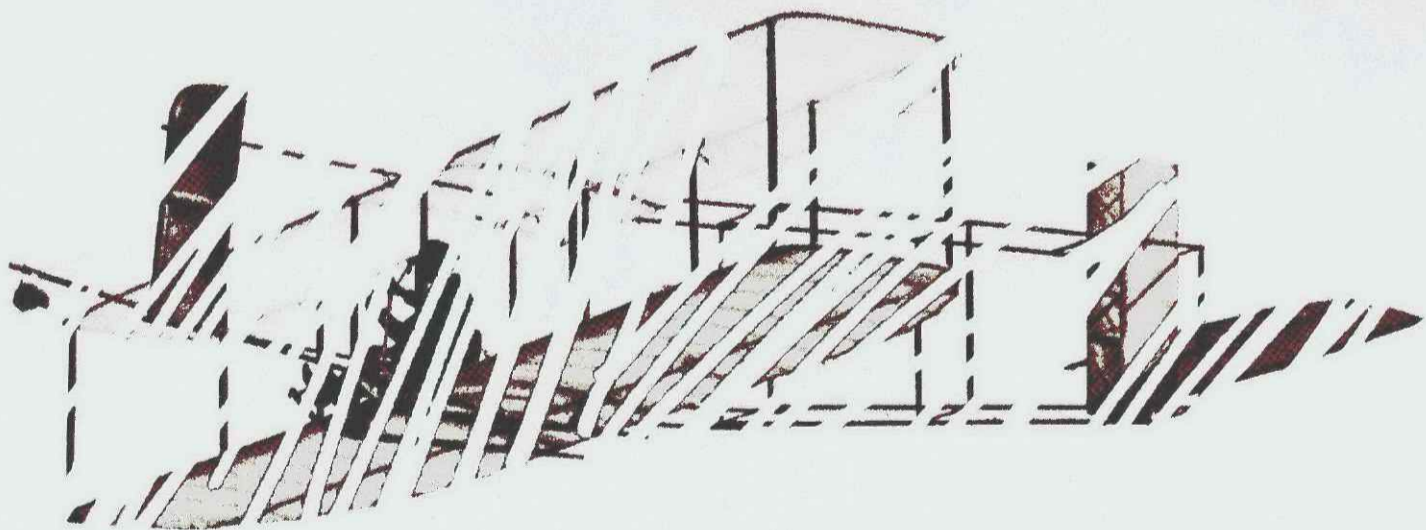
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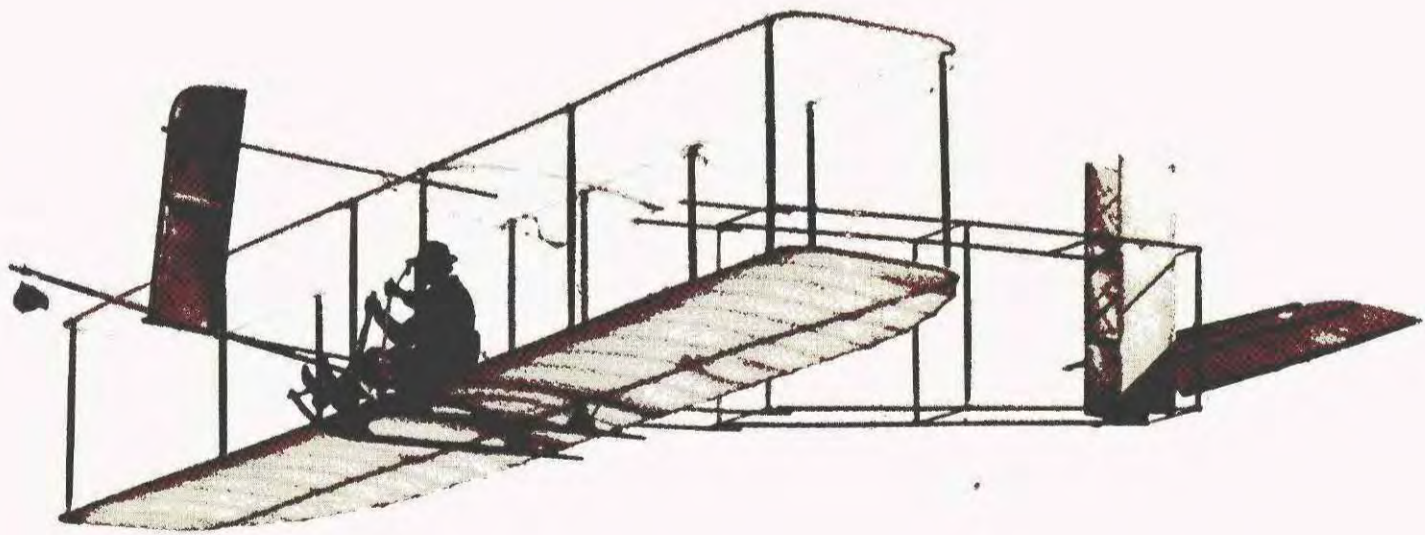
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Pension reform bill goes before full House

By MICHAEL PRINCE

WASHINGTON—Legislation that would overhaul many existing laws governing pension plans has cleared the House Ways and Means Committee and moved to the full House.

The pension reforms, among other things, would boost retirement plan contribution limits for individuals and ease certain administrative rules and non-discrimination tests for plan sponsors.

The bill, known as the Comprehensive Retirement Security and Pension Reform Act, was sponsored by Reps. Rob Portman, R-Ohio, and Ben Cardin,

D-Md. It passed the Ways and Means committee last week by a vote of 27-9 and now goes to the full House, where a vote is expected sometime this week.

A similar, but not identical, bill is pending in the Senate, and supporters hope that measure also will pass before Congress adjourns prior to this year's elections.

Provisions in the Portman-Cardin bill would:

- Gradually increase over three years the amount an individual could contribute to an individual retirement account, to \$5,000 annually, up from the current \$2,000 limit established in 1981. The bill would allow an individu-

al over age 50, however, to contribute \$5,000 to an IRA the first year.

- Gradually increase the maximum annual salary deferral an employee could make to 401(k) and other defined contribution plans, to \$15,000 by the year 2005. This is up from the current deferral limit of \$10,500.

- Allow a worker to become vested in an employer's matching contributions in a defined contribution plan after three years, rather than after five years, as under current law.

- Make it easier for a plan participant who moves between jobs to rollover pension assets to a new plan. Currently, for

See Pension on page 69

Sue-and-labor claims continue

Y2K bug is still biting

By JOANNE WOJCIK

DETROIT—Policyholders suffered a minor setback last week in their efforts to obtain coverage for Year 2000 remediation costs when a federal judge denied an attempt by Kmart to obtain coverage-related documents from an insurer group.

But the court didn't shield insurers completely, Kmart's attorneys pointed out. It said policyholders instead should obtain the documents from their insurers directly.

And the Michigan decision is unlikely to stem the swelling tide of Y2K insurance coverage cases being filed nationwide, policyholder attorneys say.

In fact, two more cases were filed just days before the ruling.

The Gap Inc. filed suit July 6 in San Francisco Superior Court against American Guarantee & Liability Insurance Co., a unit of Zurich U.S. Although the suit does not specify



the amount being sought, the clothing company incurred \$40 million in Y2K conversion costs, according to Securities and Exchange Commission filings.

And in a suit filed June 26 in Las Vegas, the Mandalay Resort Group is seeking \$6 million in Y2K remediation costs from its insurer, Factory Mutual Insurance Co.

"I anticipate that, as the case law develops, other policyholders will come forward with their own Y2K remediation claims," observed Bob Carter, a partner in the insurance recovery group at McKenna & Cuneo in Washington. His firm is representing several policyholders, including Kmart, in their Y2K coverage suits.

"Y2K remediation was an expensive proposition for a lot of companies in this country. We have been assisting clients with tendering notice and proofs of claims to their insurance companies," he said.

Still, insurer attorneys were heartened by the Michigan ruling and expect the Y2K-related coverage cases filed so far

See Y2K on page 70

Rand sees benefit disparity in California comp system

By ROBERTO CENICEROS

A study of self-insured employers in California finds that injured employees, on average, face a greater loss of earnings than do their insured counterparts, an inequity that is only partially offset by return-to-work programs.

The study by the Rand Institute for Civil Justice, commissioned by state regulators, generally concluded that California's workers compensation wage loss benefits for permanent partial disability claims are inadequate for both self-insured and insured plans.

Over the long term, however, employees of self-insured companies lose more

wages after an injury, because they earn higher pre-injury wages yet are subject to the same benefit caps as insured employees, according to a preliminary report from the Santa Monica, Calif.-based Rand Institute.

The study also found that costs are higher for employers in California than in other states because the current system for determining permanent partial disability benefits is subjective, resulting in a greater percentage of claimants receiving benefits and more litigation than in states with objective disability ratings.

In recent years, the state has reformed various parts of the workers

compensation system. Revamping its system of permanent disability benefits, though, is considered to be a more-difficult and contentious area—with attorneys, employers and labor all holding substantial financial interests in any change.

California's Department of Industrial Relations' Commission on Health Safety and Workers Compensation contracted with Rand to conduct a series of studies on the state's workers comp system. The commission, comprising employer and labor representatives, is charged with recommending legislative and administrative changes to improve

See Rand on page 72

Tobacco companies hit by \$145 billion punitive award

MIAMI—Tobacco companies claim that a \$145 billion punitive damages award handed down Friday by jurors in Miami will have no practical impact, because it will be decades before payments, if any, are made.

And the court itself may reduce the award, under a Florida law barring awards that would cause bankruptcy.

Jurors took less than a day after closing arguments were heard in the punitive damages phase of the 2-year-old case to

See Updates on next page

Syndicates ordered to up capital

By SARAH VEYSEY

LONDON—Although the financial penalties Lloyd's of London recently imposed on several syndicates may give buyers pause about those businesses, the moves indicate the market's resolve to raise its regulatory profile amid lackluster results, observers say.

In a crackdown on underperforming businesses, Lloyd's regulators late last month told 19 syndicates—including two with U.S. parents—that they will need to increase their capital for the 2001 year of account.

"They have been named, (and) it is obviously not great public relations to be told that management control (of the syndicate) is not acceptable to the regulators," said David Wharrier, senior financial analyst at A.M. Best Europe Ltd. "This may have an impact on people's attitude to doing business with that managing agent or its named syndicates."

"Ultimately, it could lead to a flight to quality, of business going from those that have been named to other entities in the market that haven't been named," Mr. Wharrier said.

"That is human nature—to think that if something has been given a 20% loading by regulators,

See Capital on page 67

Raising capital

Following are some of the syndicates that Lloyd's has ordered to increase their capital for the amount of capacity they are now writing

Agent	Syndicate	2000 capacity in millions	
CNA	1229	£35.0	\$56.6
Chartwell	44	£4.5	\$7.3
Chartwell	839	£216.1	\$349.6
Chartwell	2241	£12.3	\$19.9
Chaucer	587	£96.6	\$156.3
Crowe	1121	£37.5	\$60.7
Greenwich	994	£60.0	\$97.1
Greenwich	1222	£21.7	\$35.1
Greenwich	1923	£12.5	\$20.2
Hardy	382	£50.3	\$81.4
KGM	260	£31.8	\$51.4
Marlborough	744	£21.9	\$35.4
PXRE	1224	£35.0	\$56.6*
St. Paul	1211	£100.0	\$161.8
Wren	735	£85.1	\$137.7

* PXRE syndicate planned to utilize 81% of 2000 capacity
Sources: Chatset Ltd. 1997 Lloyd's League Tables & 2000 Auction Review, A.M. Best International Ltd. and Assn of Lloyd's Members, Lloyd's Market Results and Prospects 2000

Brokers

Continued from previous page

Risk management consultant Michael Vogler, a principal with PricewaterhouseCoopers L.L.P. in Atlanta, agreed that, while brokers do not face any immediate risk of disintermediation, risk managers now are beginning to size up how to get along without intermediaries.

Insurance industry stock analyst Alain Karaoglan said the risk of disintermediation is high for those brokers whose work adds little of value to the risk-financing process. Brokers—companies or individuals—that know only what market to approach and what price to pay will lose their jobs, predicted Mr. Karaoglan, an equities research analyst with Donaldson Lufkin Jenrette Corp. of New York.

But disintermediation is neither a

new concern nor a bigger risk for brokers than it was in the past, said Ken Crerar, president of the Council of Insurance Agents & Brokers in Washington. The prospect of disintermediation has been overplayed recently as a result of the boom in e-commerce, which some observers contend will greatly facilitate direct relationships between insurance buyers and markets, Mr. Crerar said.

Risk management consultant Jim Swanke noted that risk managers whose organizations have captive insurers increasingly are dealing with excess and reinsurance markets directly. That's been set in motion and will not be stopped," said Mr. Swanke, a principal in the Minneapolis office of Tillinghast-Towers Perrin.

"This was all going to happen anyway," though the Internet and broker consolidation may have speeded up the evolutionary process, Mr. Swanke

said. He observed that, similarly, commercial buyers of benefits coverage began dealing directly with markets during the mid-20th century, after decades of having used brokers to place their coverage.

But Mr. Swanke and others agreed that, while disintermediation is the price that any broker could pay for failing both to bring useful services to risk management and to make risk managers aware of brokers' importance, the brokerage industry is not reeling toward oblivion.

"There will always be a role for an intermediary," said Tim Cunningham, a Chicago-based principal with broker consultant INSIGHT Consulting Group of Kansas City, Mo. INSIGHT's clients typically are mid-sized and large brokers, though not the world's largest brokers.

Insurance industry stock analyst Jay Cohen agreed. Those with smaller

risks lack the time, inclination or sophistication to handle the responsibilities they give brokers. Large accounts rely on brokers' advice, said Mr. Cohen, a first vp and senior property/casualty insurance analyst with Merrill Lynch & Co. of New York.

Even if e-commerce does cut out brokers from personal lines and small commercial business, larger risks always will require "the human element," said Robert C. Meder, assistant director of new business for New York-based Kaye Group Inc, a member of the World Broker Network.

Indeed, said Mr. Cunningham, by facilitating the exchange of massive amounts of data, technology has broken down the "old-boy" barriers that some brokers previously faced in winning business and gaining access to markets and facilities.

The result is a growing universe of brokers that earn at least \$5 million in

commission income annually, according to Thomas W. Harvey, president and chief executive officer of The Assurex Synergy Group of Columbus, Ohio. The network, composed largely of privately owned midmarket brokers, generated revenues of about \$1.2 billion worldwide last year.

Wall Street and acquirers of privately held brokers also recognize the promise that well-positioned brokers hold, said John Wicher, managing director at Russell Miller Finance.

In a market where the value of the average broker has not changed measurably, those brokers that have invested in technology and talent, worked to address their clients' needs, and maintained their commission income structure "are doing very well" in valuation, Mr. Wicher said.

Also pulling up values are acquisitions by banks and by Internet-based companies with the so-called "click-and-mortar" strategy of building their operating foundations with established brokers, he said.

In the near term, the hardening property/casualty insurance market is a double-edged sword for brokers, Tillinghast's Mr. Swanke observed.

While it presents brokers the opportunity to boost revenue that has been lacking over the past decade, it also will strain the servicing capabilities of brokers. This is particularly true of the largest brokers, which still are integrating recent acquisitions, he said.

Large brokers that do not show their value will lose business—some to direct writers, but more to regional brokers, Mr. Swanke predicted.

Risk managers will be ready to move at least parts of their accounts to smaller national brokers or to large regional brokers for several reasons, according to observers.

With the talent that those brokers picked up during the shakeout after consolidation, they are showing they can handle the business that large accounts give them and providing a more-personal touch, observers say.

Another factor weighing in favor of the smaller brokers is risk managers' lack of satisfaction with larger brokers' service since the advent of consolidation, several observers said.

Tillinghast's Mr. Swanke said that large brokers have spread their talent too thinly and that consolidation has not led to the promised increase in the breadth of services brokers offer.

Others, including Merrill Lynch's Mr. Cohen, said that, while service remains a problem, at least "brokers are attempting to leverage their size."

RIMS' Mr. Mair, the organization's executive council liaison to the group's quality committee, said: "I think, across the board, the entire community is doing, at best, a C or C-. There are still too many problems that exist that need not," he said. Those problems include inaccurate policies, a lack of responsiveness and delays on delivering on promises. But brokers are "trying very hard" to remedy the problems, Mr. Mair said, and service "absolutely" is improving.

Mr. Vogler of PwC maintained that brokers' service capabilities are "very good." He said the problem is that brokers are under such pressure to produce business that often they do not "listen real well" to their clients—a shortcoming common among service providers.

The Council's Mr. Crerar maintained that the quality of service never has been bad. And with consolidation and integration among the largest brokers largely complete, with their budget allocations for technology averaging a record 10%, and with their and Internet-based companies' many e-commerce initiatives, the industry is poised to deliver an array of improved services as effectively and efficiently as ever, Mr. Crerar said.

He acknowledged that brokers

See Brokers on page 6

ask
jonathan

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Brokers

Continued from page 4 underestimated the cost and the effort required to integrate systems. But, Mr. Crerar said, brokers had no blueprint on which to rely. "Is it done? No. Will it ever be done? I don't think so. It's an evolving process."

Still, Mr. Crerar maintained, even though large brokers have not yet fully digested their recent acquisitions, industry consolidation has helped risk managers by making regional brokers much stronger.

Assurex's Mr. Harvey and the World Broker Network's Mr. Meder also point to the international capabilities of their respective networks through affiliations with network members located overseas. Assurex's 68 North American members have 67 affiliates in 55 countries and plans to increase its international presence to 90 or 100 countries within a couple of years, Mr. Harvey said. The World Broker Network's eight U.S. members have partners in 30 countries.

"The playing field is really leveling," Mr. Harvey said. "The challenge is to convince prospects that we can

deliver seamless risk management services through independent brokers rather than through a network of branch offices."

Thomas Motamed, executive vp and chief operating officer for Chubb Corp. of Warren, N.J., agreed that risk managers are giving regionals a closer look to maintain competition.

"The early indications are that the clients are very happy," Mr. Motamed said.

Even so, "there's a clear dichotomy between the large broker and the local agent... of service that can be offered," Mr. Miller said.

That is important because of risk managers' increasing knowledge and financial strength to address problems in more effective and efficient ways than traditional insurance programs, he said. Mr. Miller noted that many risk managers today represent organizations that have net worths greater than those of insurers.

Mr. Wicher said that the best brokers understand that they must have access to sophisticated financial tools other than insurance in order to best address their clients' enterprise risks.

The largest brokers are in a position to meet those many needs, including

securitization needs, Messrs. Wicher and Miller said.

Chubb's Mr. Motamed said the largest three brokers—including Willis Group Ltd., in which Chubb and other insurers have invested—have "a broad and deep global reach," attract capital markets and reinsurers and provide consulting. "So they have more in their arsenal."

Mr. Motamed said that regional brokers "probably don't have as much experience" dealing with those providers. Still, he said, "they can do it."

What should risk managers expect the brokerage industry to look like ultimately? Industry observers say that change could be the one constant that risk managers will see.

Many observers expect that consolidation will continue apace among second- and third-tier brokers.

"There's still a lot of revenue and expense pressure on smaller brokers," noted Mr. Cohen of Merrill Lynch.

The largest brokers likely will limit their acquisitions to relatively small targets that would add or round out a niche service, fill a geographical void or bring onboard a group of coveted producers, observers said.

The exception, some observers said, could be an eventual bid for Arthur J. Gallagher & Co., which is strong in midmarket and public-entity business. But Gallagher President and Chief Executive Officer J. Patrick Gallagher has said he is committed to keeping the broker independent unless he is offered a deal that he, as a fiduciary, would have to consider.

Some analysts suggest that the largest brokers themselves, after a decade of bagging prized broker game, may become the hunted.

Some analysts, including Hugo J. Warns, a principal in the financial institutions group at Baltimore-based investment bank Legg Mason Wood Walker Inc., expect that financial services companies will begin pursuing brokers to round out their portfolios of integrated financial services.

Mr. Wicher said he believes that "the market for securitization, especially relating to catastrophe risk, will continue to grow." That means brokers must be able to access capital markets, he said.

But "there is a scarcity of individuals with those capabilities," he said.

At the same time, Mr. Wicher said: "One of most important trends is the recognition that midmarket clients want human resource answers that reach beyond traditional insurance." Brokers who want to be robust in the marketplace by following the example of a handful of Internet initiatives designed to provide that broad-based human resource solution would need the capital to do so, he said.

"Ultimately, there will be one more transaction for the largest brokers," and that could be a merger with a large securities firm. Mr. Wicher said.

A more-interesting alliance, though, would be one that combines a broker, a management consultant and a dotcom company, said William J. Kelly, chairman of the International Federation of Risk & Insurance Management and a managing director with J.P. Morgan & Co. Inc. in New York.

"Management consultants have far greater breadth of expertise with respect to overall operating risk and associated issues but lack risk-funding ability and transactional leverage. A dotcom partner could keep the enterprise ahead of the curve, in terms of its product delivery infrastructure," Mr. Kelly recently told a group of Willis Group Ltd. producers.

However the brokerage industry shakes out, observers agree that risk managers will be seeing some important changes over the next few years.

"It's a very exciting marketplace," Mr. Wicher said.

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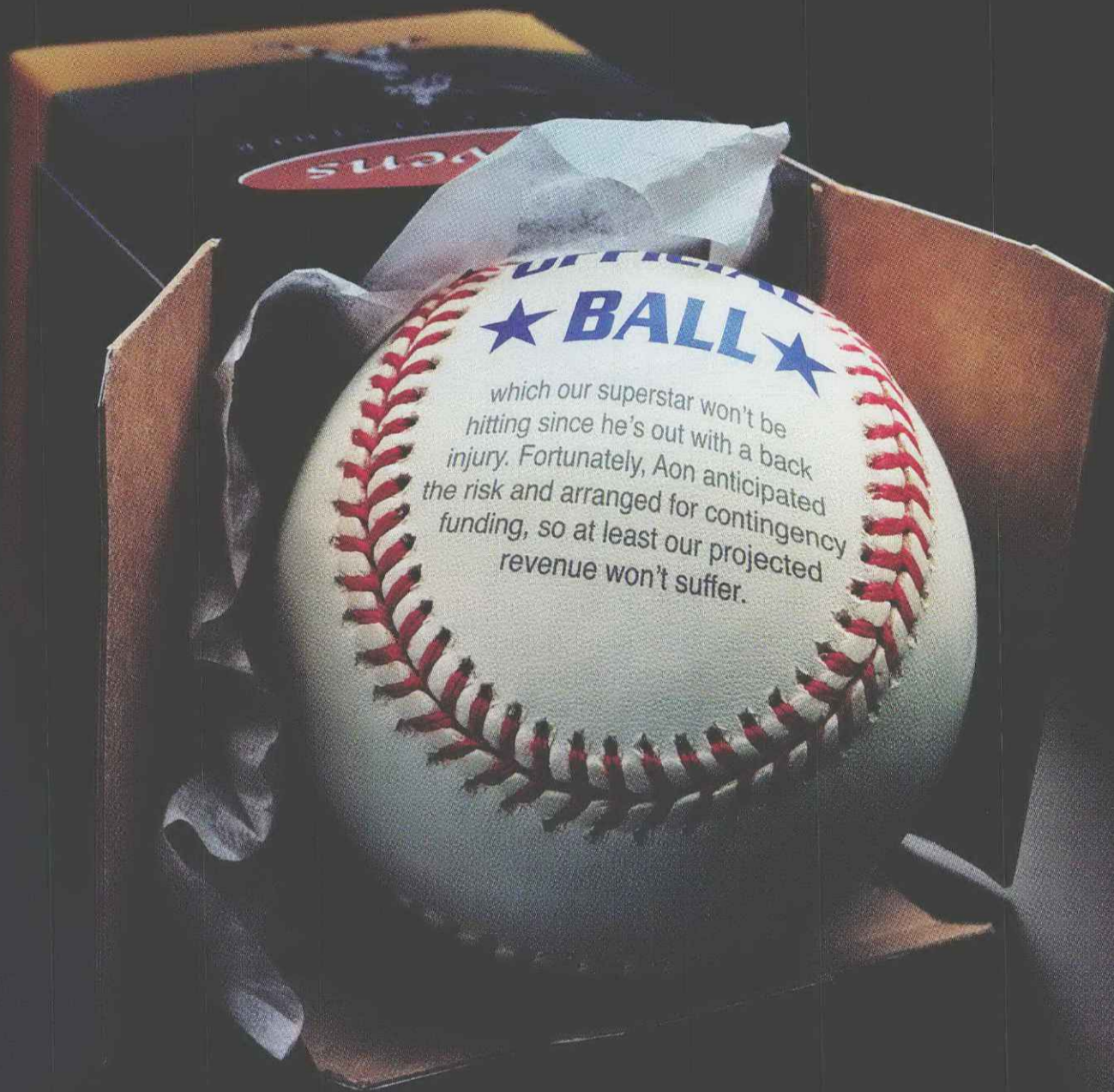
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OPINIONS

Antitrust bill not needed

THE U.S. SENATE has a wonderful opportunity to undo a particularly egregious piece of mischief wrought by the House of Representatives.

And the beauty of the situation is that the Senate can set matters straight simply by doing nothing.

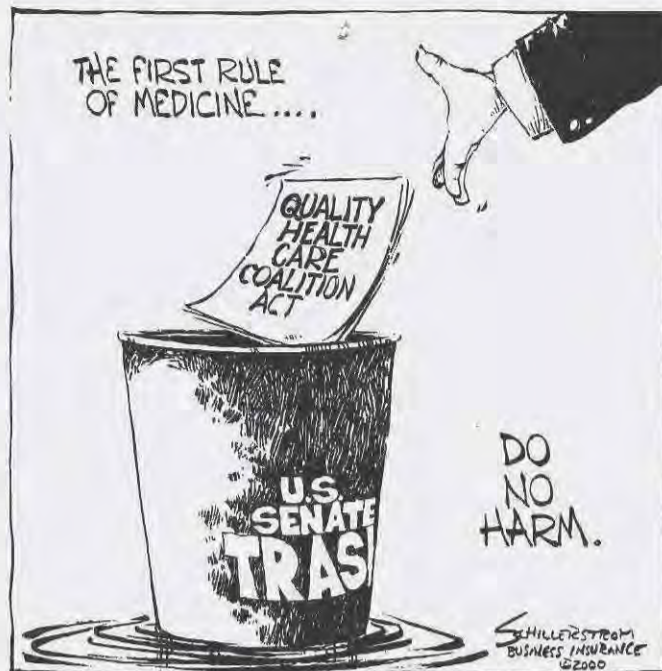
The mischief in question is the inappropriately named Quality Health Care Coalition Act, which the House approved just hours before recessing for the July 4 holiday. The measure has very little to do with enhancing the quality of health care, however, though it would considerably enhance the quality of life for certain medical providers if it becomes law.

The bill would grant physicians an exemption from federal antitrust laws by allowing them to band together and negotiate jointly with managed care plans, without running afoul of antitrust law. Proponents of the bill, led by its chief sponsor, Rep. Tom Campbell, R-Calif., hold that doctors need this exemption to look out for their patients' best interests.

Curiously enough, though, those allegedly put-upon patients aren't marching in the street demanding passage of the bill. In fact, outside of the American Medical Assn.—and apparently a majority of the members of the House of Representatives—not many people are pushing for passage of this bill. Indeed, employers, insurers, managed care organizations, the U.S. Department of Justice and even some medical providers have spoken out against the measure.

That's understandable, for this is a classic example of a special interest bill. If this measure became law, doctors would be granted cartel-like powers. Cartels rarely benefit anyone other than those participating in them.

Evidence of that can be found in separate, independent studies of the potential cost impact of the bill. Both studies—one by the Congressional Budget Office and the other commissioned by the American Assn. of Health Plans—indicated that enactment of the Campbell measure would increase health care costs, though they disagreed on exactly how much



costs would rise (BI, July 3).

The social consequences of raising costs are simple to see: Higher medical costs translate into fewer employers that can afford to offer health care benefits to employees, and an increase in the number of uninsured Americans.

Fortunately, the Campbell bill hasn't become law and it doesn't have to. There's no companion legislation in the Senate and apparently no great interest in this issue in the upper chamber.

That's how it should remain. With the 106th Congress' legislative calendar rapidly running out, the best thing the Senate can do about the Campbell bill is absolutely nothing. There are more pressing issues on the agenda.

As far as the Campbell bill is concerned, this is one situation where doing nothing at all is doing the American public an immense favor.

LETTERS

Clarifying pollution coverage victory

To the Editor: We appreciated your well-written June 26 article, "Gradual Pollution Covered: 'Sudden, Accidental' Exclusion Ambiguous: Court," concerning the well-reasoned decision in *Textron Inc. vs. Aetna Casualty & Surety Co., et al.*, in which the Rhode Island Supreme Court found that standard-form pollution exclusions do not bar coverage for losses caused by gradual, unintentional pollution.

We are co-counsel for Textron Inc., the policyholder in this litigation, and we write to clarify a couple points to make certain there are no misunderstandings from certain statements quoted in your article.

First, you quoted our reference to Textron's personnel at the site at issue in this litigation as "rocket scientists" who really thought they were doing the best thing to protect the environment.

Textron—and a prior site owner—operated a rocket laboratory and test facility. The engineers who designed and operated the wastewater treatment system

that contributed to the contamination truly were rocket scientists, and they sought to employ historically state-of-the-art environmental controls. They have our utmost respect and admiration.

Second, our quote that the Rhode Island Supreme Court's discussion of the pollution exclusions' drafting history was "irrelevant" was incorrect.

Again, some context is necessary:

- The court found the term "sudden" as used in standard-form pollution exclusions to be ambiguous, and construed it in favor of policyholders because of the word's diverse and conflicting dictionary definitions and judicial interpretations.

- The court held that "sudden" should be construed in favor of policyholders because "it is reasonable to hold insurers to the representations they made to regulators. . . ."

- The court held that "[c]onstruing the word 'sudden' as meaning unexpected in pollution-exclusion clauses also

represents sound public policy."

- The court also concluded that "INA's proposed reading of the word 'sudden' as necessarily including a temporal element breaks with the history of the word as courts have construed it in other standard insurance policies" and was not consistent with "the pollution-exclusion's clause's drafting history. . . ."

The drafting history is relevant and the court expressly found it so. As the court found the polluter's exclusion to be ambiguous (properly based on drafting and regulatory history), it was unnecessary to further find regulatory estoppel.

Thank you for this opportunity to clarify our comments, and thank you for your excellent ongoing coverage of issues which concern business insurance policyholders.

Robert M. Horkovich
Edward J. Stein

Partners
Anderson Kill & Olick P.C.
New York

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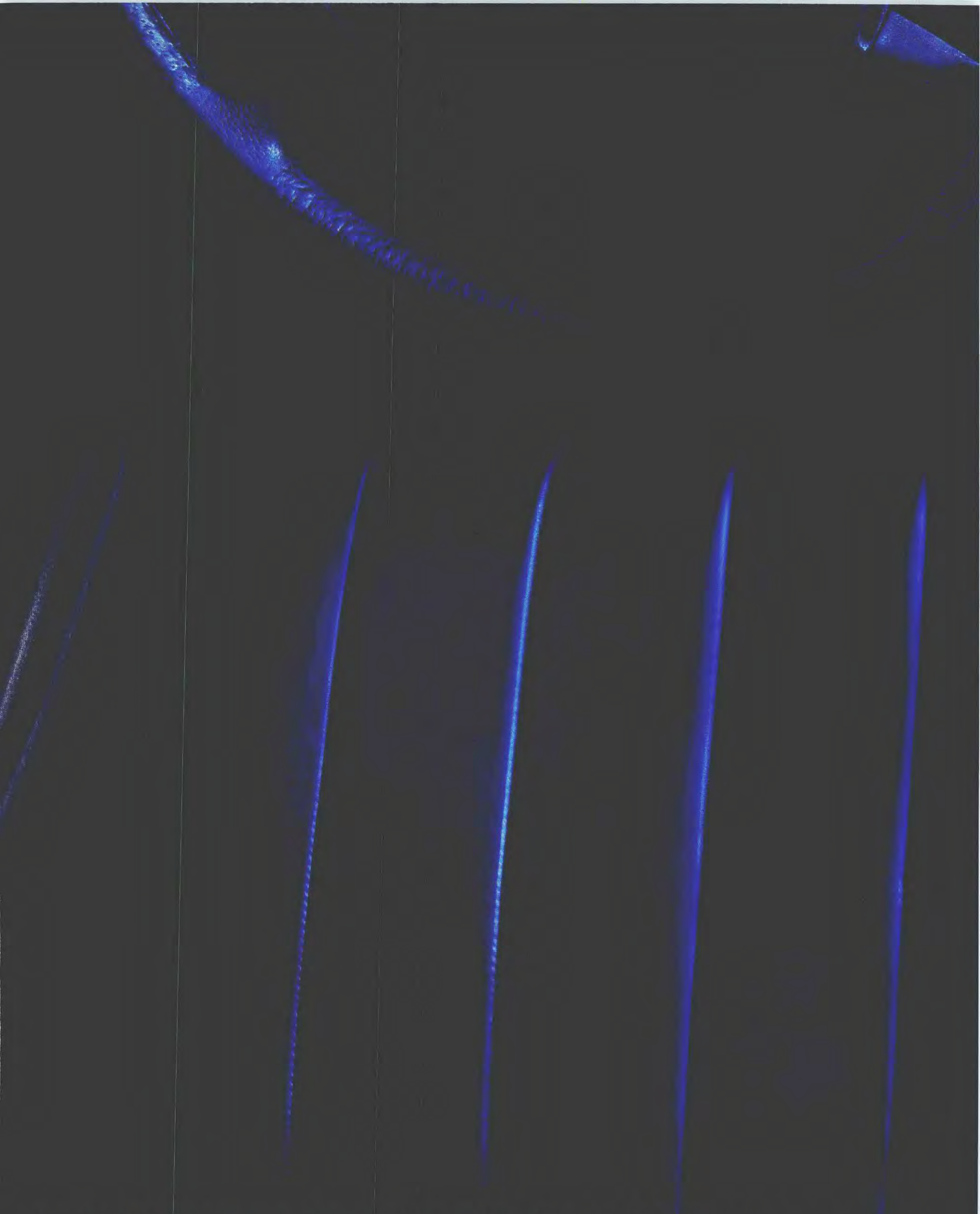
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Networks adding agency, broker members seeking to grow

By LEE FLETCHER

The growth of brokerage networks is on the rise, as they continue to attract members seeking security, profitability and, most importantly, continued independence.

One of the factors behind the growth of brokerage networks is a demand for market access as well as an increase in the number of affinity groups, said Timothy J. Cunningham, principal in the Chicago office of Kansas City, Mo.-based The INSIGHT Consulting Group.

"Sharing and having contacts around the country or around the world is very important in terms of shortening the learning curve and

having colleagues so you don't always have to reinvent the wheel. On the other side, the market access sort of speaks for itself. If you can have a unique product or access to a unique market that your competition doesn't have, you're one leg up," Mr. Cunningham said.

One of the oldest and largest brokerage networks is Columbus, Ohio-based Assurex International. Its membership, comprising mainly mid-size to large regional commercial brokers, has grown from three in 1954 to 68 today, said President Tom Harvey. With gross revenues of \$1.2 billion in 1999, the network would easily rank among the 10 largest brokers in the world, if considered as a single entity.

While the world's top 10 cater

mainly to the very largest companies, Mr. Harvey said Assurex specializes in serving middle-market clients.

"Assurex partners are kind of the king of the middle market. Although we do write some business for Fortune 500s, Assurex mainly deals with regional, mid-market companies who are growing and who are international in scope," he said.

Mr. Harvey believes the middle market presents an important business area for insurance brokers. "The engine of growth has to be emerging in mid-market companies, so we're growing. If you look at their (the 10 largest brokers') numbers if they're growing, they're only growing in single-digit rates," he said.

Indeed, the 10 largest brokers' bro-

kerage revenues increased 6% in 1999, to a total of \$14.83 billion.

The average Assurex brokerage generates commissions of \$12 million to \$13 million, Mr. Harvey said. "There is quite a cluster in the \$8 million to \$15 million range. About 80% of our partners are there."

One of the reasons Assurex has succeeded in attracting members is the intimacy of working closely with other partners in the network, he said.

"Assurex is an organization of peers. We deliver to our partners. Principals meet every six months and have panel discussions and presentations that deal with issues and challenges facing them today," Mr. Harvey said.

Another network is the Keene,

N.H.-based Strategic Independent Agents Alliance, formerly the Satellite Independent Agents Alliance, renamed in March 2000. SIAA comprises 42 agencies nationwide and as a group generates gross revenues of more than \$165 million, said Chairman and Chief Executive Officer Jim Masiello.

Based on the \$150 million in commissions that SIAA members collected in 1999, the network grew more than 13% last year from about \$132 million in commissions during 1998.

Mr. Masiello said middle-market networks such as SIAA, which serves about 1.3 million customers, are stable business partners. "The buyers get stability in these relationships because of the close personal relationships" that the SIAA members have.

Referring to the large brokerage houses, he said, "we're not in that league and we don't want to be. We are a small to mid-market organization with a relatively heavy emphasis on personal lines. It's a market that's sort of been forgotten. The big guys take the big stuff and they just don't care about anything else—we're there to take everything else."

Through its network of "master agencies," or fairly large intermediaries, Mr. Masiello said SIAA members can handle just about any client's exposure.

Agency network Group 500 was created six years ago by independent agencies that felt there was a need for medium-size agencies, said George Nordhaus, chairman of Los Angeles-based Insurance Marketing & Management Services, which owns 80% of Group 500.

Group 500's approximately 150 members generated about \$450 million in gross commissions in 1999, unchanged from the previous year, Mr. Nordhaus said. The average Group 500 member had 1999 gross revenues of about \$2.5 million.

"We are growing, especially as the market gets tighter and harder, agents are looking for more markets, etc.," Mr. Nordhaus said.

Working with an agency network "gives the buyer a better product because there is a specialty. It's so niche-oriented, it makes it better for the customer to get a niche product," he said. Networks such as Group 500 also give buyers "the power of many, with network-affiliated offices all over the country, as well as the individual attention of a broker."

Individually, agencies cannot always match the resources of a larger brokerage house on their own, Mr. Nordhaus noted. "It's very difficult for our agents to go out and compete with the Marsh or the Aon because they don't have the manpower. Through us, we come up with services for our members to use" in serving clients, he said.

Information sharing is a key to networks' success, their executives say.

"IMMS membership offers tremendous communication opportunities. Members receive e-mails each week as well as a networking ability. Additionally, we have an annual meeting in Chicago," Mr. Nordhaus said.

Assurex's Mr. Harvey said that Assurex partners are very open and assist each other.

"That (sharing) is the hallmark of Assurex. The rules of Assurex are that when you get a call from another Assurex partner for information or assistance, it goes to the top of your to-do list that day. Our level of responsiveness surpasses the branch-office responsiveness of any of our competitors by a factor of 10," Mr. Harvey said.

See Networks on page 14

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Networks

Continued from page 12

While some networks may seek to expand internationally—indeed, there are several European networks—at least one sees advantages in staying close to home.

Being a primarily domestic network “is positive because you’re sharing with people who have similar business. There are a lot of other networks to use to get a global perspective,” said Robert Cohen, Denver-based president of U.S. brokerage network Intersure.

“You don’t want a one-stop shop because the issues get diluted. Hiring, compensation, and other issues are different internationally than in the U.S.,” Mr. Cohen said. He is also CEO of IMA Inc., which is a member of both Intersure and Assurex.

Intersure, based in Warrenton, Va., has 46 partners and has an estimated \$4 billion in total premium volume. Gross revenue data was unavailable.

Mr. Cohen said that Intersure, as many other networks claim, has a strong offering of independence as well as the advantages of networking with a bigger group.

Evolution in the insurance industry means that agents and brokers must change to meet customers’ needs, but networks should have a role to play if they continue to serve their clients, according to INSIGHT’s Mr. Cunningham.

“As long as the networks continue to deliver value, they will continue to exist. It’s a dynamic industry and the ultimate needs of the insurance buyer are changing, so the broker has to change” the way it delivers its products and services, he said. **BI**

Consolidation reshapes ranks of 100 largest U.S. brokers

By **MATT SCROGGINS** and **PAUL D. WINSTON**

In a soft market environment, marked by continued consolidation, some cluster revenue gains and ample competition among firms, there was some reshuffling in the ranks of the 100 largest brokers of U.S. business.

Only nine of the 25 largest brokers of U.S. business were able to retain the same position they held in last year’s ranking, while nearly as many—eight—lost ground this year.

In last year’s ranking, only one of

the companies in the top 25 slipped in rank (*BI*, July 19, 1999).

At the same time, five of the top 25 brokers improved in rank, and two companies new to the chart made their debut in the top quartile. Of the brokers that slipped in the ranking, most lost only one or two spots.

Some shifts in position were due in part to the entrance of new companies CEIZ Benefits & Insurance Services, which entered the field at No. 12; and Summit Insurance Advisors L.L.C., which debuted at No. 25. Summit was formed last year by a merger of Meeker-Sharkey Financial Group—No. 33

in last year’s ranking—and several other agencies. In addition, former No. 19 Lambert Fenchurch Group P.L.C. merged with fellow U.K.-based broker Heath Group P.L.C. to form HLF Insurance Holdings Ltd., which entered the top 100 ranking this year at No. 16.

And the group made up of the No. 11 through No. 25 companies proved a bit more dynamic than the top 10. Seven of the nine top-25 companies that held onto their rank were in the top 10. One company retained its spot but changed its name: Wells Fargo Insurance Inc., No. 8 in the ranking, formerly was known as Norwest Insurance Inc.

That several companies fell in position despite posting increases in revenue illustrates that competition remains intense among the largest brokers.

For example, BB&T Insurance Services Inc. dropped one place to No. 13 despite achieving a 55.0% revenue increase to \$125.1 million, while ABD Insurance & Financial Services Inc., which boosted its brokerage revenues by 23.6%, lost two spots to No. 20.

A similar trend existed across the entire field of ranked companies. Thirty-eight companies lost ground in terms of position, but only six of those companies posted a decrease in revenues.

For the companies that advanced in the top 25, the shifts were minor on the whole. Palmer & Cay Inc., one of the members of the Columbus, Ohio-based broker network Assurex International, saw the largest gain in terms of position, advancing six spots to No. 15.

The change was driven, in part, by a 55.6% increase—also the largest among the top quartile—in U.S. brokerage revenues. Palmer & Cay’s revenue increase to \$81.5 million was fueled by several acquisitions the broker made in 1999.

Hobbs Group L.L.C., whose revenues increased 38.8% to \$66.2 million, moved up three spots to No. 21. Brokers Acordia Inc. and Assurex partner NIA Group L.L.C. each moved up one spot, as did No. 10

See Markets on page 18

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Gras Savoye	12.3
Gallagher	11.7
Aon	9.2
Acordia	8.9
Willis	6.7
JLT	6.0
Marsh	3.8
HLF	2.3
USI	2.0

Source: *BI* survey

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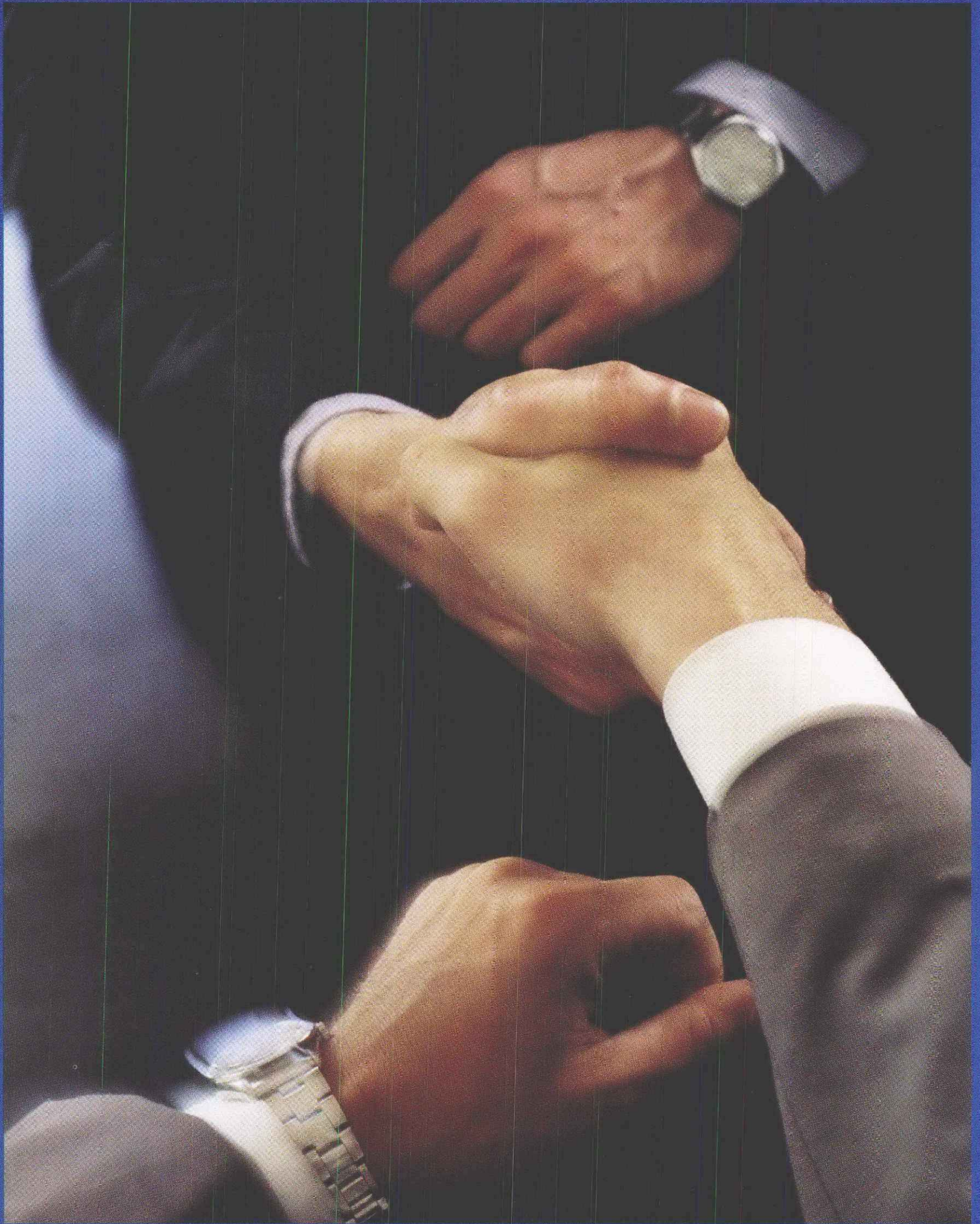
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Financial Adviser Rankings for 1999

Ranked by Number of Deals/Rankings exclude terminated deals

1999 Rank	1998 Rank	Firm	Number Of Deals
1	13	Marsh•Berry & Co.	22
2	1	Goldman Sachs & Co.	18
3	2	Donaldson Lufkin & Jenrette Inc.	15
4	6	Salomon Smith Barney Holdings Inc.	14
5	3	Morgan Stanley Dean Witter & Co.	12
6	4	Cochran Caronia & Co.	8
7	4	Credit Suisse First Boston Corp.	6
7	8	Merrill Lynch & Co.	6
9	16	Advest Inc.	5
9	8	Philo Smith & Co.	5
11	22	2nd Generation Capital Corp.	4
11	NR	Bear Stearns & Co.	4
11	11	Wasserstein Perella & Co.	4
14	18	Chase Securities Inc.	3
14	8	Fox-Pitt Kelton Inc.	3
14	11	J.P. Morgan Securities Inc.	3
17	13	ABN AMRO	2
17	NR	Gill & Roëser Inc.	2
17	NR	Lazard Freres & Co.	2
17	NR	Stephens Inc.	2
17	NR	U.S. Bancorp Piper Jaffray Cos.	2
17	22	Warburg Dillon Read LLC	2
23	NR	Aon Capital Markets Inc.	1
23	22	Banc of America Securities LLC	1
23	NR	Berwind Financial LP	1
23	NR	Capital Formation Group	1
23	NR	Carson Medlin Co.	1
23	NR	CIBC World Markets Corp.	1
23	22	Danielson Associates Inc.	1
23	NR	Davenport & Co.	1
23	18	Dresdner Klienwort Benson	1
23	NR	Fletcher Financial Inc.	1
23	NR	Garland McPherson & Associates Inc.	1
23	NR	Green Manning & Bunch Ltd.	1
23	NR	Marcum & Kliegman	1
23	22	Morgan Keegan & Co.	1
23	NR	Northeast Capital & Advisory Inc.	1
23	22	P.W. Mattingly & Co.	1
23	NR	PricewaterhouseCoopers	1
23	NR	Private Equity Foundation	1
23	22	Reagan & Associates	1
23	NR	Russell Miller Corporate Finance Inc.	1
23	NR	Sandler O'Neill & Partners LP	1
23	22	Schroder & Co.	1
23	NR	SG Cowen Securities Corp.	1
23	NR	William Blair & Co.	1

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BROKER PROFILES

Top brokers

Continued from page 14

Lockton Cos. Inc., whose \$147.4 million in U.S. brokerage revenues established the threshold for entering the top 10. In last year's ranking, the No. 10 company had \$146.1 million in

revenues.

One company, American Phoenix Corp., did not return to the top 25 as a result of consolidation. American Phoenix was bought last year by No. 7. Hilb, Rogal & Hamilton Co.

U.S. brokerage revenues for the 100 ranked companies totaled \$11.60 billion in 1999, an increase of 10.9% over

total revenues reported by the companies for 1998. U.S. brokerage revenues include commissions and fees generated by the placement of insurance, consulting and related services for U.S. clients, as well as interest income on funds, such as premiums, held in a fiduciary capacity. Excluded is any income from underwriting, invest-

ment management services or business unrelated to risk management or employee benefits.

In the lower three-fourths of the ranking, nearly as many companies advanced in ranking as declined. Twenty-nine companies improved their position—six by more than 10 notches—while 30 lost ground. In addition, six companies retained their ranking from the prior year, and 10 new companies entered the fray. The near balance seen this year marks an improvement for the group as a whole. Last year, 41 companies in the field of 75 fell in the rankings, while only 22 advanced.

Competition remains fierce, however. Although 30 companies in the field of 75 saw their rank drop this year, 25 of those actually reported increased U.S. brokerage revenues for the year. Sullivan Curtis Monroe, for example, dropped four spots to No. 62 despite recording a 13% increase in revenues; and Tanenbaum-Harber Co. Inc. lost three notches to No. 50 even though its revenues grew 6.4%.

The Loomis Co. saw the largest advance in position this year, leaping 29 spots to No. 51. The company, which made no acquisitions in 1999, attributed its 68.1% U.S. brokerage revenue increase to organic growth.

The next largest rise in rank—22 spots to No. 38—was recorded by Allied Coverage Corp., which also was quiet on the acquisition front and managed to grow its business internally. Allied Coverage's ascension in the ranking was driven by a revenue increase of 72.2%, the second largest in the lower three-fourths.

The largest increase in revenues was posted by newcomer The Capacity Group of Cos., which posted a 77.2% increase in U.S. brokerage revenues after acquiring Insurance Resource Group in 1999. That increase earned it the No. 90 spot in this year's ranking.

Other companies seeing double-digit increases in rank included Allied American Insurance Agency, up 18 spots to No. 64; The Heffernan Group, up 17 to No. 80; Horton Insurance Agency Inc., up 15 to No. 52; and The Hays Group Inc., up 14 to No. 85.

In terms of revenue, other large increases in the lower three-fourths of the ranking included: No. 28 Commerce National Insurance Services, up 59.4% to \$50.3 million; No. 31 Robert F. Driver & Co. Inc., whose revenues rose 37.8% to \$47.0 million; No. 88 McQueary Henry Bowles Troy L.L.P., whose 31.6% revenue increase was sufficient to land it a spot on the chart this year; and No. 100 William

Gallagher Associates—another newcomer to the list—whose 35.5% increase over 1998 to \$12.4 million established the new threshold for entering the top 100. Last year's threshold was \$10.8 million, which was itself an increase of 12.5% from the prior year.

In addition, four members of the Assurex network joined the top 100 this year: Riggs, Counselman, Michaels & Downs Inc., No. 53; Woodruff-Sawyer & Co., No. 60; Barney & Barney L.L.C., No. 73; and The Mahoney Group, No. 94.

Two companies from last year's chart, Hass & Wilkerson Inc. and Scott Insurance, did not make the top 100 this year. In addition, Wm. Rigg Cos., Posse Walsh Buckman Van Buren declined to provide information this year, and The Rosenthal Cos. and Mack & Parker Inc. were bought by other companies. Anchor Pacific Underwriters Inc. did not respond this year due to a change in its business focus.

While the top 100 chart is based on the percentage of total brokerage revenues from U.S.-based clients, *Business Insurance* also ranks the 20 largest U.S. retail brokers.

Although the majority of the 20 largest retail brokers also are among the 20 largest brokers of U.S. business, there are a handful of changes. For example, when it comes to U.S. retail business, Jardine Lloyd Thompson Group P.L.C., HLF Insurance Holdings Ltd. and Meadowbrook Insurance Group Inc. fall from the top 20.

Their departure makes way for Frank Crystal & Co. Inc. at No. 17, Hobbs Group L.L.C. at No. 18 and John L. Wortham & Son L.L.P., a member of the Assurex network, at No. 19.

As a group, the 20 largest U.S. retail brokers generated retail brokerage revenues of \$6.24 billion, up 10.3% from 1998.

Business Insurance also has developed several new rankings this year, intended to provide new ways of looking at brokers other than overall revenue scale.

Revenue per employee, for example, is one way of measuring an agency or broker's productivity. New to this issue is a chart depicting the 10 most productive brokers, which are then compared with the productivity of the world's 10 largest brokers.

The most productive broker, Tri-Arc Financial Services Inc., posted brokerage revenues of \$9.7 million and had 16 employees in 1999, for a hefty revenue per employee of \$607,934.

The No. 2 in terms of productivity was Joseph Held Co. Inc., with revenue per employee of \$384,960, and No. 3 was AirSure Ltd., with \$266,239.

By contrast, the most productive among the top 10 was Marsh & McLennan Cos. Inc., with revenue per employee of \$134,746.

Also new this year is a chart of the largest benefit brokers, which are companies that derive a majority of their revenues from benefits-related businesses. To be ranked, however, a company must also derive at least 20% of its revenues from commercial retail brokerage services, thereby eliminating companies dominated by health care consulting or claims handling services.

The largest benefits broker is USI Insurance Services Corp., which derived 58.4% of its 1999 brokerage revenues from benefits business, or \$187.8 million. The second-largest benefits broker is CBIZ Benefits & Insurance Services Inc., which derived 58% of its brokerage revenues from benefits, or \$92.8 million. And at No. 3 is Fringe Benefits Management Co., which generated all of its brokerage revenues, or \$15.5 million, from benefits business. **BI**

PRODUCTIVITY VS. SIZE

The most productive brokers...are not the largest

ranked by 1999 broker revenues per employee

top 10 brokers' 1999 revenue per employee

Broker	Revenue/employee
Tri-Arc Financial Services Inc.	\$607,934
Joseph Held Co. Inc.	\$384,960
AirSure Ltd.	\$266,239
Frank Crystal & Co. Inc.	\$246,511
Healthcare Insurance Services Inc.	\$237,481
Wells Fargo Insurance Inc.	\$235,755
Mid American Group Inc.	\$220,778
The Sklover Group Inc.	\$218,250
Mellon/Clair Odell Group	\$203,408
Kelter-Thorner Inc.	\$203,365

Broker	Revenue/employee
Marsh & McLennan Cos. Inc.	\$134,746
Willis Group Ltd.	\$131,208
Arthur J. Gallagher & Co.	\$127,708
Gras Savoye & Cie.	\$127,429
Aon Corp.	\$123,077
Jardine Lloyd Thompson Group P.L.C.	\$118,650
USI Insurance Services Corp.	\$101,474
Acordia Inc.	\$94,095
HLF Insurance Holdings Ltd.	\$88,573
Alexander Forbes Ltd.	\$69,373

Source: BI survey

TOP BENEFIT BROKERS

Brokers that derive majority of 1999 brokerage revenues from benefits business

Rank	Company	Revenue from benefits*	% of total brokerage revenues
1	USI Insurance Services Corp.	\$187,788,120	58.4%
2	CBIZ Benefits & Insurance Services Inc.	\$92,800,000	58.0%
3	Fringe Benefits Management Co.	\$15,516,970	100.0%
4	The Tribus Cos.	\$13,860,000	70.0%
5	SilverStone Group Inc.	\$10,560,000	66.0%
6	The Cambridge Group Inc.	\$10,331,672	75.0%
7	CFG Insurance Services	\$7,518,475	64.5%
8	Fox-Everett Inc.-an Assurex partner	\$6,157,200	60.0%
9	Financial Independence Co.	\$3,700,000	100.0%
10	Employee Benefit Specialists Inc.	\$2,684,237	100.0%

*Includes commissions and fees from brokering group benefit coverage, benefit consulting and health care claims administration.
Source: BI survey

LEADING U.S. RETAIL BROKERS

Based on 1999 commercial retail brokerage revenues from U.S. offices

Rank	Company	1999	% change	Rank	Company	1999	% change
1	Marsh & McLennan Cos. Inc. ¹	\$2,257,788,000	11.1%	12	CBIZ Benefits & Insurance Services Inc.	\$75,200,000	46.0%
2	Aon Corp.	\$1,493,000,000	-1.4%	13	Palmer & Cay Inc. -an Assurex partner	\$69,007,566	48.4%
3	Willis Group Ltd.	\$464,366,000	5.0%	14	Near North Insurance Brokerage Inc.	\$66,642,000	22.4%
4	Arthur J. Gallagher & Co.	\$356,716,000	18.4%	15	ABD Insurance & Financial Services Inc.	\$65,131,000	21.2%
5	Acordia Inc.	\$265,561,000	9.3%	16	McGriff, Seibels & Williams Inc. -an Assurex partner	\$62,738,565	14.9%
6	USI Insurance Services Corp.	\$191,970,000	-0.9%	17	Frank Crystal & Co. Inc.	\$53,874,528	6.4%
7	Wells Fargo Insurance Inc.	\$174,270,000	21.6%	18	Hobbs Group L.L.C.	\$47,216,074	41.1%
8	Hilb, Rogal & Hamilton Co.	\$168,147,000	33.3%	19	John L. Wortham & Son L.L.P. -an Assurex partner	\$46,407,360	20.0%
9	Lockton Cos. Inc.	\$145,824,000	25.6%	20	Talbot Financial Corp.	\$43,715,000	24.8%
10	Brown & Brown Inc.	\$107,611,000	22.8%				
11	BB&T Insurance Services Inc.	\$82,570,599	144.3%				

¹ Estimate
Source: BI Survey

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Marsh & McLennan Cos. Inc.

1166 Ave. of the Americas,
New York, N.Y. 10036;
212-345-6000; fax: 212-345-3833;
www.marsh.com

	1999	1998
Premium volume	\$33.4 billion	\$32 billion
Gross revenues	\$9.18 billion	\$8.55 billion
Brokerage revenues	\$6.10 billion	\$5.88 billion
Brokerage: Retail	41%*	38%*
Wholesale	4%*	4%*
Reinsurance	5%	5%
Services	21%*	22%*
Other	29%*	31%
Employees	45,300	46,900
Rev./employee	\$134,746	\$125,330
Employee benefits	17%	17%
Offices	315*	324

*BI estimates

The evolving world of insurance and risk management plays to the strengths of Marsh Inc., the brokerage's senior executives say.

As risk managers and insurers seek to address a wider array of risks and corporate issues, the world's largest broker is able to call on the expertise of its sister companies within Marsh & McLennan Cos. Inc. as well as its own depth of resources.

The services of Mercer Consulting Group Inc., the investment expertise of Putnam Investments Inc. and the wide array of risk management advisory services and insurance brokering skills at Marsh itself combine to create a powerful combination, M&M executives say.

And the changes in pricing in the insurance market should benefit Marsh more than most other brokers, according to analysts. By paying premium prices for top-quality brokers over the past several years, Marsh is better positioned than its peers to reap the benefits of higher commissions and fees in most lines of business throughout the world, the analysts say.

Still, while the evolution in financial services is beneficial to Marsh, analysts say the broker may eventually be absorbed by an even larger financial services conglomerate.

Over the past year, Marsh has put the finishing touches on its integration of Sedgwick Group P.L.C. and Johnson & Higgins and is better positioned to provide brokerage and other services to commercial policyholders, said John T. Sinnott, chairman and chief executive officer of Marsh Inc.

In addition, with a new unit that draws on expertise in different departments throughout Marsh, Mercer, and Marsh & McLennan Securities, the brokerage is ready to provide services beyond traditional insurance placements, he said.

MMC Enterprise Risk was launched in March to focus on delivering integrated risk management services (BI, March 27). The new unit takes a broad view of risks facing a corporation and draws on several units within Marsh & McLennan to help manage the risks. MMC Enterprise Risk is headed by Bob Khanna, a former longtime executive at Citigroup. MMC Enterprise Risk has a permanent staff of about 30 and, when necessary, draws staff from all of Marsh & McLennan's units.

It is an example of how Marsh is growing by adding products and services to increase its business, Mr. Sinnott said. "We think that by aligning those particular disciplines we'll be better able to deliver the resources to clients," he said.

The move also reflects a changing view of risk management among Marsh clients, said Brandon W. Sweitzer, president of Marsh Inc.

Increasingly, clients are interested

in the total risk their organizations face, rather than just the traditionally insured risks, he said. That interest is also reflected in the small but growing number of companies that have "chief risk officers" to manage all the risks—insured and non-insured, Mr. Sweitzer said. "We are starting to see more than a handful now," he said.

And while most companies still do not have CROs, risk managers' roles are changing and becoming more complex as they are required to manage a wider array of risks, Mr. Sweitzer said.

In addition to MMC Enterprise Risk, Marsh & McLennan is looking for other opportunities for its individual units to work together.

The success of M&M as a whole is based on its ability to manage three successful professional services operations under one corporate um-

brella, said Jeffrey W. Greenberg, chairman, president and chief executive officer of Marsh & McLennan.

In the future, the company should



"We had to try to sail against the headwind with this very soft market, and maybe there's less of a headwind now than there was a year or so ago."

— John T. Sinnott

be even more successful as each of the units—Marsh, Mercer, and Putnam—pool their services, he said.

For example, Mercer's expertise in e-commerce consulting can be used by Marsh to develop its e-commerce

initiatives, Mr. Greenberg said

And if a Marsh client needs asset management services, Putnam can provide those, he said. But each unit will keep focusing on its core business, Mr. Greenberg said.

"We compete against the very best specialists in the world, and we have to ensure that our business-ees are as expert and well qualified and well staffed," he said.

Despite the growing interest in enterprise risk management, the traditional placement of property and casualty insurance coverage is still the focal point of Marsh, said Mr. Sinnott. "That's still what we see as our

core capability, and that's our business," he said.

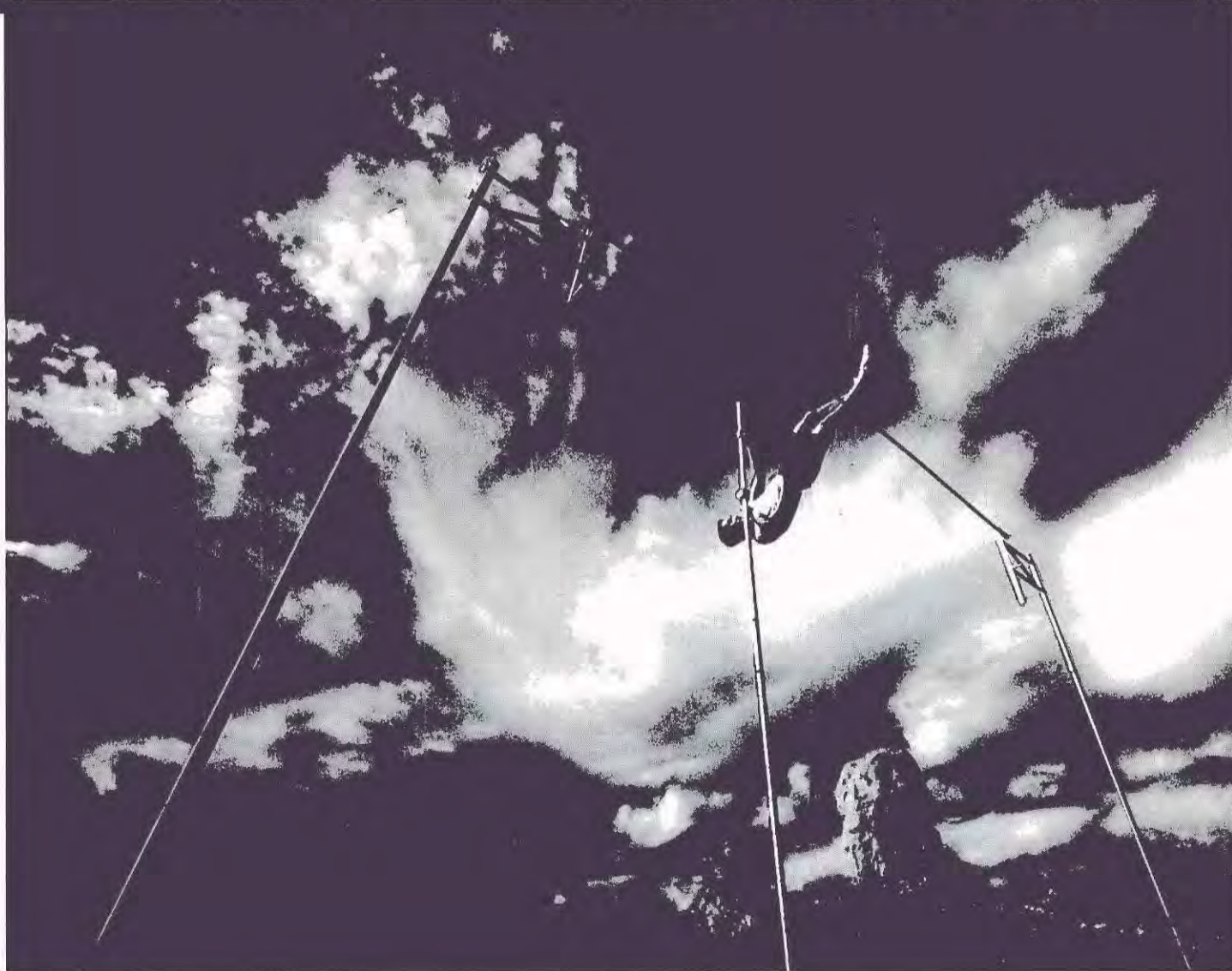
In its traditional business, Marsh had "an enormously successful year" in 1999 for middle-market business, said Mr. Sweitzer. Marsh defines middle-market clients as companies that do not have a full-time risk manager.

"That is the area where most people ask us about competition from regional and local brokers. The competition is keen and we seem to be more than adequately competing for the business," he said.

Part of the reason for the growth in the middle-market area is the acquisition of Sedgwick in 1998 and Johnson & Higgins in 1997. Both of those brokerages had substantial books of middle-market business, Mr. Sweitzer noted. Marsh also has adjusted its incentive program to

Continued on next page

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encourage staff to grow its middle-market business, he said.

While Marsh has long enjoyed a worldwide presence, the Sedgwick acquisition increased Marsh's reach in the United States, said Mr. Sinnott.

"For example, we did not have an office in Memphis, Tenn., and Sedgwick was the premier broker in the area," he said.

Since its purchase of Sedgwick in 1998, Marsh has sold some segments of the business, including a minority stake in an insurance entity in Saudi Arabia and other books of business that it sold to former Sedgwick employees who managed those accounts. The sales represented about \$200 million in brokerage revenues.

In all, 1999 saw Marsh's revenues and profits increase. "We've seen some improvement in the top-line

revenue growth, with the result that we expect good double-digit growth on the bottom line," said Mr. Sinnott.

Total corporate revenues for Marsh & McLennan increased 7.4% to \$9.18 billion. Brokerage revenues increased only 3.8%, to \$6.10 billion, last year.

In the first quarter of this year, M&M's corporate gross revenues grew 13% to \$2.66 billion, while Marsh Inc.'s brokerage revenues rose 3% to \$1.29 billion.

While the company last year didn't make any acquisitions on the scale of Sedgwick and J&H, Marsh did make a few small purchases in the United States over the past 12 months: it bought National City Insurance Group Inc., a brokerage in Grand Rapids, Mich.; and the Minneapolis business of risk and claims consultant Campos & Stratis. In ad-

dition, M&M's program manager, Seabury & Smith, bought Minneapolis-based benefit consulting company National Benefits Group.

Marsh also bought several brokerages or took larger stakes in businesses overseas in the past 12 months, including: SPK Marsh & McLennan and J&H Insurance Brokers in Malaysia; Sedgwick Thai Ltd. in Thailand; J&H de Venezuela; Boissarie et Martin in France; Sedgwick Philippines; Miguel y Martinez in Mexico; a 10% stake in Bonnor Draudimo Brokers in Lithuania; 51% of Sedgwick Kassman Pty. Ltd. in Papua New Guinea; 20% of CAPA in France; and 60% of PIFRS in South Africa. Marsh is also in the final stages of purchasing Peruvian broker VidalInti.

Marsh & McLennan plans to make more acquisitions to increase its consulting business, but there is little

need to make major strategic acquisitions for insurance brokerage business, Mr. Greenberg said.

In Europe, Marsh plans a major expansion over the next five years through recruitment.

The brokerage plans to hire about 3,000 additional people—1,800 in Continental Europe and 1,200 in the United Kingdom. The expansion will focus on small and medium-size companies, financial services, program business, risk consulting and wealthy individuals (BI July 3).

"We are putting some emphasis on some segments that are well developed in the U.S.," said Mr. Sinnott.

Previously, Marsh had the capacity to offer the services in Europe, but it was segmented, he said. For example, it placed program business in the United Kingdom but little elsewhere in Europe. "Now we want to take a pan-European approach," Mr.

Sinnott said.

As Marsh has expanded and integrated its acquisitions, it has not seen a large turnover in staff over the past year, said Mr. Sinnott. "We haven't seen a lot of that either way," he said.

During the integration of J&H and Sedgwick, there was some fallout as individual staff at the acquired brokers decided not to join Marsh, but that largely ended in 1999, he said. M&M's total workforce slimmed 3.4% last year to 45,300.

The swirl of interest and criticism over brokers' acceptance of contingent commissions also appears to have faded, Mr. Sinnott said.

Last year, following a heated debate at the Risk & Insurance Management Society Inc. conference in 1998, Marsh agreed, at a risk manager's request, to disclose some details on contingent commissions paid by insurers to Marsh for large volumes of business.

"We have the occasional request for more detail, but it's measured in the tens of clients, not the hundreds," Mr. Sinnott said.

Discussing Marsh's outlook on the insurance market, Mr. Sinnott said the market in general cannot yet be defined as "hard," but rates are increasing in some areas.

Rates for middle-market business are increasing, some property rates for large accounts are rising, and reinsurance rates are increasing generally, he said.

Liability accounts that have experienced major losses also are seeing increases, Mr. Sinnott said.

The increases should lead to higher revenues for Marsh, as much of its compensation is still based on commissions or negotiated fees, rather than a straight fee for service, he said.

"We had to try to sail against the headwind with this very soft market, and maybe there's less of a headwind now than there was a year or so ago. But anyone who thinks there is a tailwind like there was in the mid-1980s is crazy," Mr. Sinnott said.

In 1999, profits for Marsh & McLennan dropped 8.8% to \$726 million from the year before. The profit downturn reflected a \$377 million special charge related to acquisition costs for Sedgwick.

In the first quarter of this year, Marsh & McLennan's profits increased 20.8%, to \$337 million, from the year-earlier period.

M&M shares, which are listed on the New York Stock Exchange, traded at a high of \$112.50 and a low of \$61.75 during the past 52 weeks. M&M stock closed at \$108.13 on July 7.

Marsh & McLennan, as a whole, has performed well against its peers over the past several years, but its core insurance business is not attractive for investors, according to Mike Smith, an analyst at Bear, Stearns & Co. in New York. "If only we could have more Putnam," he said, noting that the asset management business is not affected by changes in the insurance cycle, as brokerage operations would be.

The brokerage will benefit from its purchases of J&H and Sedgwick as the market begins to harden, but in the long term the prospects for insurance brokerages are dim, Mr. Smith said.

The insurance industry in general is growing at a slower pace than the rest of the economy and while insurers can make up for low premium growth by generating more investment income by writing long tail business, brokerages rely on fees and commissions, he said.

Marsh is well-positioned to take advantage of the hardening market,
See Marsh on next page

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Marsh

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said Hugo J. Warns, principal-financial institutions group at Baltimore-based investment bank Legg Mason Wood Walker Inc.

Marsh & McLennan is dominant in insurance brokerage and employee benefits consulting, and it has a strong position as a mutual fund manager, he said.

Its insurance brokerage unit in particular is well-positioned against its peers due to the expensive but

high-quality acquisitions it has made over the past several years, Mr. Warns said.

And it is offering "cutting edge" enterprise risk products, he said. "It's the best-designed brokerage out there, with the ability to deliver products all over the world."

And in the future, distribution and advice will become more important as capital providers become diverse, Mr. Warns said.

But a high-quality and diverse company such as Marsh & McLennan may still end up in the long term as part of a larger financial services

group as the delivery of a whole range of financial services become more integrated, he said.

There were few executive changes at Marsh in the past 12 months.

Mr. Greenberg was named chief executive officer of Marsh & McLennan in November 1999 and chairman in May. He succeeds A.J.C. Smith, 35, who has retired as an executive of the company but remains a director.

Norman Barham, 58, retired as vice chairman of Marsh and a director of Marsh & McLennan in May. Mr. Barham was the last of the for-

mer J&H's senior executives to hold an executive position at Marsh. His responsibilities have been divided among existing Marsh executives.

Total cash compensation, including salaries and bonuses, paid to Marsh & McLennan's five highest-paid corporate officers in 1999, as reported to the Securities and Exchange Commission, was:

Lawrence J. Lasser	\$27,000,000
A.J.C. Smith	\$6,500,000
Jeffrey W. Greenberg	\$2,300,000
Feder Coster	\$1,730,329
John T. Sinnott	\$1,626,347

—By Gavin Souter



Aon Corp.

123 N. Wacker Drive, Chicago, Ill.
60606; 312-701-3000;
fax: 312-701-3233; www.aon.com

	1999	1998
Gross revenues	\$7.07 billion	\$6.49 billion
Brokerage revenues	\$4.8 billion	\$4.4 billion
Brokerage: Retail	40%	43%
Wholesale	8.5%*	6.5%
Reinsurance	10.5%*	9.5%
Services	9%	9%
Investment income	2%	2%
Other	30%	30%
Employees	39,000	34,000
Rev./employee:	\$123,077	\$129,324
Employee benefits	9%	9%
Offices	550	600

*BI estimate

Aon Corp.'s seemingly insatiable appetite for acquisitions over the past several years resulted in some indigestion at the end of 1999.

Although the strategy successfully achieved Aon's goal of expanding the Chicago-based company's operations around the world, executives say they did not accurately budget for the enormous cost associated with systems integration, which caught up with the broker in the fourth quarter.

That, in addition to \$313 million in pretax special charges made during 1999—a majority of which are associated with its acquisitions—contributed to a 34.9% drop in profits for the year.

Aon's stock price took a tumble at the beginning of 2000 upon news of lower-than-expected fourth-quarter earnings, dropping to a low of \$20.69 in the first quarter of 2000 from its 1999 high of \$46.66 in the fourth quarter.

"We're clearly disappointed with not meeting our own expectations as well as our shareholders' (expectations) for 1999, but we're not disappointed with the ingredients that we put together in terms of our strategy," said Michael D. O'Halleran, president and chief operating officer of Aon Corp. and president of Aon Group Inc., Aon's brokerage and consulting arm.

"In 1999, we put together the final pieces of the puzzle in terms of our global strategy. We were able to integrate operations around the globe, the last bits of which were on the European continent," Mr. O'Halleran said, referring to the 1998 and 1999 acquisitions of Le Blanc de Nicolay of France, Gil y Carvajal Group of Spain, Greig Insurance of Norway and Nikols Sedgwick Group of Italy.

Those European acquisitions rounded out Aon's global expansion strategy, which commenced in 1996 with the acquisition of London-based Bain Hogg Group Inc. and included such other major acquisitions as Alexander & Alexander Services Inc., Minet Group and Jauch & Huebener KGaA.

Mr. O'Halleran said that Aon has performed "extremely well" in consolidating the people and the business processes from all of its acquisitions. Systems integration, however, has been a different story.

"We simply didn't manage our (information technology) spending the way we should have," Mr. O'Halleran said. "I think, in hindsight, had we been able to get our arms around what it all meant, we would have allocated our capital in a different way. But the

See Aon on page 26

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Little Rock, AR

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BARNEY & BARNEY, LLC
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Fresno, CA

WOODRUFF-SAWYER & CO.
San Francisco, CA

COLORADO

VAN GILDER INSURANCE CORPORATION
Denver, CO

CONNECTICUT

THE WATSON GROUP
Wethersfield, CT

FLORIDA

J. ROLFE DAVIS INSURANCE AGENCY, INC.
Maitland, FL
SEITLIN
Miami, FL

GEORGIA

HAMILTON DORSEY ALSTON COMPANY
Atlanta, GA
PALMER & CAY, INC.
Savannah, GA

HAWAII

KING & NEEL, INC.
Honolulu, HI

ILLINOIS

TJ ADAMS GROUP, LLC
Oak Brook, IL

INDIANA

INSURANCE & RISK MANAGEMENT
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M-J INSURANCE, INC.
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Omaha, NE

NEVADA

CRAGIN & PIKE, INC.
Las Vegas, NV

NEW HAMPSHIRE

THE ROWLEY AGENCY, INC.
Concord, NH

NEW JERSEY

THE NIA GROUP, LLC
Paramus, NJ

NEW MEXICO

DANIELS INSURANCE AGENCY, INC.
Albuquerque, NM

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HATCH-LEONARD/MARKIN-SHAW, INC.
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Aon

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enormity of putting all these systems together around the world caught up with us," he said.

"Let's face it, nobody's ever done anything like we embarked upon," Mr. O'Halleran said of Aon's global expansion. "Even with our other competitor, it had a global platform to bring other companies into. We had to start from scratch, and that certainly was something, with hindsight, we would have assessed differently."

Mr. O'Halleran would not quantify the additional costs Aon spent for systems integration, in part because he said those costs also included expenditures related to various e-commerce initiatives and Y2K-compliance efforts.

Aon's retail, reinsurance, wholesale and consulting units in the United States and United Kingdom are in various stages of converting multiple



computer systems into single systems, Mr. O'Halleran said. Each system will have common infrastructure standards so that the systems can all "talk" to each other.

While the cost of systems integra-

tion was not the only contributor to lower fourth-quarter results, it was the only unexpected cost, Mr. O'Halleran said.

'We have a great franchise.

We're very proud of now or

team of people has brought

together the cultures and the

spirit of the organization.'

— Michael O'Halleran

Although Aon said in January that lower-than-expected new business growth and higher attrition rates in its U.K. and French brokerage operations would also negatively impact fourth-quarter results, Mr. O'Halleran said that the broker was too quick to assign blame.

"We came out with an early warning and, at that time, we believed that there was underperformance in the U.K. and in France," he said. "As it turned out, as we got the finalized

numbers in February, the truth was, most of the impact was not underperformance of the operating units, but (was) due to the effects of foreign exchange rates."

"Their new business growth matched that of the U.S., so we felt pretty good about that," he said.

Other factors contributing to depressed fourth-quarter earnings included a shortfall in investment income and the absence of some reinsurance revenues from Unicover Managers Inc.

Aon also took a \$150 million pretax charge against earnings in the fourth quarter, as well as a \$163 million pretax charge in the first quarter of 1999.

Of the total \$313 million in special charges last year, \$122 million covers the costs of settling with U.K. customers who purchased private pension plans based on allegedly improper sales advice. Aon inherited the pen-

sion liability from Godwins International Holdings Inc., the former benefits operation of Frank B. Hall & Co. Inc., which Aon acquired in 1992; and from Alexander Consulting Group, the former benefits operation of A&A, which Aon acquired in 1997.

The remaining first-quarter special charge went to cover costs associated with consolidating European acquisitions and for reorganization and layoffs expenses in the United Kingdom (BI, May 10, 1999).

The remainder of fourth-quarter charge went to cover costs associated with various litigation matters, including a \$27 million settlement Aon made with Reliance Group Holdings Inc., related to the broker's dealings with the failed Unicover workers compensation pool (BI, Jan. 17).

Taking into account the \$313 million in charges, Aon's net income dropped 34.9% to \$352 million in 1999.

Despite the lower earnings, revenues increased for 1999.

Brokerage revenues were up 9.2% to \$4.8 billion, which makes Aon the world's second-largest broker in *Business Insurance's* annual rankings. Total corporate revenues, which include Aon's investment income and revenues from underwriting operations, rose 8.9% to \$7.07 billion.

In the first quarter of 2000, Aon reported an 8.4% increase in brokerage revenues to \$1.25 billion. Corporate revenues increased 7% to \$1.81 billion.

Profits soared 146% to \$123 million in the first quarter, compared with the year-earlier period.

Despite the integration difficulties and inheriting liabilities from some of its acquisitions, Mr. O'Halleran said that Aon has no regrets about any of its global acquisitions.

"When we look at what this has allowed us to do, in terms of being one of two global service organizations of its kind, had we not made those moves we would not have served our shareholders in their best interest and we certainly would not have serviced the needs of our clients globally," he said.

"We have a great franchise," Mr. O'Halleran said. "We're very proud of how our team of people has brought together the cultures and the spirit of the organization."

"We've lost very few people that we didn't want to lose, and we kept most of our clients," he said.

Within in the last several months, however, Aon has lost a few executives, while others have been given new responsibilities.

Earlier this month, Alan R. Diamond, managing principal of Aon Risk Services Cos. Inc. of the Americas in New York, left the company and his position was not replaced.

In June, Teresa L. Pahl, executive vp of Aon Corp., left to become CEO of a new Internet company, IncNet.com. Her responsibilities have been reassigned to other people within the firm.

In April, Daniel T. Cox, chairman and CEO of Aon Consulting Worldwide, left to pursue other interests. Donald C. Ingram, chairman of Aon Consulting of the Americas, succeeded Mr. Cox.

And in March, Kenneth J. LeStrange, chairman of Aon's Alternative Market Operations, assumed the role of chairman of Aon Risk Services Cos. Inc. of the Americas, the retail brokerage unit, from Richard A. Riley.

Mr. O'Halleran said that this move was in the making for some time.

"We had met long before with Dick Riley and decided that we needed to identify a leader for the future," he said. "Dick had desired when he took the job, after Art Quern died, that he only wanted to do it for a certain time period."

See Aon on page 28

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Aon

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Mr. O'Halleran said that with Mr. Riley's help, Aon sought a replacement who would reflect where the future of the business was going. Aon also wanted to find a young person with broad industry experience. Mr. LeStrange fit the bill.

Prior to joining Aon, Mr. LeStrange was president of Am-Re Managers, the alternative risk transfer unit of American Re-Insurance Co.

Despite no direct retail brokerage experience, Mr. O'Halleran said that when Mr. LeStrange started Am-Re Managers, he "did nothing but work with retail brokers, so he knows that business extremely well."

As a result of Mr. LeStrange's appointment, Aon has integrated its AMO unit, which served as a holding

company for Aon's 22 managing general agencies, back into Aon Services Group Inc. ASG, headed up by Michael D. Rice, is Aon's specialty insurance and administration arm, which houses such companies as Cambridge Integrated Services Group Inc., Aon's claims and absence management unit, and Swett & Crawford Group, the largest insurance wholesaler in the United States. Roughly three years ago, AMO became a separate operating unit from ASG.

Aon Group now comprises four main units: Aon Risk Services; Aon Services Group; Aon Re Worldwide, the world's largest reinsurance broker; and Aon Consulting Worldwide, the world's sixth-largest employee benefits consulting firm.

In 1999, Aon Group had 39,000 employees in 550 Aon-owned offices in 120 countries. Aon is still planning to

relocate its headquarters to the former Amoco Building in Chicago, which has been renamed the Aon Center (*BI*, Jan. 10). For now, however, its employees and management remain in the company's Wacker Drive headquarters.

With 1999 behind it, Aon is focused on growing its business. To do this, the broker is looking to a number of technology initiatives.

Aon aims to explore how technology can boost efficiency, increase clients' knowledge and bring new sources of business to the company, among other things.

"What we can do in technology... is such a powerful way for us to grow," Mr. O'Halleran said. "We are very dedicated to becoming the technology leader of this industry."

Mr. O'Halleran said that Aon recently deployed a segmenting strategy throughout the organization

whereby each segment, whether it is small commercial, midmarket, major corporate or personal lines, is looking at the costs of obtaining and maintaining business, and how each segment can be more efficient and attract more business via technology.

In the effort to tailor e-business services directly to its customer segments, Aon has developed specific industry portals that give customers access to its various electronic products and services and business processes within Aon.

Patrick G. Ryan, chairman and chief executive officer of Aon, noted that although technology is the broker's biggest challenge at the moment, it also is Aon's greatest opportunity.

"Everyone in our industry has to get it right." While some will and some won't, "I believe we're getting it right," he said.

One technology initiative is AonLine, its risk management extranet service geared to its middle-market, large and global accounts. AonLine offers its roughly 600 subscriber clients access to their complete risk and insurance portfolio information in addition to a variety of proprietary data and transactional services.

Mr. O'Halleran highlighted two other technology initiatives within Aon over the past year.

One is the Aon Market Exchange, an online exchange where Aon electronically transacts business with insurers. Customers also have access to the exchange via the AonLine portal, and can conduct business online with insurers and with Aon. Aon's financial service groups in Minneapolis and in Denver piloted the program, which is now in the process of expanding into other areas of the company, Mr. O'Halleran said.

Also in 1999, Aon formed Aon Interactive Venture, charged with coordinating all of Aon's e-business efforts on a global scale, Mr. O'Halleran said. Aon Interactive Ventures evaluates the cost and benefit of all internal and external proposals for e-commerce ventures, among other responsibilities.

Aon's technology initiatives will further enhance the broker's goal of delivering 100% of Aon to its clients, executives say.

Aon's three-year-old business process known as Strategic Account Management aims to do just that with its large accounts.

Aon's roughly 54 Strategic Account Managers, known as SAMs, act much like a team manager on large accounts by bringing all of Aon, in terms of its resources and expertise, to clients based on their needs, Mr. O'Halleran said.

As part of the SAM initiative, Aon launched 10 global practice groups in 2000. These groups are made up of individuals from Aon's retail, reinsurance, wholesale and consulting units that are experts in a particular industry, Mr. O'Halleran said. The groups consist of construction, mergers and acquisitions, aviation, marine, energy, entertainment, financial institutions, trade credit, claims and affinity.

"Our goal has been and continues to be to bring the best and the brightest people in front of our clients," he said of the global practice groups.

Aon approved a three-for-two stock split, effective May 4, 1999. Its stock closed at \$31.31 on July 7.

The cash compensation, including salary and bonuses, of the five highest-paid officers of Aon Corp. in 1999, as reported to the Securities and Exchange Commission, follows:

Patrick G. Ryan	\$2,109,230
Michael D. O'Halleran	\$1,900,000
Harvey N. Medvin	\$952,695
Raymond I. Skilling	\$943,542
Daniel T. Cox	\$860,384

—By Sally Roberts

3 Willis

Willis Group Ltd.

10 Trinity Square
London EC3P 3AX, England
44-207-488-8111;
fax: 44-207-688-8223;
www.willis.com

	1999	1998
Premium volume	\$12.94 billion	\$13.26 billion
Gross revenue	\$1.24 billion	\$1.19 billion
Brokerage revenue	\$1.24 billion	\$1.19 billion
Brokerage: Retail	63%	60%
Wholesale	11%	12%
Reinsurance	18%	19%
Personal	3%	4%
Services	5%	5%
Employees	9,446	9,204
Rev./employee	\$131,208	\$129,262
Employee benefits	9%	7%
Offices	171	156*

Converted at applicable exchange rates.
* Restated.

Willis Group Ltd. is investing in 21st century technology to improve a business that Executive Chairman John Reeve describes as medieval.

While other financial service businesses provide customers with relatively fast and convenient services, the insurance industry still measures turn-around time for its transactions in "weeks and months, not days and hours," he noted.

"Insurance is a very, very backward industry in terms of customer services," Mr. Reeve observed. "It's really in the Dark Ages."

Even with all that time, however, the process is still far from error-free, he noted. Willis found that more than a quarter of the paperwork it produced contained errors that required correcting, and underwriters often add to the problem by reprocessing paperwork.

"They make a whole bunch of errors that are different from the ones we made, because they are pretty clever too," he said.

Hoping to eliminate these problems, Willis is restructuring its operations, creating electronic links to clients and underwriters and centralizing some administrative functions.

One system, dubbed "Adviser," allows clients to tap into proprietary Willis databases, access data on their own accounts, file reports and exchange messages directly with Willis over the Internet.

On the "back end," Willis is also building more efficient and reliable electronic links to underwriters. For example, the broker earlier this year began using the WISE Business Centre and Data Exchange to speed processing of transactions with Lloyd's of London underwriters and London market companies.

In the United States, meanwhile, Willis is centralizing insurance certificate processing and claims handling in regional units the broker has dubbed "centers of excellence," reports Brian Johnson, president and chief executive officer of Willis North America Inc.

Willis has set up two such facilities to issue certificates and has set a turnaround time of four hours for receiving and processing certificate requests, Mr. Johnson said. The broker is working toward an Internet-based system that could process certificates 24 hours a day, he added.

Another two centers have been established to perform "triage" on
See Willis on page 30

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Willis

Continued from page 28

incoming claims, routing each claim to "not the handiest but the very best person" within Willis to handle that claim with underwriters, Mr. Johnson said.

The broker also continues to build its industry- and product-specific practice groups and to link practice groups electronically in an effort at "knowledge management," Mr. Reeve said.

Willis employees in far-flung locations can contribute their knowledge and experience in solving a given problem, but "the trick is being able to bring that knowledge to bear in service of clients," he observed.

Willis specialist practice groups include aerospace, construction,

environmental, financial and executive risks, health care, marine, mergers and acquisitions and reinsurance.

Finally, Willis has been emphasizing "investment hires," which Mr. Johnson described as promising employees, not necessarily with insurance industry backgrounds, in whom Willis might invest three or four years of training before expecting significant revenue production.

"It's a shift from (hiring for) the very short term to the longer term," he said.

This isn't to say that brokers have stopped raiding one another for talent: Poaching staff members remains common among the top brokers, Mr. Johnson acknowledged.

In all of these efforts, Willis officials say they have benefited

from being a private company, owned since 1998 by an investor consortium led by Kohlberg Kravis Roberts & Co. L.P. and five insurers.



Many of its restructuring initiatives would have been more difficult if Willis were a public company that had to focus on the plans' short-term earnings impact, Mr.

Reeve suggests.

He declined to provide specifics of the company's expenses, and Willis no longer publishes its earnings.

Willis won't favor its insurer investors because 'we have to put the client's interest first or we will cease to fulfill our raison d'etre.'

— John Reeve

Whatever its current bottom-line results, though, Willis is holding its own in revenue production despite a continuing competitive marketplace.

Premium volume remained static last year at £8 billion for the second year in a row, the company reports. Translated into dollars using average exchange rates, volume fell 2.4% to \$12.94 billion last year from 1998 levels.

Gross corporate revenues, though, expanded 6.7% to £766 million in 1999. In dollars, this translated to a 4.2% increase to \$1.24 billion, keeping Willis firmly in its spot as the world's third-largest broker.

Because brokerage and related services account for virtually all of Willis' revenues, its brokerage and corporate revenues are the same.

Overall, Willis generated 63% of its 1999 revenues, or \$781.5 million, from commercial retail brokerage; 18%, or \$223.1 million, from reinsurance brokerage; 11%, or \$136.3 million, from wholesale brokerage; 5%, or \$62 million, from consulting and other non-brokerage services; and 3%, or \$37.2 million, from personal lines sales.

U.S. offices continue to generate the largest share of this business, accounting for £287 million (\$464.4 million) last year, up 7.5% from 1998's share. Non-U.S. offices produced £196 million (\$317.1 million), up 19.5% from 1998.

Commissions account for 70% of Willis' commercial retail brokerage revenues while fees generate 30%, the company reports.

Willis continues to expand its international platform, earlier this year acquiring a majority stake in Floyd & Associates (Pty) Ltd., a recently formed South African broker. Earlier this month, the broker formed Willis Korea Global in Seoul and New York to handle the worldwide exposures of Korean corporations.

Willis is now represented in about 73 countries, either through subsidiaries or through associate offices. For example, Willis maintains its longstanding correspondent relationship with Paris-based Gras Savoye S.A., working through Gras Savoye offices in a number of countries.

It also holds majority or minority stakes in S&C Willis in Spain, Jaspers Wuppesahl Industrie Assekuranz in Germany, Gruppo Ital Brokers in Italy and Asurandorgruppen in Denmark. During 1999, Willis bought 100% of Mansfeld, Huebener & Partner GmbH in Germany, now Mansfeld Willis GmbH, and a minority stake in Argentine broker Herzfeld & Levy.

By the end of last year, Willis operated through 171 majority-owned offices around the world, up from 156 at the end of 1998.

When investing in local brokerages overseas, Willis prefers to acquire a majority holding, Mr. Reeve noted. It will buy a minority holding if need be, but generally insists on a "staircase" provision allowing it eventually to become majority partner, he said.

In the United Kingdom, Willis is also expanding a franchise program for independent U.K. producers, Mr. Reeve reported.

Under the program, Willis takes over back-office functions for the producers and acts as a conduit to underwriters, using its leverage to improve insuring conditions for the producers' clients. Franchisee producers may keep their own names or use Willis', Mr. Reeve said.

The program has grown to 30 franchisees from 14 a year ago, and Willis aims to have 50 participants in the near future, he said. Willis is urging producers to acquire competitors to keep volume in the program growing, he added.

Though smaller by several billion dollars in revenues than rivals Marsh & McLennan Cos. Inc.

See Willis on page 34

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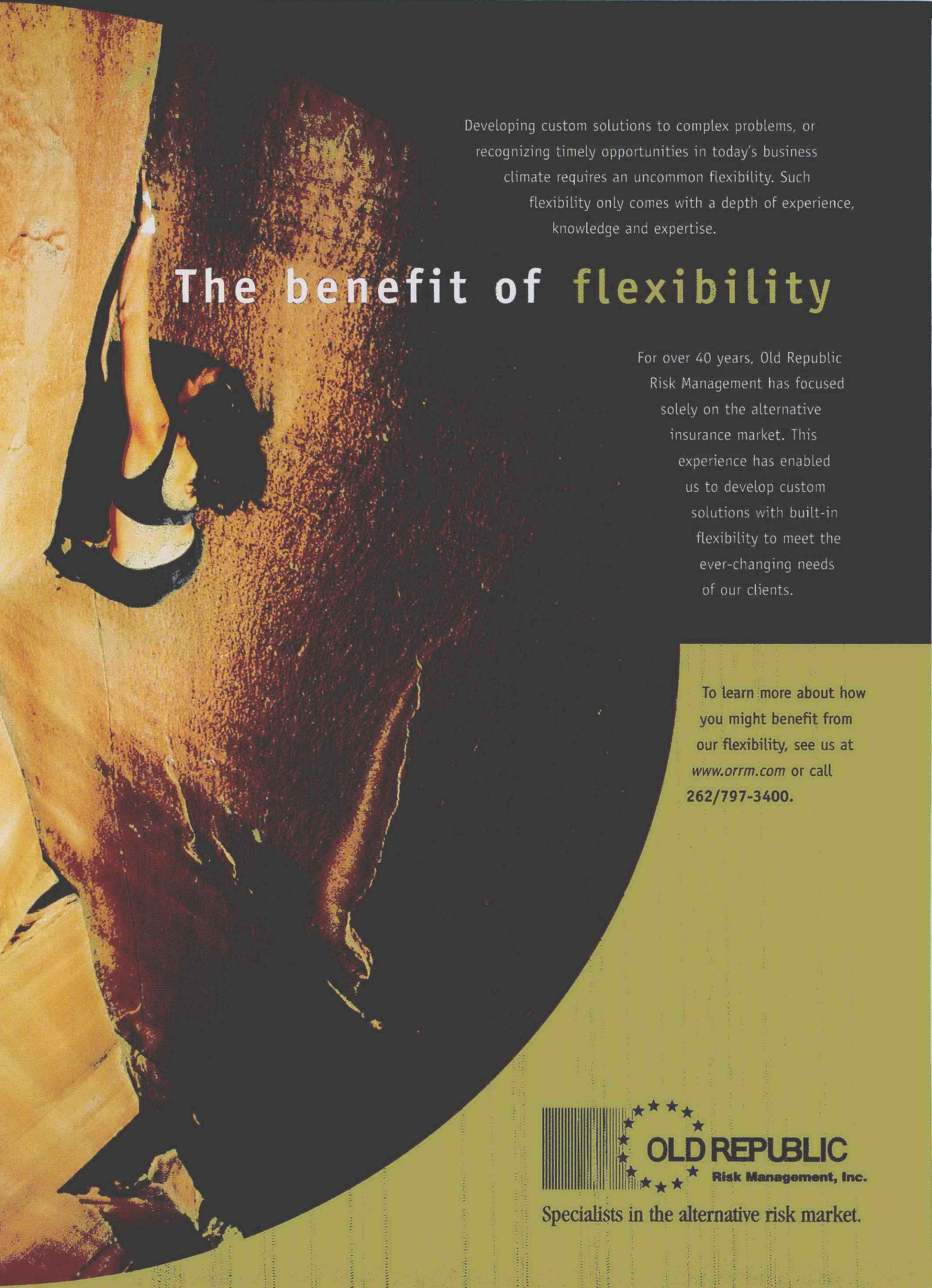
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A woman in a black dress is hanging from a rope against a textured, brown wall. The scene is lit with dramatic, low-key lighting, creating strong shadows and highlights. The woman's body is positioned vertically, with her arms extended upwards, holding onto the rope. The background wall has a rough, mottled texture. The overall mood is one of strength and resilience.

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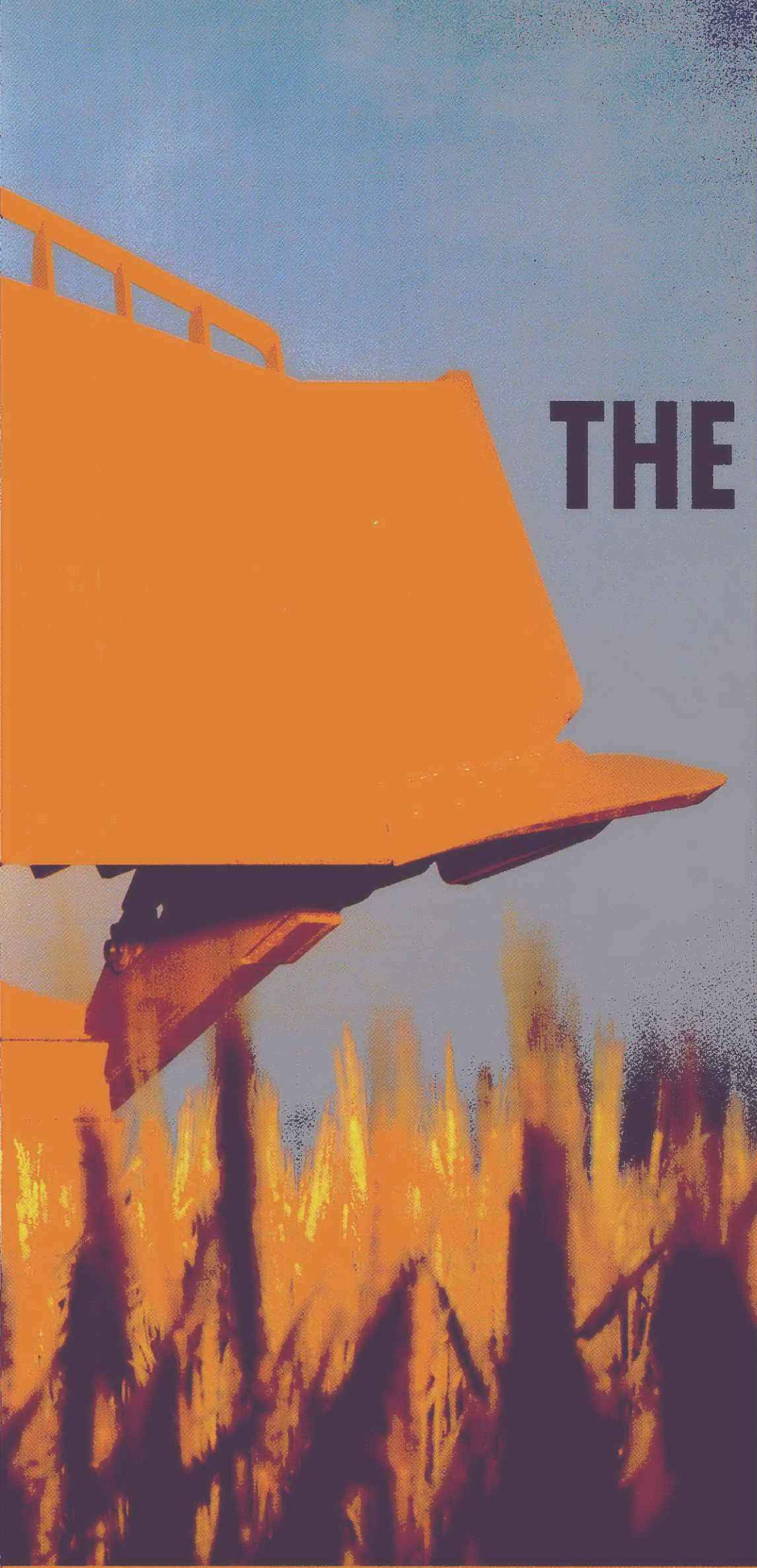
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ING 

Willis

Continued from page 30

and Aon Corp., Willis is the only other broker that can match their global reach, Willis officials say.

And, while hardly small at \$1.24 billion in revenues, Willis cites its smaller size and focus on client service as advantages over its two rivals.

Asked about what distinguishes Willis from competitors, Mr. Johnson said, "We are the company that listens. The highest calling at Willis is to be a damn good listener," he said. "We are not the slightest bit arrogant. We consider it a privilege to work for our clients."

Willis would have a far more difficult time spending money on its restructuring and other client

service initiatives if it were still a publicly traded company under pressure to produce maximum earnings, its executives say.

A constant subject of takeover rumors in the late 1990s, Willis was taken private in 1998 by Trinity Acquisition P.L.C., an investor consortium led by KKR. The investor group includes five insurers: Guardian Royal Exchange P.L.C., Royal & Sun Alliance Group P.L.C., Chubb Corp., The Hartford Financial Services Group Inc. and Travelers Property Casualty Corp.

The change had the immediate benefit of ending the takeover rumors, Mr. Reeve noted: "Ownership uncertainty is very damaging in a people business," he said.

Since then, Willis has been able to focus on expanding its international network of offices, invest-

ing in new communications technology—including its Adviser World Wide Web service—and automating its work wherever possible to speed up transactions.

While the KKR acquisition quickly spawned a new round of speculation that the investors would sell Willis for a quick profit, Mr. Reeve pointed out that KKR holds its acquisitions an average of eight years and is "in it for the long haul."

In three to four years, Willis may consider listing some of its shares on a U.S. stock exchange, he said.

In the longer term, it will have a wide range of ownership options, ranging from public ownership to a merger with a bank or other financial services company now possible following the repeal of Glass-Steagall Act restrictions,

Mr. Reeve noted.

In the meantime, though, "we are in the value creation phase," working to build on Willis' strengths, he said.

Fears that Willis might favor its insurance company investors for client placements, meanwhile, are unfounded, Mr. Reeve emphasized.

He cited a case in which he said Willis shifted Year 2000 coverage for a U.K. client away from Willis' two U.K. insurer investors to other insurers because the investors didn't offer the best deal.

"We have to put the client's interest first or we will cease to fulfill our raison d'être," Mr. Reeve observed.

For Willis and all large brokers, client service in recent years has less often required simple insurance placement and increasingly

meant providing consulting and support services for increasingly complex risk management problems.

This reality is reflected in a line from Willis' own Web site: "Don't tell us what insurance you want."

Brokerage has turned into an "advice-driven business (and) the transaction piece is only a part of that," Mr. Reeve observed.

Willis' own advisory services range from risk assessments to developing risk management and loss control programs; helping to set retention levels; developing appropriate risk finance programs that could include conventional insurance, finite risk or capital markets coverages; and providing ongoing support services, such as claims administration or captive management.

Along with services aimed at a particular client exposure, Willis offers enterprise risk management services to the large, sophisticated corporations that require it. Among other things, Willis has developed a software program called CHARM—or Consolidated Holistic All Risk Model—designed to analyze complex combinations of risks that could affect a corporation's earnings.

The brokerage is also expanding its employee benefits consulting business. This business—a far smaller operation than Marsh's William M. Mercer Cos. L.L.C. or Aon Consulting Worldwide—generated 9%, or about \$111.5 million, of Willis' 1999 gross revenues compared with 7%, or about \$83.3 million, of 1998 revenues. These figures include commissions for brokering group coverages in addition to consulting fees.

Working through benefits leaders in 38 U.S. offices, Willis is aiming principally at middle-market clients with several hundred to several thousand employees, according to Phil Neff, national benefits practice leader based in Willis' Wichita, Kan., office.

The benefits group is focusing on a variety of issues of particular concern to middle-market companies, such as dealing with the multiple payroll systems and health plans that must be consolidated after mergers and acquisitions, Mr. Neff said.

Other Willis operations include its reinsurance unit, the world's third-largest reinsurance broker; and Stewart Smith Group Inc., the third-largest U.S. surplus lines broker.

In addition to Mr. Reeve and Mr. Johnson, top Willis officials include Kenneth Pinkston, group executive director; and Thomas Colrairie, group finance director.

—By Douglas McLeod

Engineering Heath

engineering defined —

"to plan, construct, manage and put through by skillful acts."

engineering demands—

- a basis for involvement
- a degree of care and thought that is applied
- a belief that specific resources were brought to bear
- a reliance that something has been tested and found to be workable
- a continuous process of refinement and betterment

Our corporate purpose is engineering insurance solutions...

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the concept of engineering

best defines what we do on a daily basis since it describes

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- our commitment to practical results that are also the best in the circumstances
- the group strength we enjoy based on a nationwide network of offices

solutions are rewarding...they simply mean the problem was addressed, it was fixed, it went away, it got done. As independent wholesale brokers and mgs's, we thrive on solutions because they allowed us to grow our business volume to more than \$230 million in 1999.

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Mergers and Acquisitions

Westport Worldwide, LLC
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acquired
Executive Benefits Group, Inc.
Braintree, MA
March 2000

Hales & Company initiated the transaction and advised the buyer

Hobbs Group, LLC
Atlanta, GA
acquired
The Linden Company
Denver, CO
August 1999

Hales & Company advised the buyer

Frost Insurance Agency, Inc.
A Subsidiary of Frost National Bank
San Antonio, TX
acquired
Nieman Hanks Puryear Partners
and
Nieman Hanks Puryear Benefits
Austin, TX
June 2000

Hales & Company advised the seller

O'Neill Finnegan & Jordan
Boston, MA
acquired
McLaughlin & Co.
Florham Park, NJ
April 2000

Hales & Company initiated the transaction and advised the buyer

Capital Synergies, Inc.
Barrington, IL
acquired
Pension Actuaries of Philadelphia, Inc.
Philadelphia, PA
January 2000

Hales & Company advised the buyer

Acordia, Inc.
Indianapolis, IN
acquired
Duckworth-Morris Agency, Inc.
Tuscaloosa, AL
February 2000

Hales & Company initiated the transaction and advised the buyer

Americana Financial Services, Inc.
New York, NY
acquired
Benefits Unlimited, Inc.
Warwick, RI
September 1999

Hales & Company initiated the transaction and advised the seller

Americana Financial Services, Inc.
New York, NY
acquired
Morstan General Agency, Inc.
Lake Success, NY
February 2000

Hales & Company initiated the transaction and advised the buyer

Ward North America Holding, Inc.
San Diego, CA
acquired a majority holding in
Anchor Pacific Underwriters, Inc.
Concord, CA
March 2000

Hales & Company initiated the transaction and advised the buyer

American E&S
San Francisco, CA
acquired
Gateway Excess & Surplus Lines
Woodland Hills, CA
July 1999

Hales & Company initiated the transaction and advised the seller

Private Equity

Distribution Partners Investment Capital, L.P.
Hartford, CT
has provided growth capital to
iBenefits, Inc.
El Segundo, CA
January 2000

Hales & Company advised Distribution Partners

Distribution Partners Investment Capital, L.P.
Hartford, CT
has provided growth capital to
Bertholon-Rowland Corporation
New York, NY
June 2000

Hales & Company initiated the transaction and advised Distribution Partners

Corporate Finance

Ward North America Holding, Inc.
San Diego, CA
issued preferred stock to
Mutual Risk Management, Ltd.
Hamilton, Bermuda
E. W. Blanch Holdings, Inc.
Minneapolis, MN
Employers Reinsurance Corporation
Overland Park, KS
December 1999

Hales & Company initiated the transaction and advised the issuer

Distinguished Programs, LLC
New York, NY
has been acquired by its
Management
September 1999

Hales & Company advised the management group and arranged financing

If you are looking to secure growth capital or need expert advice related to valuations, structuring mergers and acquisitions or financing, please contact one of our Managing Directors in:

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4



Arthur J. Gallagher & Co.

The Gallagher Centre, 2 Pierce Place,
Itasca, Ill. 60143; 630-773-3800;
fax: 630-285-4000; www.ajg.com

	1999	1998
Gross revenues	\$605,836,000	\$540,655,000
Brokerage revenues	\$586,054,000	\$524,435,350
Brokerage: Retail	64%	64%
Reinsurance	1%	1%
Personal	1%	1%
Services	31%	31%
Investment income	3%	3%
Employees	4,589	4,288
Rev./employee	\$127,708	\$122,303
Employee benefits	13%	13%
Offices	67	60

ITASCA, Ill.—When J. Patrick Gallagher Jr., president and chief executive officer of Arthur J. Gallagher & Co., studies the signs for his company's future, he sees favorable portents converging as they haven't in years.

The first indications of firming insurance rates certainly bode well for Gallagher. But beyond that, the company's unique culture and the way it has positioned itself are additional reasons to believe Gallagher is poised to take full advantage of new opportunities for growth and success, Mr. Gallagher said.

The company posted total corporate revenues of \$605.8 million in 1998, an increase of 12.0% from its 1998 total.

Gallagher reported pretax earnings of \$104.2 million in 1999, up 20.7% from 1998, while aftertax

earnings were nearly \$67.8 million, a 16.7% increase from a year earlier. For the first quarter of 2000, Gallagher's total revenues were \$152.3 million, a 10.7% increase over the comparable quarter in 1999. Net income for the quarter was \$15.2 million, up 12.6% from 1999.

While allowing that the increasing rate environment is "a huge thing" for Gallagher, even beyond the rising rates, "I don't think the stars have been lined up for our company the way they are today for probably 15, 20 years," Mr. Gallagher said.

"I just feel like we're now in a time that it's Gallagher's time to shine," he said.

Gallagher remains "very aggressive on the sales front," the CEO said. "That's paying off with good new business. So we're just in a

spot right now that makes me very, very bullish."

In addition to benefiting from firming rates, the company's brokerage service division is reaping



'I don't think the stars have been lined up for our company the way they are today for probably 15, 20 years.'

— J. Patrick Gallagher Jr.

stood at \$586.1 million in 1999, an 11.7% increase from 1998. That effort earned Gallagher the No. 4 spot in *Business Insurance's* annual ranking of the world's largest brokers, unchanged from a year ago.

To further promote the brokerage area of its business, Gallagher last year reorganized its brokerage division into eight geographical regions.

"I think the important part of that is, with that reorganization, we also determined that it was our time to recruit really talented people," said James J. Braniff III, president and chief operating officer of Gallagher's Brokerage Services Division.

"During that period of time, we have had an approximately 10% net increase in producers," a small portion of which have come through acquisitions, Mr. Braniff said.

"We have added, in almost all geographic regions, very experienced, talented producers," he said. These new hires generally have been placed in what Gallagher sees as its 10 strongest industry niches, "and that is paying off with new business production," he said.

The 10 niches are among 12 that Gallagher has identified as part of an effort to strengthen its brokerage service operations, which began with a thorough examination of its business in late 1998.

In each of the 12 niches, the broker established a "niche managing director, a person whose responsibility is to see that that particular niche grows across the country," Mr. Braniff said. "And that person understood that they had the capital to hire people, and that that person also is expected to be involved in the merger and acquisition identification process. That is working."

The industries represented in the niche groups are responsible for about 50% of Gallagher's total brokerage revenue. "So we believe we were in the right place with those dozen, that we had strength and we would grow those areas and we would grow them by enhancing the number of producers that we had, building teams, making acquisitions, providing education," Mr. Braniff said.

He allowed, however, that the revenue statistic means that other industries represent half of Gallagher's brokerage business. "We're not downplaying that in any way," Mr. Braniff said.

Of the dozen niches the firm has identified, the company thus far has established organizational structures in several "that are really paying off," Mr. Braniff said. Those niches include such areas as construction, public entity, health care, religious, restaurant and transportation businesses as well as scholastic, energy and professional lines.

As rising insurance rates benefit Gallagher's brokerage services division, they also give a boost to Gallagher Bassett Services Inc., the company's risk management services unit.

"In some ways, it also builds off that rate increase that we're seeing, because people begin to return to the alternative marketplace," said Richard J. McKenna, president of Gallagher Bassett. "We see it as a double-whammy win for the company, both on the brokerage side

See Gallagher on page 38

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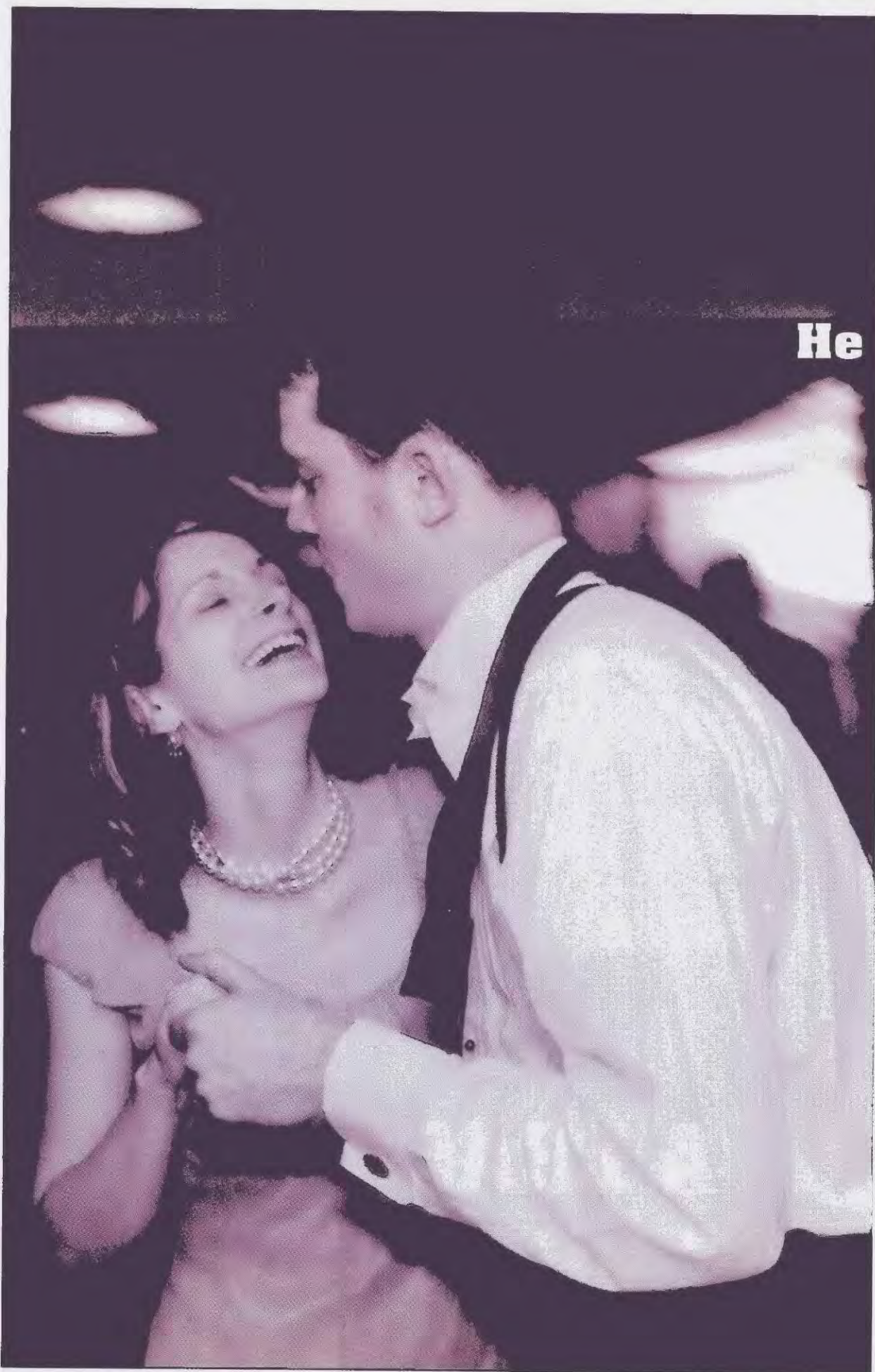
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LEXINGTON INSURANCE COMPANY PIONEERS IN REVOLUTIONARY PROTECTION

Gallagher

Continued from page 36
and for us, too."

As higher rates prompt some businesses that bought insurance services on a bundled basis during the 1990s to take another look at the alternative market, Gallagher Bassett is in a position to address their claims handling and loss control needs, he explained.

Gallagher Bassett's business has been "absolutely outstanding," Mr. Gallagher said. "In the contract claims business, the names of some of the organizations that have blessed us with their business are pretty outstanding."

Gallagher Bassett had nearly \$1.7 billion in claims under management in 1999—a 21% increase from 1998.

Mr. Gallagher noted that Gallagher Bassett also is seeing a lot of business from large accounts that "are absolutely adamant about the unbundled approach," regardless of the premium environment.

"There's a sea change going on here," he said. Companies are saying: "I will take two quotes. One is for my risk transfer, and one is for my claims services."

Gallagher Bassett also continues to increase its position outside the United States, with about 8% of the unit's claims activity now coming from its U.K. and Australian operations.

Mr. McKenna is also excited about the response to an Internet version of Gallagher Bassett's RISX-FACS claims information system, which is located at www.risxfacs.com.

"We put out about 12 million sheets of data a month," he said. "The opportunity to cut that in half, if some clients decide to take that down from the Internet, will be beneficial to them and to us."

Gallagher's online initiatives are taking several other shapes as well.

Internally, "We probably have 4,000 people now connected to Gallagher Online, our own backbone," Mr. Gallagher said. "It's been a very extensive process for us, but it's been very meaningful for us."

Michael J. Cloherty, executive vp of Arthur J. Gallagher & Co. and CEO of the Brokerage Services Division, noted that as part of investment activity by Gallagher's AJG Financial Services Inc. unit, the company has invested in a joint venture with a major insurer to sell insurance coverage over the Internet. Mr. Cloherty wouldn't identify the company.

Through AJG Financial, the company also holds a 5% stake in BenefitPoint Inc., an e-commerce platform aimed at helping brokers to market, sell and service group benefit programs.

AJG Financial's overall goal is to generate cash to channel back into Gallagher's operating businesses, Mr. Cloherty noted.

In the past year, the investment division has continued to diversify the company's book of investments, with other holdings now including synthetic coal, natural gas, housing rehabilitation, historic renovation, franchise financing and real estate.

Another key part of Gallagher's business is its Gallagher Benefit Services Inc.

"The benefits business has historically been our fastest growing business," Mr. Gallagher said.

Employee benefits-related services, including placing benefit coverages, accounted for 13% of

the company's revenues last year.

"Middle-market people really need help with this rising cost environment and complying with a lot of the things coming out of Washington," Mr. Gallagher said.

"Our benefit shop is tight," Mr. Gallagher said. "When I say that, I mean that it's very effective and efficient, and it's doing well."

Looking forward, Gallagher aims to continue to grow and bring new talent into its fold, both through acquisition and recruiting.

The company acquired six companies in 1999, including retail property/casualty agencies Goodman Insurance Agency Inc. of Laguna Niguel, Calif.; Dodson-Bateman & Co. of Dallas; and Sternfels Insurance Agency Inc. of Platterville, La. Gallagher also acquired Canoga Park, Calif.-based

ARM of California, a managing general agency specializing in artisan contractor business. In addition, it acquired benefit consultants Group Benefit Concepts Inc. of Charlotte, N.C.; and Stanley E. Clarke & Associates Inc. of Washington.

Gallagher also has a partnership with Associated Risk Managers International, an insurance distribution network made up of approximately 450 independent brokers and agents.

"It's a great opportunity for those independents who don't want to be consolidated in a consolidating industry," Mr. Cloherty said.

"In my book, it's kind of a classic Gallagher thing," Mr. Gallagher said. While there might be a tendency to view the ARM agencies as competitors, Gallagher in-

stead chooses to view the relationship as offering partnership opportunities, because Gallagher doesn't have offices in the areas where the ARM-member agents are located.

"Also, it feeds back to being the merger partner of choice," Mr. Gallagher said.

On the recruiting front, Mr. Braniff said the company is finding that its culture and its emphasis on growth are a strong lure.

"We've been recruiting in every segment, but we have a lot of people who are calling us," he said. "We've done it both on a one-off basis and a team basis."

"We've got a really outstanding team," Mr. Gallagher said. "A players, wherever they are, they've got a home here."

Gallagher's stock, which had a high of \$43.44 and a low of \$23.06

over the 52-week period ending July 7, closed at \$40.88 on July 7.

Other Arthur J. Gallagher units include:

- Lloyds of London broker Arthur J. Gallagher (U.K.) Ltd.

- Arthur J. Gallagher & Co. (Bermuda) Ltd., an offshore subsidiary providing access to the Bermuda market and acting as an intermediary to place excess coverage for pools, captives, risk retention groups and other self-insurance arrangements.

- Arthur J. Gallagher Intermediaries Inc., a reinsurance intermediary and surplus lines broker.

- Risk Management Partners Ltd., a venture owned jointly with Munich-American Re Corp. that markets insurance and risk management services to public entities in the United Kingdom.

Continued on next page



**A LEAGUE
OF OUR OWN.**

Continued from previous page

• Risk Placement Services Inc., a subsidiary working as a traditional wholesale broker and managing general agent with both Gallagher and non-Gallagher producers.

Subsidiaries that are under the RPS umbrella include International Special Risk Services Inc.; ARM of California; Nelson, Gordon & James Insurance Services; R&R/Select; and Harbor Excess & Surplus.

• Gallagher Captive Services Inc., a subsidiary specializing in the design and development of group, association and single-parent captives.

• Gallagher Bassett (U.K.), a subsidiary providing claims management, loss control and information management services to clients in the United Kingdom

and United States; and Gallagher Bassett Canada Inc., which provides similar services to Canadian and U.S. clients.

• Wyatt Gallagher Bassett Pty Ltd., a joint venture between Gallagher Bassett and the Wyatt Group Pty Ltd. that provides loss adjusting, marine and aviation surveying, claims management, information and risk control consulting services throughout Australasia.

As reported to the Securities and Exchange Commission, Arthur J. Gallagher & Co.'s five highest-paid officers in 1999 and their cash compensation, including bonuses, were:

J. Patrick Gallagher Jr.	\$850,000
Michael J. Cloherty	\$775,000
James J. Braniff III	\$725,000
James W. Durkin Jr.	\$440,000
David E. McGurn Jr.	\$425,000

—By Rodd Zolkos



Jardine Lloyd Thompson Group P.L.C.

6 Crutched Friars, London, EC3N 2PH
 England; 44-207-528-4444;
 fax: 44-207-528-4500;
 www.jltgroup.com

	1999	1998
Gross revenues	\$435,242,000	\$=22,535,000
Brokerage revenues	\$432,006,000	\$=17,564,000
Brokerage: retail	24%	25%
Wholesale	36%	36%
Reinsurance	15%	16%
Personal	2%	2%
Services	22%	20%
Investment income	1%	1%
Employees	3,641	3,475
Rev./employee	\$118,650	\$120,162
Offices	42	58

Converted at applicable exchange rates.

For Jardine Lloyd Thompson Group P.L.C., 1999 saw higher revenues and profits, and the restructuring and reorganization of the company's operations into two main branches—JLT Risk Solutions Ltd. and JLT Corporate Risks & Services.

The Risk Solutions division was born of a merger of the company's two London market units, Lloyd Thompson Ltd. and Jardine Lloyd Thompson Reinsurance Ltd.

Risk Solutions, among other things, handles London-based insurance, reinsurance, wholesale and alternative risk transfer services for clients worldwide, as well as overseeing U.S. reinsurance brokerage and captive management services around the world.

The Corporate Risks & Services division provides a broad range of risk management services, includ-

ing overseeing the company's retail brokerage operations, affinity group marketing, employee benefits consulting and administration, and claims and insurance fund management.

Group Chief Executive Ken Carter said he is pleased with the result of the restructuring.

"It was quite radical to the extent that we moved from a traditional geographical reporting basis to a business function reporting basis. And it undoubtedly achieved one of the effects (we had hoped), which was to get everybody internally refocused on our core businesses. A lot of effort and energy and time and expense was spent in 1999 making sure that restructure was bedded down properly," he said.

In June 2000, that refocusing continued, as JLT announced the rebranding of its U.S. affinity—or program business—operations and its third-party administration operations. As a result, Jardine Services Corp., Flood Underwriters of the Southeast, Insurance Servicing & Adjusting Co. and Administrative Consultants Inc. are all now renamed and operating together as JLT Services Corp.

"One name gives us a synergy in our marketing, provides us with additional operating efficiencies and more closely allies us as part of the international firm, Jardine Lloyd Thompson Group," said Michael Carroll, chairman and chief executive of Albany, N.Y.-based JLT Services Corp.

JLT Services Corp. also this summer launched a new e-business arm, JLT Interactive Inc. Aimed at U.S.-based affinity groups, JLT Interactive is intended to help the company's clients establish a Web presence, transact business over the Internet with JLT and offer real-time information to their own customers and business partners.

1999 not only marked the completion of JLT's restructuring, but also was a period of growth in revenues and profits, Mr. Carter said. Despite the persistently soft market, JLT increased both its brokerage revenue and its trading profit as well as reduced its expense ratio.

"Energy, marine, cargo and construction business units all won significant new clients and there were excellent results from casualty, property and reinsurance," Mr. Carter noted.

JLT's brokerage revenues rose 6% to £267 million in 1999, surpassing the 4.5% increase achieved in 1998. In dollar terms, brokerage revenues increased 3.5% to \$432 million.

JLT's aftertax profits were £44.9 million (\$72.6 million), up 33% from 1998 earnings.

The successful restructuring and a solid set of financial results enabled JLT to consolidate its position as the world's fifth-largest broker, a position it is happy to occupy, according to Mr. Carter.

"We are, on the one hand, still small enough to be able to sell the idea of personalized service and focused attention on the client, and on the other hand we are big enough to have the critical mass that you need in dealing with markets and insurers—so that they take you as an important trading partner," he said.

The business-partner concept is something that today's insurance brokers must embrace, says Mr. Carter. The term is "something that in the last three years has evolved increasingly both in our relationships with our clients and our relationships with our insurers," he said.

See JLT on next page

Though we specialize in different arenas, as managing general underwriters in the specialty market, we have the skills and attitudes of leadership in common: Total dedication to customer service and client partnership. A shared belief that mere competence is no substitute for excellence. And a universal commitment to supporting you in the way that works best for your business — from the very highest tech to the very warmest touch.

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Alternative Market Operations

JLT

Continued from previous page

"In the Risk Solutions part of our business, where we are basically dealing with Fortune 500 companies and their equivalent sizes internationally, business and commerce have embraced the trading partner philosophy, whether it is with their insurance brokers, their trade suppliers, etc.," he explained.

"The same has occurred with the insurers as they have integrated, merged, been taken over or done the taking over," he said. "So they are looking to concentrate on trading relationships with the broking community in a quite different manner to how they operated, say, five years ago."

JLT will seek to solidify its position as a leading insurance broker,

through acquisitions and strategic alliances, where opportunities arise, said Mr. Carter.

The company is "always looking



"Technology is actually an integral part of our business, and the successful implementation of e-commerce will be a real driver in how we conduct our business in the future."

— Ken Carter

for acquisitions that are of two types, in the sense that we have taken a position where we want to increase our presence in a certain business, so we are actively looking for acquisitions and new partners"

and other deals that are "opportunistic, where situations develop and opportunities arise that, after analysis, can be good for the company," he said.

In April, for example, JLT acquired Liverpool, England-based retail broker Burke Ford (Holdings) Ltd. and integrated it with JLT's existing U.K. retail business. The Burke Ford management team retains a 19% stake in the newly enlarged company.

"We saw an opportunity to have a much bigger presence in the U.K. and acquire a company that had considerable leadership ability to

join with our existing management and create a much stronger business," Mr. Carter said of the Burke Ford acquisition. "The U.K. is on our doorstep, obviously, so it is totally logical to have a much bigger position there."

North America, though, is and will remain JLT's biggest marketplace, Mr. Carter said. JLT derives more than £100 million, or about 37% of its gross revenues from North American business, exceeding even the £92 million generated from JLT's European operations.

One area where JLT aims to grow in the North American market is in the area of alternative risk transfer. In May, JLT announced a joint venture with New York-based investment bank The Blackstone Group, to create Capital Risk Group L.L.C. This new company, 80% owned by JLT, will concentrate on developing

financial products and alternative risk transfer products for major U.S. and global corporations, said Mr. Carter.

"In the last few months, in two countries—one that is on our doorstep and one which is our biggest source of business—we have made quite important moves," he said.

The company's expansion plans do not stop there.

"We hope that within the next two months we shall be able to announce an extension of our Continental European network," which is spearheaded by JLT's French affiliate, SIACI S.A., Mr. Carter said.

Looking forward, Mr. Carter expects e-commerce to have a major impact on insurance brokers.

"I think e-commerce is now being embraced by the insurance industry apace. I think a year ago—I can't talk for other companies—but we were obviously aware of it, and we were beginning to get our arms around the concept of both the opportunities and the threats that it offered," he said.

"Today, we have got dedicated teams, and (JLT) Interactive is a classic example of it, working on the practicalities and putting it into our business," Mr. Carter said. E-commerce "will have a big impact on the whole insurance industry. The only unanswered question is the manner in which it will do that and the time scale. But it is a wonderful business for B2B potentially."

In April, JLT appointed its first chief information officer, Peter Herin, to take charge of the company's technology strategy. The appointment "signaled both internally and externally how important we view the whole issue of technology and our business to be," said Mr. Carter.

"I think one of the old-fashioned views of businesspeople like me was that technology was about systems, not about business. Whereas I'm sure that today, like all other leaders of business, we understand that technology is actually an integral part of our business, and the successful implementation of e-commerce will be a real driver in how we conduct our business in the future," Mr. Carter said.

JLT's CEO said he believes that e-commerce will allow clients to determine what services they want from their brokers and to buy those services separately.

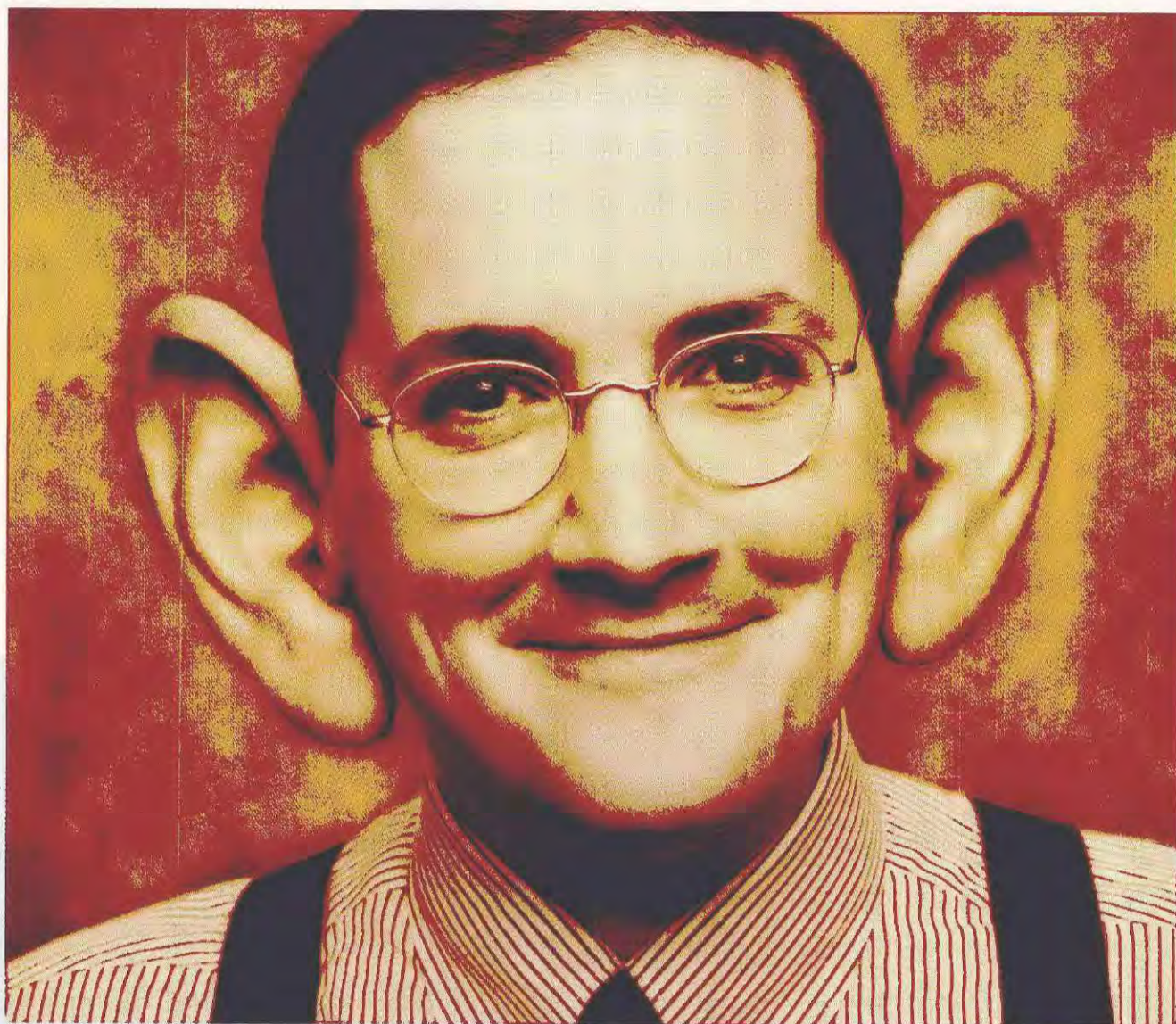
"One could envisage a situation where the current typical role of the broker—to advise the client on his risk profile and then to arrange the insurance policy and then to provide the documentation, then to do the very important, but often forgotten, function of collecting the clients' claims"—will change, he said.

"Those four functions—which are, at the minute, all bundled up and sold as a single product by an insurance broker—will become unbundled. There will be those clients who will put a value on the intellectual capital you bring to the consultancy part of that role, a different approach to the transaction execution, and maybe a different approach to how the claims issue is handled," he said.

The claims-handling skill that brokers possess is a niche that JLT will be seeking to exploit.

"One of the things that I think we in this company have now begun to see from a different perspective is that we have a phenomenal amount of really comprehensive claims skill—both in understanding claims, analyzing them, managing the process of collecting them. And we have traditionally only used

See JLT on page 42



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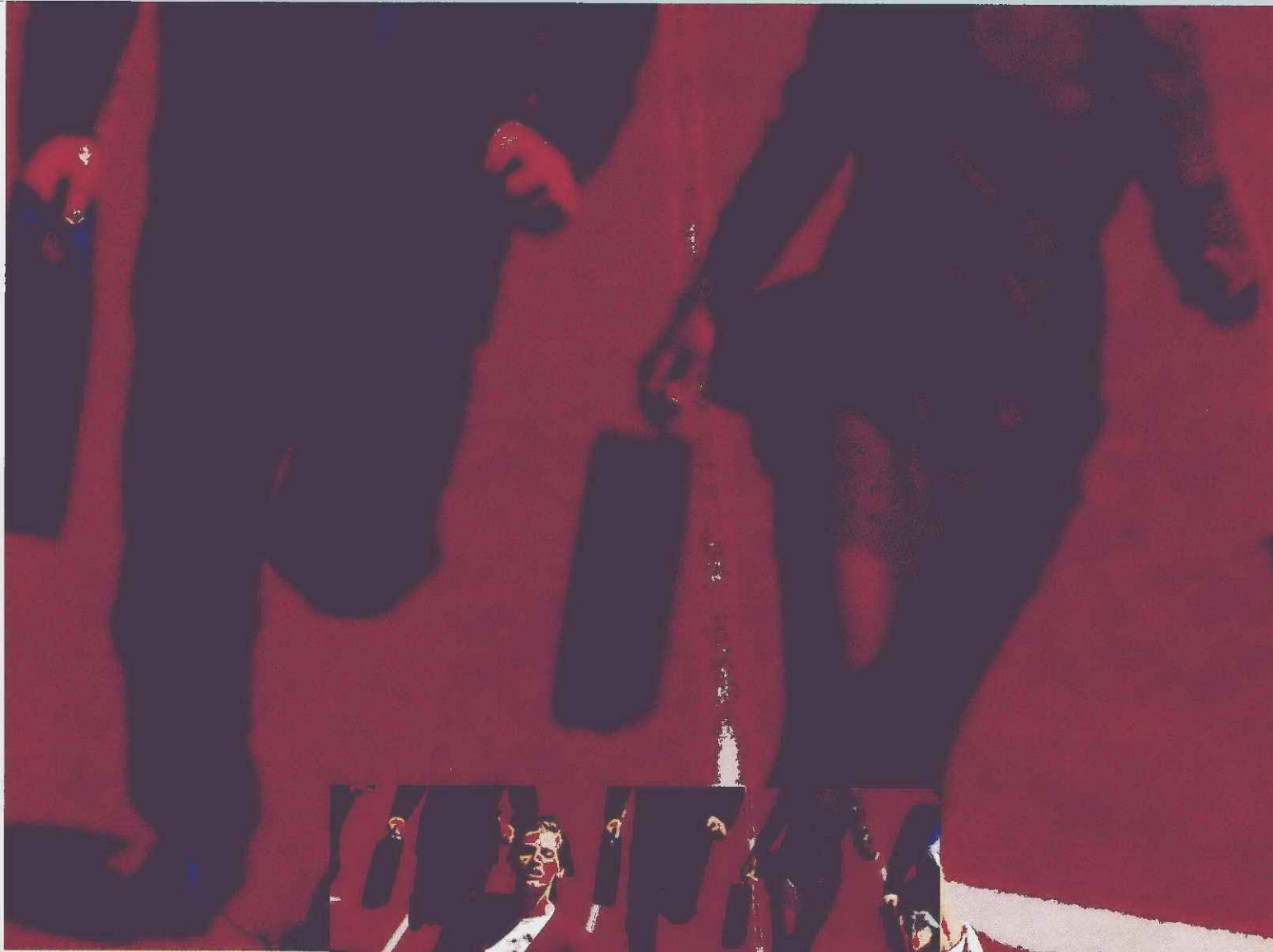


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JLT

Continued from previous page

that very valuable expertise in the context of the overall broker role," said Mr. Carter. "We can see great potential for broadening the market that we sell that expertise to—not just to existing clients, but also to sell those claims services to other than traditional insurance clients, clients who want an independent view, who want a proven ability to collect claims successfully and quickly. There is enormous potential there."

As evidenced by its recent creation of Capital Risk Group, alternative risk transfer is another area of great growth potential, according to Mr. Carter. "ART generated £16 million" (\$25.9 million), or 14% of JLT Risk Solutions' £117 million (\$189.2 million) of revenue in 1999, Mr. Carter said.

The revenues from ART last year were about 60% greater than those in 1998.

"We think that it will continue to grow significantly and is now well-established as a business within the insurance industry," he said. "The growing convergence of insurance

and banking, the severe oversupply of capital to the insurance industry, the better identification of risk in all of its forms, not just the traditional risks of fire or liability for example, are natural drivers of further development of ART."

Mr. Carter looks forward with confidence to the rest of this year and beyond.

"Our focus this year is on growing that top line again in what in the main is still a relatively soft market," to continue to attract high-quality professionals and "to maintain the group culture of all-ways wanting to go that extra mile

for the client," he said.

"In 2001, I think we'll see the early impacts of e-commerce into our business, and I think that is really exciting because everything has their theory as to how it will affect us but no one can have a clear vision as to how it will affect us—but they know it will. It will be very exciting and potentially I think could have a dramatic effect on our industry."

During 1999, JLT reduced its number of offices to 42 from 58 the previous year.

In addition to Mr. Carter, other top officers of JLT are John Bar-

ton, chairman; Steve McGill, chief executive of JLT Risk Solutions; John Hastings-Bass, chief executive of Corporate Risks & Services; and George Stuart-Clarke, finance director.

JLT, which is publicly traded on the London Stock Exchange, closed at 294 pence (\$4.45) per share on July 7. During the previous 52 weeks, its share price ranged from a high of 320 pence (\$4.83) to a low of 217.50 pence (\$3.28). Last week, its stock reached a new high, trading at 320.50 pence (\$4.84) on July 11.

—By Sarah Veysey

6 Heath Lambert Group

HLF Insurance Holdings Ltd.

Friary Court, Crutched Friars,
London EC3N 2NP, England;
44-207-560-3000;
fax: 44-207-560-3502
www.heathlambert.com

	1999/00	1998/99*
Premium volume	\$4.31 billion	\$4.38 billion
Gross revenues	\$424,065,840	\$435,645,406
Brokerage revenues	\$405,664,325	\$411,336,568
Brokerage: Retail	52%	54%
Wholesale	21%	20%
Reinsurance	14%	14%
Personal	8%	7%
Services	1%	1%
Investment income	3%	4%
Employees	4,580	4,436
Rev./employee	\$88,573	\$92,727
Employee benefits	7%	7%
Offices	167	163

* Pro forma combination of Lambert Fenchurch Group P.L.C. and Heath Group P.L.C., not including operations sold in 1998. All figures converted at applicable exchange rates. Fiscal year ends March 31.

It may be a new century, but some recipes haven't changed.

Take two established London brokers, mix the companies well and remove from the stock market to produce a new company with some familiar sounding names.

HLF Insurance Holdings Ltd. is the parent company of broker Heath Lambert Group, created by the merger late last year of two of London's largest remaining independent brokers, Lambert Fenchurch Group P.L.C. and Heath Group P.L.C.

At the time of the merger, the fifth spot in *Business Insurance's* rankings of the world's largest brokers based on combined 1998 brokerage revenues (BI, Nov. 29, 1999).

However, the loss of revenues from the disposal in late 1998 of a major chunk of Heath's operations has pushed the combined company down to No. 6 this year.

Despite the apparent drop in BI's rankings, Chief Executive David Margrett said he is pleased with the new company's progress and delighted at the smoothness of the merger.

Gross revenues for the year ending March 31, 2000, totaled £265.9 million, of which total brokerage revenues comprised £254.3 million. Converted to U.S. dollars using average exchange rates, Heath Lambert's total and brokerage revenues were \$424.1 million and \$405.7 million, respectively.

A comparison with the combined company's revenues from the previous year is difficult because of the sale of several of Heath's businesses, particularly its U.K. retail network to the operation's management in November 1998, and the sale of the Lloyd's of London managing agency Anthony Kidd Agencies in September 1998,

said Finance Director Tim Tookey.

However, pro forma figures prepared by Heath Lambert for *Business Insurance* show a slight increase last year in corporate and brokerage revenues. Pro forma corporate revenues from fiscal 1998 are £263.4 million (\$435.6 million) and brokerage revenues are £248.7 million (\$411.3 million).

Mr. Margrett would not disclose the company's profits, calling that a luxury of being a private company. However, he declared himself to be "perfectly happy with the profits of the business."

He said he also is happy with the way the merger has gone.

Of course, the fact that many employees of the two companies are merger veterans has been an advantage, according to Mr. Margrett, noting that between them, Heath and Lambert had gone through at least 20 mergers during the past decade.

As a result, despite the complexity of the merger, which involved Lambert Fenchurch's delisting from the London Stock Market, merging the two groups has been a smooth operation, with teams from the two companies "working well together from Day One," Mr. Margrett said. There has been "very little in the way of hierarchical fit," he added.

The fit between the two companies has been incredible, remarked both Mr. Margrett, who served as CEO of Lambert Fenchurch, and Mr. Tookey, who previously was Heath's group finance director.

Heath, the group is particularly strong in Latin America, a region it had concentrated on building up in recent years, and a market in which Lambert Fenchurch wanted to expand. Lambert's strength in Western Europe fit neatly with Heath's presence in Eastern, Central and Northern Europe. There was no overlap with U.K. retail offices, since Heath had disposed of its U.K. retail network in 1998.

Overall "there was very little overlap. The world fit together," said Mr. Tookey.

"The more we talked together (about merging), the more sense it made. The striking thing was how little clashes there were and how complementary the businesses were," agreed Mr. Margrett.

By merging the two companies, a global brokerage network with operations in 41 countries has been created that is able to compete with the multinational megabrokers geographically while still providing the sort of senior personal service local clients want, said Mr. Margrett.

According to the CEO, Heath Lambert is now a leading broker in aviation, construction, U.K. commercial risks, professional indemnity, kidnap and ransom, protection and indemnity and fine arts insurance. The company also claims to be the third-largest retail broker in Latin America and

Australasia, and the largest shipping insurance broker in Scandinavia.

Lambert Fenchurch began talking with Heath when the company realized it had to continue to grow but was becoming seriously disillusioned with the limitations of being a publicly listed company, said Mr. Margrett.

"We saw the attractions of going private but knew that a management buyout alone wouldn't grow the business," Mr. Margrett said of Lambert Fenchurch's plans.

Heath had been delisted from the London Stock Exchange in 1997 through a management buyout that was backed by three pri-



"We are seeing more and more risk management products and services purchased in Europe. Big businesses now are taking risk management seriously."

— David Margrett

private equity firms in London: Candover Investments Ltd., DLJ Phoenix Private Equity and Electra Partners Europe Ltd.

Lambert Fenchurch "knew a lot of Heath's investors very well," said Mr. Margrett, who noted that Candover had been involved in the 1988 management buyout of Lowndes Lambert from the Hill Samuel Group. Lambert issued shares to the public in 1991 and merged with Fenchurch P.L.C. in 1997.

There are no current plans to go back into the public sector as "it has always hampered us and both businesses had been frustrated" in the public sector, said Mr. Margrett.

Heath Lambert's current shareholders are: management, which holds 32% of the company; DLJ Phoenix, with 21%; Candover, 13%; Electra, 18%; Advent International Corp., a U.S. private equity firm, 11%; and Intermediate Capital Group P.L.C. of London, 5%.

Currently, 250 of the company's management employees are investors and all of the company's 4,580 employees now are being offered the opportunity to invest in the company, said Mr. Margrett.

The ability to work in that company and buy a stake in that company's future is attractive to a lot of people in the market and a good way to recruit the best people, said Mr. Margrett.

The CEO noted that there were inevitable cost savings from reducing redundant headcount, but declined to say how many employees were let go. Meanwhile, other than a couple of London-based brokerage teams in the marine and energy departments, very few of the retained employees have

chosen to leave since the merger, said Mr. Margrett.

One notable exception was the resignation in June of Richard K. Kerr, chairman and chief executive of Lambert Fenchurch US Holdings, who left the company to become chief executive officer of MarketScout.com, an e-commerce portal that provides independent insurance agents access to insurance companies (BI, June 26).

Heath Lambert sold most of its U.S. retail business to Mr. Kerr, who plans to develop it through Internet initiatives, said Mr. Margrett.

Heath Lambert, meanwhile, plans to concentrate in the United States on its excess and surplus lines business through Dallas-based Heath Insurance Broking

and its benefits consulting and brokerage business through The Kooper Group in New York, said Mr. Margrett.

Clients throughout the world have remained loyal to the company post-merger, he said.

"We haven't lost a single client as a result of the merger," he announced confidently. In fact, "we have seen a lot of new business activity since," he noted.

"The flow of new inquiries is very encouraging," Mr. Tookey agreed.

This month, the company started trading worldwide under its new name Heath Lambert without fanfare. Even the corporate logo has been re-engineered, quietly and economically, simply by replacing the brown hoop in Lambert Fenchurch's logo with a hoop the same color of Heath's former circular logo.

On the technology side, the two companies had common systems which made integration easy.

The new company now has "significant investment plans for updating" its technology support, said Mr. Margrett.

It also has "exciting plans to Web-enable the business" to better serve clients and exchange information internally, said Mr. Margrett, who declined to provide specifics. "We hope to have something ready by September," he said.

Continuing to look ahead, Mr. Margrett does not rule out further acquisitions and mergers.

"One of the reasons for retreating from public listing was to allow us to buy and build. It is a clear objective of our investors," he said.

Among the areas Mr. Margrett pinpoints for growth, particularly in Europe, are employee benefits-related services, alternative risk financing and risk management consulting.

"We are seeing more and more risk management products and services purchased in Europe. Big businesses now are taking risk management seriously. Risk management is a top company matter and we often are speaking straight to the chief executive or finance director" on risk management issues, Mr. Margrett noted.

The new group structure comprises:

- An Executive Board consisting of: Ian Martin, non-executive chairman; Mr. Margrett, chief executive; John Mackenzie Green, vice chairman; Mr. Tookey, finance director; Stewart Wilson, chief operating officer; William Wilks, director of corporate finance; Sandy Muir-head, a director of DLJ Phoenix; and Stephan Curran, chairman of Candover.

- A Steering Group, to advise the board, consisting of: Barry Blacker, responsible for European Development; Mike Caley, chairman of International; Michael Kier, chairman of Lloyd's brokerage; and Graham Townsend, chairman of Aerospace.

- An International Department led by Managing Director Adrian Colosso. International consists of: International Non-Marine and Energy, including facultative reinsurance, property and casualty, energy and film and entertainment, headed up by Managing Director Jonathon Proctor; Project Risks, including construction and political risk, with Managing Director John Forder; and Facilities, including fine art, kidnap and ransom, jewelry and fine art and cargo, led by Managing Director Hugh Campbell.

- U.K. department, which includes U.K. branch offices and major U.K. corporate clients; risk management consulting; financial services; risk solutions and U.K. property and construction, and is headed up by Managing Director John Crisford.

- Financial and Professional Risks, including banks, stock exchanges, professional; directors and officers liability coverage, with Managing Director Jeremy Underwood.

- Marine, including hull and machinery, P&I clubs, and reinsurance, with Managing Director Rodney Ewen.

- Aerospace, including aerospace, aviation and reinsurance, with Managing Director Nigel Weyman.

- Non-marine treaty, including U.K. and international and treaty reinsurance, with Managing Director Jonathon Proctor.

- Personal lines, headed by Managing Director Paul Smith.

- Overseas, which is responsible for all non-U.K.-based operations. This is headed up by Managing Director Surinder Beerh and Chief Operating Officer Stewart Wilson.

—By Carolyn Aldred

7



Acordia Inc.

150 N. Michigan Ave., Suite 4200
Chicago, Ill. 60601; 312-357-0447;
fax: 312-357-2649; www.acordia.com

	1999	1998
Premium volume	\$3.31 billion	\$3.07 billion
Gross revenues	\$347,667,000	\$320,555,000
Brokerage revenues:	\$337,236,990	\$309,656,130
Brokerage: Retail	77.0%	76.8%
Wholesale	3.4%	2.6%
Personal	7.6%	7.3%
Services	9.0%	9.9%
Investment income	2.3%	2.8%
Other	0.7%	0.6%
Employees	3,584	3,361
Rev./employee	\$94,095	\$92,132
Employee benefits	25.1%	25.2%
Offices	114	97

Three years after it bought out Acordia Inc.'s predominantly property/casualty brokerage operations from Anthem Inc., Acordia's management is looking forward to another record year of growth as an independent, privately held broker.

But, as Acordia continues with its successful growth-by-acquisition strategy, with projected revenues of \$400 million in 2000, it also is attempting to chart its future.

In 1997, Acordia's management, together with investment banking groups Knightbridge Capital L.L.C. and Wand Partners Inc., bought \$285.9 million of Acordia's brokerage operations for \$310 million from Anthem, an Indianapolis-based mutual insurance company and licensee for various Blue Cross & Blue Shield plans.

Frank C. Witthun, Acordia's president and chief executive officer, said that he has never made any secret of the fact that, at some point, those investors are going to want to sell their equity because they are not long-term investors.

"They've been terrific owners, and the company has performed extremely well for them," he said. "But they're going into the fourth year of the investment, so I would surmise that in the next 12 to 18 months that some or all of the investors will change."

Rumors have circulated that Acordia has been in talks with a large Chicago-based bank.

"As far as specifically, whether there are banks, insurance companies or other investors that are looking to take on that equity, I can't comment," Mr. Witthun said.

"There are a lot of options when you have a company that's performed well and is doing well," he said, stressing that Acordia also "may do nothing."

Mr. Witthun did note, however, that Acordia still has a need to expand its operations beyond North America, and that when its investors do decide to sell, Acordia likely will not take on another group of pure financial investors.

"To the extent that we could find strategic investors where they would bring something to Acordia and Acordia would bring something to them, where two and two truly makes five, that would make a lot more sense for us going forward than probably another set of pure financial investors," he said.

One option Acordia has explored is an initial public offering.

"We have explored (an IPO) in a very serious way within the past six months with some investment bankers," Mr. Witthun said. "It's very much still a possibility. In

fact, that's our publicly stated plan."

Given the volatile state of the current stock market, though, "I don't think the timing is exactly right right now," he said. "But those windows open and close every few months. By the fall, who knows what the market will look like for IPOs?"

In the meantime, Acordia continues to focus on its core business strategy: obtaining a dominant market position for middle-market accounts in midsize cities nationwide. To that end, the broker sticks to an aggressive, growth-by-acquisition strategy.

Although Acordia has an excess and surplus lines operation and offers various administrative services, the vast majority of its business is retail brokerage. That, according to Mr. Witthun, is what

sets Acordia apart from its peers.

"One of the things that has made us a little bit different from our competition, is that we really



'One of the things that has made us a little bit different from the competition is that we really are primarily a client-focused retail broker.'

— Frank Witthun

are primarily a client-focused retail broker," Mr. Witthun said. "We are not in a lot of other businesses, and if you look at our competition, they have acquired other types of businesses that may fall

under the financial service umbrella...Acordia hasn't done that. We can stay focused on the things that we do very well that

ultimately will continue to be successful. We're an easy broker to understand, because we are really just a retail brokerage operation," he said.

Acordia was formed in 1989 by Anthem to serve as its health care administration and distribution arm.

Acordia emerged on the brokerage scene in 1991, with the acquisition of Robinson-Connor Inc. Since then, it has made approxi-

mately 90 acquisitions, and those purchases are largely responsible for Acordia's revenue growth.

In 1999, Acordia made 14 acquisitions, which added more than 20 new offices and a 12-month, pro forma net revenue impact of approximately \$36.4 million.

Of the larger deals last year, Acordia acquired the assets of NBD/Seed-Roberts Agency and NBD Insurance of Indiana, two property/casualty agencies that had been owned by Chicago-based Bank One Insurance Services Corp.; Montgomery & Collins E&S, an excess and surplus lines insurance broker and managing general agency with offices in California, Alaska and Colorado; and Insurance Risk Managers Ltd., a Champaign, Ill.-based agency specializing in

See Acordia on next page

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Acordia

Continued from previous page
trucking, manufacturing, health care, government and schools and universities.

"1999 was the best year Acordia has ever had," said Mr. Witthun, referring to the company's financial position.

Brokerage revenues increased 8.9% to \$337.2 million in 1999.

That increase was sufficient to hold Acordia fast in the No. 7 spot in *BI*'s rankings—a position that the broker has held for four straight years. Corporatewide revenues, which includes investment income and income from non-insurance activities, increased 8.5% to \$347.7 million. Acordia's cash flow—or earnings before interest, taxes, depreciation and amortization of intangible assets—increased 23.7% to \$58.5 million in 1999.

"We had a very outstanding year in 1999, and so far, for the first five months, 2000 is better than 1999," Mr. Witthun said, noting that he expects the company to hit the \$400 million revenue mark by the end of 2000.

The broker has made five acquisitions in 2000, including the acquisitions of W.A. Lang Co. in Minneapolis and Duckworth-Morris Agency Inc. in Tuscaloosa, Ala.

Acquisitions, as opposed to internal growth, have been primarily responsible for Acordia's growth over the years—and Mr. Witthun makes no apologies for this strategy.

"I don't have any problem saying that we grow through acquisitions, because everybody grows through acquisitions. Unless you want to not grow any more, that's the nature of the business," he said.

"Nobody grows mature-market business any other way than the old-fashioned way. They acquire other agents and brokers," he said.

With the insurance industry seeing average retention rates of 90%, business remains "very stable," he said.

"It's good news/bad news with these type of companies. The good news is that you have single-digit growth internally, and the bad news is that you have single-digit growth externally," he said.

Although Acordia is steadfast in its strategy, the broker recently moved its corporate headquarters to Chicago from Indianapolis, and it has given the corporate brand name a makeover.

Mr. Witthun describes the move to Chicago as "strictly a situation where we've grown to a size that we needed better access to a larger airport."

"It was getting very difficult for people to travel to our headquarters for meetings and very difficult for our executives to travel in and out of Indianapolis," he said.

Roughly 30 people made the move from Indianapolis. Acordia now occupies the top two floors of the former Stone Container Corp. building on Chicago's Michigan Avenue.

Mr. Witthun said that despite being headquartered in the third-largest city in the United States, Acordia will not shift its focus away from midsize cities.

In addition to a new address, Acordia has taken on a new look. For one, the broker changed its corporate slogan to "America's Local Insurance Broker" from "America's Largest Privately Held Broker" in an effort to focus "more on the fact that we are, as

far as operationally, very local," explained Charles L. Ruoff, senior vp and chief marketing officer.

Also gone is Acordia's teal green corporate color. "When we started to incorporate our teal green color into printed material, it lent itself in a very bland way," Mr. Ruoff said. Although the Acordia name and typeface remain the same, the Acordia logo is now white on red.

"We're getting a bit dressed up to come to the big city," Mr. Ruoff quipped.

One matter that broker consolidators must contend with is systems integration, and Acordia is no exception.

Mr. Ruoff said that every agency that Acordia has acquired had been using different versions of various agency management systems.

After analyzing the cost and the benefits of implementing a single system across all offices, Acordia decided to use three different platforms and focus on getting all of its offices onto a single version of each of the three systems, Mr. Ruoff explained.

"This is just for our insurance markets, because they are not prepared to supply the wherewithal to interface with a multitude of systems," Mr. Ruoff said. "So what we have to do is upgrade a number of systems," he said, adding that it "should enable us to start to do a little more back office (work) with our insurance markets."

Acordia is planning to conduct some tests this fall with some key insurance markets to "demonstrate to both of us that we can upload and download and transact business electronically," he said.

Acordia already is electronically exchanging information with some insurers, but "not with a great majority," Mr. Ruoff said. "Business today is still essentially being done the way it was done a couple of years ago, but fast down the road we see the opportunity to change that. These test sites will give us the ability to evaluate that in a real-time, real-world environment, before we commit ourselves to let loose on all" 114 Acordia locations he said.

In addition to using technology to improve its operational efficiency, Acordia also is undertaking various e-commerce initiatives.

"We see e-commerce as a very necessary strategy," said Robert C. Kent, executive vp and chief operating officer. "We're seeing more and more of our existing customers looking to us to help provide them access to insurance company claims information and, ultimately, the opportunity for them to convey all of the information electronically to us, and us to them," he said.

In an effort to develop its e-commerce capabilities, Acordia has partnered with a number of state and regional trade associations and affinity groups.

Under those partnerships, links to Acordia's Web site are placed on the partner's site, allowing business to be transacted electronically Mr. Kent explained.

"When that happens, margins improve and opportunities improve," he said.

Mr. Kent said that eight trade associations and affinity groups have Acordia's link on their Web sites, and another 25 are being actively pursued. "We see this as a big, big opportunity," he said.

Mr. Kent succeeds Robert C. Nevins, who is retiring from Acordia at the end of August.

—By Sally Roberts

8



Alexander Forbes

Alexander Forbes Ltd.

25 Sauer St. Extension,
Johannesburg, 2001 South Africa;
27-11-378-3000; fax: 27-11-378-4222
www.alexanderforbes.com

	1999/00	1998/99
Gross revenues	\$370,872,000	\$299,985,200
Brokerage revenues	\$330,076,998	\$275,991,200
Brokerage: Retail	46%	45%
Wholesale	14%	14%
Reinsurance	1%	1%
Personal	19%	16%
Services	9%	14%
Investment income	2%	3%
Other	9%	5%
Employees	4,758	4,228
Rev./employee	\$69,373	\$65,277
Employee benefits	49%	46%
Offices	55	52

Converted at applicable exchange rates.
Fiscal year ends March 31.

Since it launched itself into the league of the world's top brokers with its 1997 acquisition of London-based Nelson Hurst Ltd., Alexander Forbes Ltd. has sought to expand its international presence. Still, according to Chief Executive Officer Graeme Kerrigan, the Johannesburg, South Africa-based broker harbors no desire to be ubiquitous.

"We describe ourselves as an international business, not a global business," Mr. Kerrigan said. "We have a process of growing our business outside of Africa, where we started from, but we don't intend to be in every country in the world. We are not interested in being in a territory, for example, if it is not possible to make money for our shareholders."

This rationale, Mr. Kerrigan said, explains the company's decision not to set up shop in Australia, which he describes as "one of the traditional markets" but "very difficult... to make money in."

Similarly, although the company's London-based risk services division derives much of its reinsurance business from the United States, Alexander Forbes owns no U.S. companies. "We do not have a presence in the U.S. right now, although it is something we look at on a constant basis," Mr. Kerrigan said.

Alexander Forbes recently entered into discussions about acquiring a U.S. company, according to Quintin Heaney, the group's international development director. "But we concluded that, while the U.S. is very attractive because it is undoubtedly the largest marketplace in the world, it is also the largest graveyard in the world for U.K. companies. I think, as far as the U.S. is concerned, we would like to build up relationships, rather than go out and acquire."

1999 was a good year for Alexander Forbes, whose brokerage revenues increased an impressive 34%, to 2.16 billion rand. In dollars, that translated to a 19.6% increase, to \$330.1 million, keeping Alexander Forbes firmly in its position as the eighth-largest broker in the world. The broker's revenue increase was fueled, in part, by several acquisitions it made in 1999 as well as by strong returns in specialty and alternative risk transfer business.

One of Alexander Forbes' goals is to further boost the revenues it derives from outside of its home market.

Before its acquisition of Nelson Hurst, a United Kingdom-based broker with international operations, Forbes derived about 95% of its revenues from South African business; last year, international

revenue made up 43% of the group's total.

"Our medium-term target—and the medium term could be anywhere from 12 to 18 months—will be to get that revenue split up to about 30% African, 70% non-African. Once we have achieved that, then I think we can honestly say we are an international business," Mr. Kerrigan said. The company has between £100 million (\$152 million) and £200 million (\$304 million) in credit available to make acquisitions to meet this target, he said.

One area in which Alexander Forbes has a strong presence is Continental Europe, despite the dissolution last year of the Luxembourg-based European broker network FDG S.A., of which it was a partner. In April, Alexander Forbes became a member of EOS RISQ N.V., an alliance of four brokers and risk consultants headquartered in Brussels. In addition to Alexander Forbes, the group's members are Diot S.A. of Paris; GrECo International A.G. of Vienna, Austria; and J. Van Breda & Co. G.V.C. of Antwerp, Belgium. Each member holds a 25% stake in the venture, which is represented in 22 countries across Europe. In May, the alliance announced the formation of a London-based specialist risk financing



"We have a process of growing our business outside of Africa, where we are from, but we don't intend to be in every country in the world."

—Graeme Kerrigan

organization, EOS RISQ FINANCE, which offers alternative risk transfer solutions.

The EOS RISQ partnership is an important one for Alexander Forbes, according to John Percy-Davis, chairman and CEO of the company's London-based risk services arm.

"This alliance, I think, can give us exactly what we need... we can provide a lot of risk management, risk finance, ART products for (EOS RISQ's) client base and, therefore, get access to their customers, without commensurate investment. It is beneficial to both parties. It is more than a network; it is a strategic alliance where we are looking quite carefully at ways of working together on marketing a product or to an affinity group without actually tying ourselves up with an equity investment," he explained.

On April 1, the company gained a stronger foothold in the United Kingdom with the acquisition of Croydon, Surrey-based employee benefits company Johnstone Douglas. Alexander Forbes intends to use this acquisition to take advantage of U.K. legislation that will create new pension plans, the so-called stakeholder pensions, starting in 2001. Stakeholder pensions, which the U.K. government hopes will eventually replace state-provided earnings-related pensions, must be offered by all employers with five or more employees by April of next year.

In its last fiscal year, which ended March 31, commercial retail brokerage accounted for a significant portion—46%—of the company's income, slightly up from 45% a year previously. Wholesale brokerage operations represented 14% of the broker's income, the same figure as the previous year. Of these broker-

age revenues, the vast majority, 97.5%, were generated from clients not based in the United States. A year previously, the figure was 97.7%. Of Alexander Forbes' commercial brokerage revenue, 70% is commission-based, while 30% is fee-based.

The company made several acquisitions last year, including StatSure (Pty.) Ltd., a South Africa-based claims management company; and Ginsburg, Malan & Carson, a actuarial and consulting firm that also is based in South Africa. In May 1999, Alexander Forbes increased its stake in the Mexican retail broker Codissa Nelson Hurst to 100% from 20%.

Alexander Forbes is in the process of reorganizing its business geographically rather than by line of business. This move was motivated by a desire to better cater to the needs of the small and midsized clients the company targets, according to Mr. Kerrigan.

"Our focus is on looking after clients in countries. Historically, businesses like ours have been run on a line-of-business approach, but we have taken the fairly radical decision to focus on a country-head approach," he explained. "We think that suits us better than the line-of-business approach adopted by the big players."

The company relies on its two divisions to serve clients' risk management and financial services needs.

Alexander Forbes Risk Services Ltd., the London-based risk services division that includes the broker's reins-

urance operations, is headed by Mr. Percy-Davis, who describes his unit as the "part of the business with the widest global spread."

"We have got strong networks in Asia and Latin America and a very big business in South Africa and the U.K.," Mr. Percy-Davis said.

In the United Kingdom, the risk services business is divided between retail and wholesale business; elsewhere, the risk services arm concentrates mainly on the retail side.

"In the U.K., we have had a very strong year on the retail side," Mr. Percy-Davis said. He said the company will be ready to take advantage of the demand for professional indemnity coverage when the Solicitors Mutual Indemnity Fund is disbanded in September. Previously, the U.K. Law Society required attorneys to obtain their coverage from the fund. The Sole Practitioners Group of the Law Society has appointed Alexander Forbes subsidiary Nelson Hurst Professional Indemnity as its recommended provider of professional liability coverage to members.

"We have picked up a number of large solicitors already in that process, and we will be placing their primary insurances," he said.

Mr. Percy-Davis said that the group would be looking to make acquisitions on the retail side in the United Kingdom. "We think we have got a lot of skills and a lot of products, but we have not got a big enough client base in the U.K. We are looking at a couple of acquisitions—some in traditional insurance, and some outside the traditional areas."

Mr. Percy-Davis said that, on the wholesale side, Alexander Forbes was particularly strong in U.K. specialty business. He cited political and credit risk and products such as

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Forbes

Continued from previous page sports, liability, construction and aviation as the U.K. risk services arm's areas of expertise.

"They have had a tremendous year. About 25% of their book comes from our own offices, and the rest is from independent intermediaries. We are pretty optimistic about this business going forward because, while some people believe they can handle risks internally and electronically, they still need us to help with their specialist risks," he said.

Mr. Percy-Davis said that he is looking to Asia as an area for growth. "The economics have been difficult for the past couple of years, but now there are signs of recovery. We are expecting an upturn this year in our businesses there," he said.

In the area of financial services, the acquisition of employee benefits company Johnstone Douglas has shifted some of the focus of Alexander Forbes Financial Services away from South Africa, according to Dick Wood, managing director of Alexander Forbes Financial Services. In the wake of the acquisition, Mr. Wood will relocate to London in September to direct the financial services operation from there.

The Johnstone Douglas business focuses on small and midsized companies, according to Mr. Wood. "It is a combination of an advisory business and an individual financial planning business. It is very well-placed to market the new stakeholder pension, which all employers with more than five employees will have to offer from April 2001."

Johnstone Douglas has a software arm—Chambers, Townsend Consultancy—which Mr. Wood says will allow the company to offer stakeholder pensions at a cost below the government's stipulated charge of 1% of the assets per annum.

In South Africa, the financial services arm places an emphasis on a range of consulting and advisory services primarily for retirement funds, explained Mr. Wood. One project the company is carrying out in South Africa is the rollout of a system called First Connect.

"We acquired First Connect in 1998. In its first phase, it is just a software system that links a company's payroll system to all of the third parties to whom it has to make payments—for example, tax to the receiver or medical contributions," he explained. "What is unique about it is that it works across the Internet and it doesn't just transfer the money; it also transfers the information. It is the first of its kind in South Africa," he said. "Phase two is where you take it to the next step and provide every single employee of the companies that use it with what you might call a payday account, so they can perform all their business and transactions using it. It is quite an exciting business growth."

Technology remains an important area of focus for the group, according to Mr. Kerrigan. He said that the company has three major technology initiatives under way at present. First, Alexander Forbes would like to streamline the maintenance of its legacy systems—the obsolete information technology systems inherited from the companies it has acquired. Currently, an internal technology unit in Johannesburg that employs more than 200 people takes care of the old systems, and Mr. Kerrigan would like

to see that unit sold off in the next six months.

Second, he said, the company is trying to create what he called an "e-culture."

"It is quite difficult for a business like us, because we have never genuinely had that culture. We want to transform the business to a more-technological interface with customers and make technology acquisitions."

Third, Mr. Kerrigan said, he aims for the company to come to grips with its legacy systems. "We want to refocus IT investment from the maintenance of historical systems to the development of new systems," he said.

Alexander Forbes shares, which are listed on the Johannesburg Stock Exchange, closed July 12 at 15.70 rand (\$2.30).

—By Sarah Veysey



USI Insurance Services Corp.

50 California St., 24th Floor, San Francisco, Calif. 94111; 415-983-0100; fax: 415-983-0101; www.usi-insurance.com

	1999	1998
Premium volume	\$2.6 billion	\$2.7 billion
Gross revenues	\$321,555,000	\$328,000,000
Brokerage revenues	\$320,555,000	\$327,000,000
Brokerage: Retail	59.7%	59.1%
Wholesale	0.9%	1.5%
Personal	6.5%	7.2%
Services	32.6%	31.9%
Other	0.3%	0.3%
Employees	3,159	3,232
Rev./employee	\$101,474	\$101,176
Employee benefits	58.4%	57.5%
Offices	81	74

USI Insurance Services Corp. wants to become the America Online of the insurance marketplace.

To that end, the San Francisco-based broker in August 1999 formed a joint venture with ChannelPoint Inc., an Alameda, Calif.-based technology firm that has developed an Internet-based insurance "exchange" that will allow buyers and sellers to conduct business online.

USI also has streamlined its internal operations, reorganizing into five regional headquarters and two product-line companies that will work together to offer even more products and services to middle-market customers through its new e-commerce platform.

This internal restructuring, however, tempered the company's revenue growth in 1999, which

caused USI to slip three spots in the *Business Insurance* rankings of the world's largest insurance brokers to No. 9. It held the No. 6 spot in 1998.

USI generated \$320.6 million in brokerage revenues in 1999, down 2.0% from 1998. Total revenues also dropped slightly to \$321.6 million in 1999. And premium volume last year totaled \$2.60 billion, down 3.7% from \$2.70 billion in 1998.

USI's top executives say the broker's downturn won't last very long. In fact, last year's revenue decline was the company's first since it was formed five years ago.

"In 1999, USI looked at the economy, technology and itself, and what we found was that while we've been successful in doing acquisitions, we needed to integrate,

See USI on next page

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USI

Continued from previous page
explained Bernard H. Mizel, chairman and chief executive officer.

USI divested some wholesale operations that didn't fit into its future growth plans, and also shed some unprofitable claims administration business.

"We had to cleanse our business so that we can increase our revenues over the next five years. In order to do that, we couldn't hold onto business that wasn't profitable," Mr. Mizel said.

"All of these changes had to be done to build a platform for the future. We know where we're going, and we have a road map. We made our vision much more focused. We did that in 1999," he said.

USI's goal is to become "the largest technology-enabled, fully integrated distributor of insurance, financial services and outsourcing capabilities to the middle-market in an e-commerce environment," David L. Eslick, president and chief operating officer, told USI employees when he unveiled the company's new mission statement at its annual meeting in May.

What that means, in a nutshell, is that "USI wants to be the AOL of the online insurance industry," Mr. Eslick later explained in an interview with *Business Insurance*.

USI aims to become an Internet portal for financial services, providing a central Web page through which clients and their employees can access a wide array of employee benefit and property/casualty insurance products. Those products will include workers compensation coverage, 401(k) asset management, health and life insurance, and even some products that USI will offer to client employees on an individual basis. And ChannelPoint's technology will provide the backbone

plumbing.

While many insurance brokers have felt threatened by the growth of Internet technology, USI has embraced it.

"The technology companies need the old-economy companies more than the old economy companies need the tech companies," Mr. Eslick asserted. "Their concept was 'Build it, and they will come,' but what they're finding is, in business-



"We had to cleanse our business so that we can increase our revenues over the next five years. . . we couldn't hold onto business that wasn't profitable."

— Bernard H. Mizel

to-business marketing, that doesn't happen. The tech companies can't win without the traffic, and we own the distribution and the traffic."

Mr. Mizel also pointed out that while the new, Internet-based computer programs hold the promise of making insurance transactions easier, "a lot of insurance is still too complicated to sell online."

But technology, combined with USI's expertise, can certainly enhance the services the company provides to clients, Mr. Mizel said.

For example, by providing personal assistance to client companies' employees during online benefits enrollment, USI can help the employees and better understand their benefits and make more-educated choices.

"Self-serve benefit administration systems are having problems because many people don't have a basic understanding of their benefits," Mr. Eslick said. "It's like throwing them in a lake with a sailboat without teaching them how to sail."

USI tested this personal assistance-enhanced online enrollment concept on its own employees earlier this year. Custom Benefit Programs of Hammont, N.J., a consultant USI acquired in May 1999, conducted the enrollment in each of the broker's 81 locations nationwide this past April.

First, all of USI's human resource information system data was entered into the Custom Benefit enrollment system, which runs on laptop computers.

"Then counselors sat down with employees on a one-on-one basis—answering questions, educating them, explaining the company contributions, etc.," Mr.

Eslick said. Custom Benefit currently employs more than 200 enrollment counselors.

While it might seem that such a personalized approach would greatly increase the time it takes to complete enrollment, the process took only about 20 minutes per person, according to Mr. Mizel.

In addition to enhancing the quality of service for clients, this personalized approach to enrollment also gives USI additional cross-selling opportunities, he added. For example, enrollment counselors can offer the employees ancillary benefits and non-core insurance coverages, such as long-term care, auto and homeowners insurance, and annuities and even securities, he explained.

"Core benefits enrollment coupled with worksite marketing is one of the most underserved markets in the United States," Mr. Mizel said.

USI, responding to client requests, also is working on integrating non-qualified deferred compensation programs with 401(k) plans,

he added.

Today, employee benefits "are much faster-growing areas of financial distribution than property/casualty and insurance," Mr. Mizel said, and that outlook is "flaring USI's attempt to cross-sell benefits to all of its property/casualty clients.

And there's a lot of potential for more growth. So far, just 300 of USI's more than 100,000 clients have used Custom Benefit personal assistance-enhanced enrollment method.

Currently more than half—58.4%—of USI's revenues are derived from employee benefits business. This is up slightly from 57.5% in 1998.

To ensure there are plenty of products from which to choose, USI will continue to "join hands with banks and financial services companies looking to penetrate this market. Mr. Mizel said. For example, USI already has a joint-marketing agreement with the Equitable Cos. and Chase Manhattan Corp.

USI also is negotiating with insurers to obtain group-purchasing discounts "to make pricing more attractive to our clients and their employees," Mr. Mizel said. "We're try-



USI's goal is to become 'the largest technology-enabled, fully integrated distributor of insurance, financial services and outsourcing capabilities.'

— David L. Eslick

ing to consolidate the functions usually provided by numerous service providers into a single conduit: USI," said Mr. Mizel.

As such, the USI portal will allow clients to gain access to all of their insurance and risk management functions in addition to benefits enrollment and administration services.

USI also will use its new technological capabilities to provide its middle-market customers benefits with outsourcing services of the caliber usually available only to Fortune 1000 companies, according to Mr. Eslick.

"Our market analysis found that our clients were seeking a single-source solution for total benefits consulting and administrative needs, so they can focus on the other pieces of their business," he said. "We are solving the biggest problem, the biggest headache, these companies have every year."

USI's claims administration and consulting operations also are growing. They now account for 32.6% of the broker's revenues, up from 31.9% in 1998.

The investment in and emphasis on benefit technology also will help USI to grow its business internally rather than through acquisitions—a shift in focus that began in 1998, Mr. Mizel said. Since its formation in June 1995, USI has acquired a total of 103 companies and books of business, 14 of them last year.

"If you cannot sell multiple products to your existing clients, you will not sustain organic growth," he said. "Our goal is to grow business organically at least 15% a year." Currently, USI's organic growth measures about 9% per year.

Cross-selling insurance services is easier to do in the middle-market, because there's usually one decision-maker who has responsibility for purchasing both property/casualty insurance and benefits, Mr. Eslick pointed out.

After last year's reorganization, all of the consulting, administration, core enrollment and communications services provided by Custom Benefit and USI's two product-line companies—third-party administrator USI Administrators and consultant USI Consulting Group—now come under the umbrella of the newly formed Resource One.

In addition, USI now has five regional operations: the Northeastern region, based in Briarcliff Manor, N.Y.; the Southeastern region, in Norfolk, Va.; the Midwest region, divided between Cincinnati and Chicago; the Southwestern region, based in Houston; and the Western region, which is based in Los Angeles.

Each region has its own chief executive officer, chief financial officer, senior sales manager and human resources director, all of whom report directly to Mr. Eslick. The regional offices also can tap directly into Resource One to provide services to clients throughout the country, according to Mr. Eslick.

Besides Custom Benefit, USI's other 1999 acquisitions were: Warburton Insurance of Providence, R.I.; Commercial Insurance Consultants of Lakeland, Fla.; York Phar-

maceutical, a pharmaceutical, a pharmaceutical manager in New Haven, Conn.; Mike Powell Insurance of Ocala, Fla.; Commercial Insurance Concepts Inc. of Houston; and Queen of Cincinnati. In addition, USI purchased

seven books of business from various agencies.

Mr. Mizel declined to estimate the value of the acquisitions other than to say they were "relatively small" when compared to USI overall.

Encouraged by USI's technology, investors in the privately held broker are staying put, according to Mr. Mizel. USI's executives expect the Custom Benefit-ChannelPoint technology to be fully operational by the third quarter of this year—just in time for most employers' annual open enrollment periods.

"Our investors stayed in because they think there will be more profits with USI's tech strategy," Mr. Mizel said. Investor Chase Capital Partners—part of Chase Manhattan—put additional money into the company in 1999 in anticipation of additional growth. Mr. Mizel declined to specify the size of that investment.

"If you look at our competitors, there's no single national broker doing what we're doing," Mr. Mizel said. "And the price tag for a regional or local operator to embrace this technology is the same as for USI, but we get to spread it out over \$320 million in revenue."

As a result, "there's nobody at our level who has embraced this technology to be the solution provider for the middle-market insurance buyer," Mr. Mizel said.

USI's principal investors are Chase Manhattan, Capital Z Financial Services Fund II, Unum Provident Corp., AXA Financial Inc., Royal & SunAlliance USA Inc., Chubb Corp., Travelers Insurance Group, Zurich Financial Services Group and CNA Financial Corp.

Besides Messrs. Mizel and Eslick, USI's other principal officers are Michael L. Pautler, executive vp and chief financial officer; and Ernest Newborn, senior vp and general counsel.

—By Joanne Wojcik

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	1999	1998
Gross revenues	\$281,880,000	\$262,310,000
Brokerage revenues	\$277,668,000	\$259,420,000
Brokerage retail	85.3%	85.9%
Reinsurance	2.9%	3.3%
Personal	9.0%	8.1%
Services	1.3%	1.6%
Other	1.5%	1.1%
Employees	2,179	2,005
Rev./employee	\$127,429	\$129,387
Employee benefits	25.0%	28.0%
Offices	91	90

All figures converted at applicable exchange rates.

Patrick Lucas, chairman and chief executive officer of Gras Savoye & Cie., maintains that last year's competitive global marketplace for insurance and insurance brokering gave buyers an opportunity to sort the top players from the rest, and that France's largest brokerage readily stood up to the challenge.

In a market where global insurance rates were still weak, Gras Savoye's brokerage revenues last year rose 12.3% to 1.71 billion francs compared with 1998. In dollar terms, last year's weakening of euro-linked currencies meant the improvement was only 7.0%, to \$277.7 million.

Corporate gross revenues improved by 12.8%, to 1.74 billion francs; in dollar terms, the improvement was 7.5%, to \$281.9 million.

Mr. Lucas emphasized that none of the revenue growth came from higher insurance rates or investment income. About three-quarters of the increase came from the growth of existing operations and additional business from existing customers, while the rest came from acquisitions and record growth in new business.

On a net basis, Gras Savoye gained many more clients last year than in 1998, Mr. Lucas said.

He explained the strategy behind this success: "The first priority for us is to keep our clients, the second is to work with our existing clients to develop more business, and the third is to acquire new clients by a big marketing effort."

This philosophy led to growth across Gras Savoye's entire portfolio, Mr. Lucas said.

Achievements last year include winning the contracts to place:

- Coverage for all the members of France's Federation of Tennis and for the annual French Open tennis championships, held in Paris each June. This helped Gras Savoye further consolidate its position as France's leading sports events broker.

- Liability coverage for members of the Federation Nationale des Agences Immobilières, the federation of French real estate agents.

- Credit and life business for Caisse des Banques, the regional savings banks of France.

- Liability coverage for the Port of Marseilles.

- Employee benefits coverage for nearly 300 French towns, cities and counties. This new business increases the brokering and consulting work Gras Savoye already does for local governments.

Three acquisitions last year also helped bolster growth and should aid future expansion.

In February 1999, Gras Savoye bought a majority stake in the French credit insurer G&G Langlois

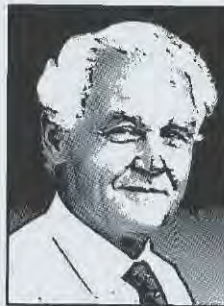
to form Gras Savoye Langlois, of which Gras Savoye owns 80%. Mr. Lucas said the new company has done "reasonably well," with revenues in 1999 almost doubling from the previous year, to nearly 14 million francs (\$2.3 million). The CEO's assessment of the improvement is qualified, he explained, because Gras Savoye had to spend significant time and effort integrating its acquired business.

The acquisition should allow Gras Savoye's international network to help Gras Savoye Langlois promote coverage programs against non-payment on international trade, investments and projects. Subsidiaries in London and New York should provide opportunities for Gras Savoye Langlois to sell global credit insurance to multinational firms.

Last year, Gras Savoye also bought a 40% share in property/cas-

ualty insurance broker Actio. This year, Gras Savoye increased its ownership to 100%.

Further afield, Gras Savoye bought a 34% interest in June 1999 in Office Caledonien d'Assurances



Mutuelles, an insurance broker based in Noumea, New Caledonia. The aim of the partnership is to develop corporate risks business in

New Caledonia. The French Pacific territory has been experiencing an economic revival and has a shortage of professional brokerages.

This new venture complements Gras Savoye's presence in three other

overseas regions: Martinique and Guadeloupe in the Caribbean, Reunion in the Indian Ocean, and Guyana in South America. Gras Savoye is also the biggest overseas broker in Africa, with a presence in 15 countries.

In addition to these acquisitions, Gras Savoye also has formed a new company in France, GS Concept. The company sells car warranties to Gras Savoye's

personal lines clients. The service offered by GS Concept complements the business of a company Gras Savoye bought last year: Nationale de Services Automobile, which provides warranties on cars bought through dealerships.

Also in the French automotive sector, Gras Savoye this year bought an Avignon-based brokerage, Conseil et Courtage d'Assurance d'Entreprise. The company specializes in brokering coverage on luxury cars. Mr. Lucas said that, while it is a niche business, CCAE does well in its sector; furthermore, he said, it has the potential to expand by developing some good group programs and franchising.

In April, Gras Savoye announced an agreement with U.S. investment adviser Frank Russell Co. to offer integrated services in France for

See Gras Savoye on next page

The first priority for us is to keep our clients, the second is to work with our existing clients and the third is to acquire new clients.'

— Patrick Lucas

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Gras Savoye

Continued from previous page
pension fund investors. Mr. Lucas mented the two companies complement one another—Frank Russell has global investment expertise, and Gras Savoye has pension fund clients—and that, he said, should ensure a successful combination.

Gras Savoye Reassurance also had a good year, increasing revenues in 1999 to 57.1 million francs (\$9.3 million) from 50.3 million francs (\$8.2 million) in 1998. That kept the company in the No. 2 slot in French reinsurance brokering. As a proportion of gross corporate revenues, revenues from reinsurance brokerage fell to 2.9% last year from 3.3% in 1998. But Mr. Lucas said this seeming underperformance was simply a matter of other Gras Savoye businesses having an even better year.

The broker continues to develop its niche in placing coverage for French television series, television advertising and films. Started about two years ago, this entertainment business is still on a small scale but is growing slowly, Mr. Lucas said.

Inspace S.A., the satellite insurance brokering partnership formed with Willis Group Ltd. in 1998, did-

n't develop significantly in last year's competitive market, he said. "We still believe we've got a future. We've certainly got a good team, but it's a long process," Mr. Lucas said.

More successful has been Gras Savoye's efforts to increase its share of work for French multinational firms. With both Gras Savoye and large French companies expanding globally, Mr. Lucas said that this is an area with considerable opportunities.

The international network to serve such clients has been built up through the coordination of the global operations of Gras Savoye and Willis, the London-based broker that in 1997 bought a 31.72% stake in Gras Savoye.

Since the merger, Gras Savoye and Willis have been steadily merging their European operations outside Britain and France, usually under the name of one of the two brokers. Currently, they are merging their operations in Spain, a process that has taken longer than anticipated. That leaves Poland as the only country in which both companies' operations have yet to merge. Mr. Lucas said he was uncertain as to when this final merger will take place.

The aim of the mergers is to posi-

tion their joint operations among the top three in each of the European countries in which they operate. With these enlarged units and their complementary units around the globe, Gras Savoye and Willis say they are better placed to serve a wide range of both local and multinational clients.

Mr. Lucas said the two brokers have continued to transfer their existing clients to the new businesses and to develop multinational programs that are serviced by their various units throughout the world.

In May, Gras Savoye approved the startup of a new department dedicated to placing liability coverage for a wide range of professionals, ranging from doctors and lawyers to property agents, accountants and notaries—who in France are important in property transactions. Mr. Lucas said he would like to see this unit encompass the needs of all professional branches.

Last year, Mr. Lucas noted that re-engineering products and administrative processes was the means for Gras Savoye to remain competitive. That process continues, he said.

The need for improved efficiency, particularly in regard to labor-intensive back office functions, was made all the more urgent by the introduc-

tion on June 1 of a regulation establishing a 35-hour workweek in France. An automated personal lines information system, introduced in the first quarter of this year, is one measure that should help improve efficiency, though Mr. Lucas said the benefits of this and other measures already taken probably won't be seen until 2001.

Gras Savoye continues a program started in 1998 of setting up personal lines "shops" in France. The nine shops established to date sell a wide range of personal lines products and are "working extremely well," Mr. Lucas said. He said the company expects to add three to four additional shops each year.

Ownership of Gras Savoye remains unchanged from last year, with Willis holding a 31.72% stake. An additional 43.36% is owned by Mr. Lucas; by Gras Savoye's two chief operating officers, Emmanuel Gras and Daniel Naftalski; and by other descendants of the founders. Finally, 4.9% is owned by GS Euro Finance, a Belgian company controlled by the family members; and 10.01% each is owned by French insurers AXA Group and Athena Assurances.

Under the terms of the 1997 agreement under which Willis bought into

Gras Savoye, the London broker has the option to increase its holding to a majority stake after three years with the consent of existing owners, or after 12 years without their consent.

Commenting on the current year, Mr. Lucas said he expects revenues to rise by around 10%. He said that the improvement will come mainly by doing more work for existing customers, by gaining clients, and, to a lesser degree, by acquisition and business development. Signs of rising insurance rates have not yet filtered through to brokerage revenues, Mr. Lucas said, and he predicted that it is likely to be 2001 before they do so.

Mr. Lucas pointed out that the French insurance market differs from the London international market in that rate increases are more selective; policyholders in France with good claims records are still likely to be able to avoid rate increases, he said.

With the new units already in place and efforts under way to improve efficiency, "2001 should be an even better year," Mr. Lucas predicted. When serving clients, Gras Savoye is "making a lot of effort to be good listeners and to offer them the best."

—By Edwin Unsworth

Business Insurance directory of agents and brokers



ABD Insurance & Financial Services Inc.

301 Island Parkway, Belmont, Calif. 94002; 650-598-0900; fax: 650-598-0370 www.cybersure.com

	1999	1998
Premium volume	\$1,100,000,000	\$850,300,000
Gross revenues	\$68,200,000	\$57,174,000
Brokerage revenues	\$68,200,000	\$55,174,000
U.S. clients	100%	100%
Brokerage: retail	95.5%	94%
U.S. offices	\$65,131,000	\$53,743,560
Personal	3%	3%
Services	1.5%	3%
Employees	466	395
Retail offices	8	6

Fiscal year ending Jan. 31.

Founded: 1946. Retail brokerage: 90.6% commissions, 9.4% fees.

Employee benefits: 41.6% of revenue in 1999. Acquisitions: Dranginis & Associates Inc., Santa Rosa, Calif., May 1999; HCM Benefits Inc., Torrance, Calif., October 1999. Officers: Bruce Basso, chairman; Frederick J. de Grosz, president/CEO; Jim Hall, president-employee benefits. Contact: Frederick J. de Grosz.

Acordia Inc.

150 N. Michigan Ave., Suite 4200, Chicago, Ill. 60601; 312-357-0447; fax: 312-357-2649 www.acordia.com

Founded: 1989. Officers: Frank Withun, president/CEO; Robert C. Nevins, vice chairman-ACO Brokerage Holdings; Bob Kent, executive vp/COO; Bob Cuthbert, senior vp-CFO; John J. O'Connor, senior vp/chief human resource officer; Charles L. Ruoff, senior vp/chief marketing officer. Contact: Charles L. Ruoff, charles-rl.off@acordia.com. See profile on page 43.

T.J. Adams Group L.L.C.-an Assurex partner

2021 Spring Road, Oak Brook, Ill. 60523; 630-572-1550; fax: 630-574-3278 www.tjadams.com

	1999	1998
Premium volume	\$78,000,000	\$49,000,000
Gross revenues	\$12,500,000	\$7,900,000
Brokerage revenues	\$12,375,000	\$7,900,000
U.S. clients	100%	100%
Brokerage: retail	95%	100%
U.S. offices	\$11,875,000	\$7,900,000
Personal	1%	0%
Services	3%	0%

	1999	1998
Interest income	1%	0%
Employees	108	75
Retail offices	3	1

Founded: 1967. Retail brokerage: 90% commissions, 10% fees.

Employee benefits: 18% of revenue in 1999. Non-retail subsidiaries: Adams Safety Management Services, Oak Brook, Ill.

Officers: Kent A. Nelson, president/CEO; Richard E. Miller, vp/chairman; John E. Adams, executive vp. Contact: Kent A. Nelson; knelson@tjadams.com.

AirSure Ltd.

25548 Genesee Trail Road, Golden, Colo. 80401; 303-526-5300; fax: 303-526-5303

	1999	1998
Premium volume	\$45,216,349	\$40,085,897
Gross revenues	\$5,857,249	\$5,139,809
Brokerage revenues	\$5,857,249	\$5,139,809
U.S. clients	95%	94%
Non-U.S. clients	5%	6%
Brokerage: retail	92%	93%
U.S. offices	\$5,388,669	\$4,780,022
Wholesale	4%	4%
Personal	4%	3%
Employees	22	20
Retail offices	3	3

Founded: 1984. Parent: AirSure Ltd. Holdings Inc. Retail brokerage: 98% commissions, 2% fees.

Officers: Bill Behan, president; Todd G. Jelic, vp-sales; Janet Bressler, vp. Contact: Bill Behan.

Alexander Forbes Ltd.

25 Sauer St. Ext., Johannesburg, 2001 South Africa; 27-11-378-3000; fax: 27-11-378-4222 www.alexanderforbes.com

Founded: 1935.

Officers: Graeme Kerrigan, group chief executive-Alexander Forbes Ltd.; Leon Lewis, executive chairman-Alexander Forbes Insurance Services; John Percy-Davis, chairman/CEO-Alexander Forbes Risk Services.

Contact: Graeme Kerrigan, 27-11-378-4278, fax: 27-11-378-4222, kerrigan@aforbes.co.za; Leon Lewis, 27-11-269-0151, fax: 27-11-260-0149, lewis@aforbes.co.za; John Percy-Davis, 44-207-962-2155, fax: 44-207-680-1225, percydavis@aforbes.co.uk. See profile on page 44.

Alliance Agency Insurance Services

21515 Vanowen St., Suite 103, Canoga Park, Calif. 91303; 818-999-6014; fax: 818-999-1688

	1999	1998
Premium volume	\$25,000,000	\$22,000,000
Gross revenues	\$2,300,000	\$2,100,000
Brokerage revenues	\$2,300,000	\$2,100,000

	1999	1998
U.S. clients	100%	100%
Brokerage: retail	100%	100%
U.S. offices	\$2,300,000	\$2,100,000
Employees	25	24
Retail offices	1	1

Founded: 1980. Retail brokerage: 98% commissions, 2% fees. Contact: William A. White.

Allied American Insurance Agency Inc.

233 W. Central St., Natick, Mass. 01760; 508-651-7700; fax: 508-651-7701 www.alliedamerican.com

	1999	1998
Premium volume	\$119,000,000	\$130,000,000
Gross revenues	\$19,000,000	\$13,949,935
Brokerage revenues	\$18,962,000	\$13,880,185
U.S. clients	100%	100%
Brokerage: retail	38.9%	50%
U.S. offices	\$7,391,000	\$6,974,968
Personal	60.9%	49.5%
Interest income	0.2%	0.5%
Employees	218	220
Retail offices	18	18

Founded: 1993. Retail brokerage: 100% commissions. Employee benefits: 1.5% of revenue in 1999.

Acquisitions: Holliste Insurance, Middleboro, Mass., January 1999; Carlin Insurance, Natick, Mass., April 1999. Officers: Hope A. Aldrich, president/CEO; John F. Koegel, executive vp-personal lines; Mark I. Levine, executive vp-commercial lines. Contact: John F. Koegel; 508-650-8290 ext. 1117; jkoegel@alliedamerican.com.

Allied Coverage Corp.

390 N. Broadway, Jericho, N.Y. 11753; 516-733-9200; fax: 516-681-7390 www.alliedna.com

	1999	1998
Premium volume	\$210,000,000	\$170,000,000
Gross revenues	\$31,000,000	\$18,000,000
Brokerage revenues	\$30,690,000	\$17,820,000
U.S. clients	100%	100%
Brokerage: retail	91%	91%
U.S. offices	\$28,100,000	\$16,380,000
Wholesale	7%	6%
Personal	1%	0%
Services	1%	0%
Interest income	1%	1%
Employees	190	160
Retail offices	8	6

Fiscal year ending Nov. 30.

Founded: 1979. Retail brokerage: 91% commissions, 9% fees. Employee benefits: 3% of revenue in 1999.

Officers: William A. Marino, CEO-Allied Group Holdings Inc.; Henry C. Lombardi, president-Allied Group Holdings Inc.; David H. Stevenson, executive vp-Allied Coverage Corp.; David Marino, vp-Allied Coverage Corp. Contact: Henry C. Lombardi; hlombardi@allied-na.com.

Alper Services

60 W. Superior St., Chicago, Ill. 60610; 312-642-1000; fax: 312-944-7000 www.alperservices.com

	1999	1998
Premium volume	\$34,000,000	\$33,000,000
Gross revenues	\$5,200,000	\$5,176,000
Brokerage revenues	\$5,200,000	\$5,176,000
U.S. clients	99%	99%
Non-U.S. clients	1%	1%
Brokerage: retail	80%	80%
U.S. offices	\$4,160,000	\$4,389,000
Personal	5%	5%
Services	15%	15%
Employees	51	50
Retail offices	1	1

Founded: 1966. Retail brokerage: 85% commissions, 15% fees.

Employee benefits: 15% of revenue in 1999. Officers: Howard C. Alper, president/CEO; Craig A. Kanter, executive vp/COO; Harbert M. Singer, John A. Hamilton, executive vps. Contact: Howard C. Alper.

Anco Insurance Managers Inc.

1733 Briarcrest Drive, P.O. Box 3839, Bryan, Texas 77805; 979-776-2626; fax: 979-776-1308 www.anco.com

	1999	1998*
Premium volume	\$88,918,000	\$89,264,759
Gross revenues	\$16,027,883	\$15,863,104
Brokerage revenues	\$15,386,768	\$15,074,699
U.S. clients	100%	100%
Brokerage: retail	38%	33%
U.S. offices	\$6,090,596	\$5,712,517
Wholesale	9%	8%
Personal	48%	5%
Services	1%	1%
Interest income	1%	1%
Other	3%	4%
Employees	131	145
Retail offices	12	12

Founded: 1873.

Retail brokerage: 100% commissions. Employee benefits: 1% of revenue in 1999.

Non-retail subsidiaries: AIM Premium Finance Inc., Bryan, Texas. Officers: Dick Haddock, chairman; M.L. Cashion, chairman emeritus; David Gregory, president; Adrian McDonald, senior vp. Contact: Randy Roberts; 979-774-6270; roberts@anco.com.

*1998 numbers are restated.

Andreini & Co.

220 W. 20th Ave., San Mateo, Calif. 94403; 650-573-1111; fax: 650-378-4361 www.andreini.com

	1999	1998
Gross revenues	\$21,300,000	\$21,215,000
Brokerage revenues	\$20,980,500	\$20,790,700
U.S. clients	100%	100%
Brokerage: retail	96.2%	96%

	1999	2000
U.S. offices	\$20,490,600	\$20,366,400
Personal	2.3%	2%
Interest income	1.5%	2%
Employees	168	162
Retail offices	8	9

Founded: 1951.

Retail brokerage: 98% commissions, 2% fees. Employee benefits: 21% of revenue in 1999.

Officers: John A. Andreini, chairman; Michael J. Colzani, CEO; Dan L. Centoni, COO; Henry Chen, CFO; David R. Hoskins, senior vp. Contact: John A. Andreini.

Aon Corp.

123 N. Wacker Drive, Chicago, Ill. 60606; 312-701-3000; fax: 312-701-3233 www.aon.com

Officers: Patrick G. Ryan, chairman/CEO; Michael D. O'Halleran, president/COO; Harvey N. Medvin, Raymond Skilling, executive vp/risk chief counsel; Ken LeStrange, chairman-Aon Services of America. Contact: Jeff Jacobs, 312-781-2359; Jeffrey Smith, 312-701-4810. See profile on page 22.

Associated Agencies Inc.

Three Continental Towers, 1701 Golf Road, Suite 700, Rolling Meadows, Ill. 60008; 847-427-8400; fax: 847-427-3559

	1999	1998
Premium volume	\$130,000,000	\$130,000,000
Gross revenues	\$14,700,000	\$14,700,000
Brokerage revenues	\$14,553,000	\$14,533,000
U.S. clients	100%	100%
Brokerage: retail	61%	61%
U.S. offices	\$8,967,000	\$8,967,000
Wholesale	2%	2%
Personal	2%	2%
Services	10%	10%
Interest income	1%	1%
Employees	92	92
Retail offices	7	6

Founded: 1889. Retail brokerage: 90% commissions, 10% fees.

Employee benefits: 32% of revenue in 1999. Officers: Robert M. Schraye, president; Max R. Schraye II, Karen Z. Vacko, Arthur B. Friedman, executive vps. Contact: Robert M. Schraye; 847-427-3500.

Associated Insurance Group

150 Weldon Parkway, St. Louis County, Mo. 63043; 800-737-0100; fax: 314-432-3100 www.aigagency.com

	1999	1998
Premium volume	\$35,000,000	\$32,000,000
Gross revenues	\$2,800,000	\$2,650,000
Brokerage revenues	\$2,800,000	\$2,500,000
U.S. clients	100%	100%
Brokerage: retail	80%	84%

Continued on next page

Directory terms explained

Listings in the 2000 directory of agents and brokers are based upon each company's response to a *Business Insurance* questionnaire.

The directory is published as an editorial service; there is no charge to be included. However, companies must generate at least 20% of its brokerage revenues from commercial retail brokerage services.

Listings begin with the mailing address, telephone, fax number and Web address of the company.

Next, premium volume, corporate gross revenues, and brokerage revenues for both 1999 and 1998 are listed. Fiscal year ends at Dec. 31 unless noted. Fiscal year ends of Jan. 31, March 31 and June 30 are shown as 1998/1999 and 1999/2000.

The figures for non-U.S. companies were converted to U.S. dollars at the applicable annual average exchange rate.

Brokerage revenues include all revenues generated by insurance brokerage, consulting and related services, as well as any income from funds held in a fiduciary capacity.

Investment income on corporate funds and revenues from non-brokerage services, such as underwriting, investment services and real estate, are excluded from brokerage revenues.

The percentage of brokerage revenues generated from U.S.-based clients and non-U.S.-based clients is also provided. The percentage of gross retail brokerage is listed next, followed by a breakdown in dollars as generated through U.S. offices vs. non-U.S. offices. In addition, the percentages of sale brokerage, reinsurance brokerage, personal lines brokerage, fee-based services, investment income (earned on corporate funds) and other activities are reported.

The number of employees in insurance brokerage, consulting and related services is reported in full-time equivalent for both 1999 and 1998, as well as the number of commercial retail brokerage offices for both years.

Each listing also indicates the year that the company was founded, the parent company and a breakout of the commercial retail brokerage revenues into the percentage from commissions vs. the percentage from fees. The percentage of revenues derived from employee benefits business in 1999 is also provided.

Acquisitions and mergers in 1998 and 1999 are detailed next, including the name and location of the companies involved and the month and year that the merger or acquisition took place. Only acquisitions that occurred in 1999 were included in calculating the gross and brokerage revenues.

This is followed by the names and locations of non-retail brokerage subsidiaries. Principal officers and a contact for readers seeking more information complete each listing.

A geographical index of companies' retail brokerage office locations will be available Aug. 1 at BusinessInsurance.com. Web site at www.businessinsurance.com. All figures are listed in U.S. dollars. The applicable annual average exchange rate was used to convert figures for non-U.S. based organizations. Exchange rates are noted on the page 1 chart, except the following: Canadian dollar=\$0.675 (12/31/99), \$0.672 (12/31/98), \$0.661 (7/31/99), \$0.688 (7/31/98), \$0.667 (9/30/99), \$0.685 (9/30/98), German mark=\$0.542 (12/31/99), \$0.570 (12/31/98), Japanese yen=\$0.009 (3/31/00), \$0.008 (3/31/99).

The information in each listing was compiled by *BI* based on data supplied by the agents and brokers. Although every effort is made to publish complete and accurate information, no public records are available against which to verify the information supplied by privately held brokers.

If your company generates at least \$500,000 in revenues from commercial retail brokerage but was not included in the directory, please contact Director Editor Kevin Edson 312-649-5279 and request a questionnaire for next year.

Continued from previous page

1998	1999
Personal	1%
Services	2%
Employees	\$2,240,000
Other	20%
Wholesale	10%
Personal	2%
Other	3%
Services	0%
Employees	42
Wholesale	36
Retail offices	2
Founded: 1958	
Retail brokerage: 100% commissions	
Employee benefits: 10% of revenue in 1999	
Offices: George S. Wherry, president; Gregory G. Wherry, senior vp.	
Contact: Gregory G. Wherry	
www.avalonrisk.com	

1998	1999
Personal	1%
Services	2%
Employees	65
Other	1%
Wholesale	1%
Personal	2%
Other	3%
Services	0%
Employees	42
Wholesale	36
Retail offices	2
Founded: 1961	
Retail brokerage: 95% commissions, 5% fees	
Employee benefits: 12% of revenue in 1999	
Contact: Jackie Gould, vp; jgould@assurancemgmt.com	
www.avalonrisk.com	

1998	1999
Personal	1%
Services	2%
Employees	62
Other	1%
Wholesale	1%
Personal	2%
Other	3%
Services	0%
Employees	42
Wholesale	36
Retail offices	2
Founded: 1958	
Retail brokerage: 100% commissions	
Employee benefits: 10% of revenue in 1999	
Offices: George S. Wherry, president; Gregory G. Wherry, senior vp.	
Contact: Gregory G. Wherry	
www.avalonrisk.com	

1998	1999
Personal	1%
Services	2%
Employees	62
Other	1%
Wholesale	1%
Personal	2%
Other	3%
Services	0%
Employees	42
Wholesale	36
Retail offices	2
Founded: 1958	
Retail brokerage: 100% commissions	
Employee benefits: 10% of revenue in 1999	
Offices: George S. Wherry, president; Gregory G. Wherry, senior vp.	
Contact: Gregory G. Wherry	
www.avalonrisk.com	

1998	1999
Personal	1%
Services	2%
Employees	62
Other	1%
Wholesale	1%
Personal	2%
Other	3%
Services	0%
Employees	42
Wholesale	36
Retail offices	2
Founded: 1958	
Retail brokerage: 100% commissions	
Employee benefits: 10% of revenue in 1999	
Offices: George S. Wherry, president; Gregory G. Wherry, senior vp.	
Contact: Gregory G. Wherry	
www.avalonrisk.com	

Insight is the ability

to see a situation from a fresh perspective.

Is there someone who realizes there's always more than one point of view?

Someone who understands that unique business approaches deserve unique

answers? Is there an insurance company with the technical expertise to learn

your specific needs so you don't just get boilerplate answers? Without Question.

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For more information contact your independent insurance agent or broker or visit www.straul.com.



BB&T Insurance Services Inc.

Contact: Richard R. Gorsuch

P.O. Box 31128
Raleigh, N.C. 27622
919-716-9777; fax: 919-716-9783
www.bbandt.com

1998	1999
Premium volume	\$1,144,076,000
Gross revenues	\$710,536,000
Brokerage revenues	\$80,726,480
U.S. offices	\$82,570,599
U.S. clients	60.3%
Wholesale	3%
Other	28%
Services	0%
Employees	47
Other	3%
Wholesale	0%
Personal	47%
Employees	8.7%
Other	8.7%
Services	0%
Employees	842
Retail offices	54

Parent: BB&T Corp.
Retail brokerage: 97% commissions, 3% fees.
Founded: 1922

Aviation Insurance Services

Officers: Gary C. Bhowani, president; Denise L. Hruby, secretary; Shaun Jackson, treasurer
Contact: Sharon Barry, vp-marketing; sbarry@aviationrisk.com
*1998 figures are for only six months

9515 Hillwood Drive
Las Vegas, Nev. 89134
702-647-2333; fax: 702-647-5433

1998	1999
Gross revenues	\$5,494,000
U.S. clients	\$4,662,000
Wholesale	77%
Other	23%
Services	22%
Employees	22%
Other	78%
Wholesale	78%
U.S. offices	\$5,109,420
U.S. clients	\$4,317,012
Wholesale	1%
Other	1%
Services	6%
Employees	0.4%
Other	25
Wholesale	3%
Personal	47%
Employees	3%
Other	28%
Services	0%
Employees	44

Fiscal year ending June 30
Retail brokerage: 87% commissions, 13% fees
Founded: 1977
Parent: Kingsway Financial Services Ltd.
R. Gorsuch, vice chairman; Teresa K. Heckart, vp-finance/CFO

Avalon Risk Management Inc.

3315 E. Algonquin Road, Suite 340
Rolling Meadows, Ill. 60008
847-670-8970; fax: 847-670-9260
www.avalonrisk.com

1998	1999
Premium volume	\$7,426,442
Gross revenues	\$2,203,222
U.S. offices	\$2,041,318
U.S. clients	\$559,000
Wholesale	100%
Other	1%
Services	97%
Employees	1%
Other	100%
Services	0%
Employees	0%
Wholesale	0%
Personal	1%
Employees	48
Other	2%
Services	1%
Employees	35
Other	0%
Services	0%
Employees	8

Parent: Kingsway Financial Services Ltd.
Retail brokerage: 100% commissions

Assurance Agency Ltd.

2280 Hicks Road, Suite 500
Rolling Meadows, Ill. 60008-1220
847-797-5700; fax: 847-670-0556
www.assuranceagency.com

1998	1999
Premium volume	\$80,000,000
Gross revenues	\$65,000,000
U.S. offices	\$7,300,000
U.S. clients	\$8,600,000
Wholesale	96%
Other	1%
Services	100%
Employees	97%
Other	100%
Services	1%
Employees	\$7,081,000

Continued from previous page

Employee benefits: 9.1% of revenue in 1999. Acquisitions: Blue Ridge Burke, Mount Airy and Winston-Salem, N.C., January 1999; Huffines Russell, Alpharetta, Ga., March 1999; Old Dominion Insurance, Christiansburg, Pulaski and Radford, Va., April 1999; Givens & Williams, Fairfax, Va., April 1999; James River Title, Richmond, Va., April 1999; Barger Insurance, Covington, Charlottesville, Harrisonburg, Lexington and Waynesboro, Va., May 1999; GC Wright, Petersburg, Va., June 1999; Beam Cooper Gainer, Morehead City, N.C., August 1999; Kay & Co., Lumberton, N.C., September 1999; Pioneer Title, Virginia Beach, Va., October 1999; Ingram McDaniel Associates, Thomaston, Ga., October 1999; Macon Insurance, Macon, Ga., October 1999; Piedmont Administrators, Greensboro, N.C., June 2000; Carson Insurance, Charleston, W.Va., July 2000; Valley Security Title Insurance, Lexington, Va. July 2000.

Non-retail subsidiaries: Prime Rate Premium Finance, Florence, S.C. Officers: H. Wade Reece, president; David Pruet, David Wells Jr., James F. Farmer, Walter S. Robertson III, senior vps. Contact: Walter Robertson III; 804-359-0044, ext. 328; wsr Robertson@bband.com.

BWD Group L.L.C.

BWD Plaza, P.O. Box 9050, Jericho, N.Y. 11753-8950; 516-327-2700; fax: 516-327-2770

Table with 3 columns: 1999, 1998, and data for Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, Wholesale, Personal, Services, Interest income, Employees, Retail offices.

Founded: 1929. Retail brokerage: 88% commissions, 12% fees. Employee benefits: 22% of revenue in 1999. Officers: Roger A. Blumencranz, president/CEO; Marc J. Blumencranz, Stuart B. Wilkins, Eric S. Blumencranz, executive vps. Contact: Marc J. Blumencranz; 516-327-2740; mblumencranz@bwdgroup.com.

Sid Banack Insurance

P.O. Box 130, Vero Beach, Fla. 32961; 561-562-3369; fax: 561-562-3466 www.banack.com

Table with 3 columns: 1999, 1998, and data for Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Personal, Services, Other, Employees, Retail offices.

Founded: 1983. Retail brokerage: 100% commissions. Employee benefits: 15% of revenue in 1999. Officers: Sidney M. Banack Jr., president; Michael W. Harris, George G. Thistle, vps; Cheryl B. Roseland, secretary/treasurer. Contact: Cheryl B. Roseland; croseland@banack.com.

Barney & Barney L.L.C. - an Assurex partner

9171 Towne Centre Drive, Suite 200 San Diego, Calif. 92186; 858-457-3414; fax: 858-450-9569 www.barneyandbarney.com

Table with 3 columns: 1999, 1998, and data for Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Wholesale, Personal, Services, Employees, Retail offices.

Fiscal year ending Jan. 31. Founded: 1909. Retail brokerage: 96% commissions, 4% fees. Employee benefits: 41% of revenue in 1999. Officers: Lawrence W. Shea, managing principal; Paul J. Hering, director-commercial; Kathleen S. Ybarondo, director-employee benefits. Contact: Lawrence W. Shea, 858-587-7401; larys@barneyandbarney.com.

Beauchamp & McSpadden Inc.

231 W. Canal St., P.O. Box 687, Wabash, Ind. 46992; 219-563-8821; fax: 219-563-3226 www.bmins.com

Table with 3 columns: 1999, 1998, and data for Premium volume, Gross revenues.

Table with 3 columns: 1999, 1998, and data for Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Personal, Interest income, Other, Employees, Retail offices.

Founded: 1927. Retail brokerage: 93.6% commissions, 6.4% fees.

Employee benefits: 5% of revenue in 1999. Officers: Robert W. Beauchamp, president; Larry D. McSpadden, vp; Joseph W. McSpadden, secretary; Michael J. Beauchamp, treasurer. Contact: Robert W. Beauchamp; rbeauchamp@bmins.com.

Berwanger Overmyer Associates -an Assurex partner

2245 N. Bank Drive, Columbus, Ohio 43220; 614-457-7000; fax: 614-457-1507 www.e-boa.com

Table with 3 columns: 1999, 1998, and data for Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Wholesale, Personal, Services, Interest income, Employees, Retail offices.

Founded: 1973. Retail brokerage: 90% commissions, 10% fees.

Employee benefits: 40% of revenue in 1999. Officers: Edwin L. Overmyer, president/CEO; Joseph M. Berwanger, executive vp; Jerry L. Esselstein, treasurer/COO. Contact: Edwin L. Overmyer; 614-326-4724; eovermyer@e-boa.com.

Bollinger Inc.

830 Morris Turnpike, Short Hills, N.J. 07078; 800-526-1379; fax: 973-467-0190 www.bollingerinsurance.com

Table with 3 columns: 1999, 1998, and data for Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Wholesale, Personal, Services, Employees, Retail offices.

Founded: 1876. Retail brokerage: 97% commissions, 3% fees.

Employee benefits: 33% of revenue in 1999. Acquisitions: F.J. Wilkes & Co. Inc., Jersey City, N.J., June 1999; Young & Perry, Bridgewater, N.J., July 1999; Spalding Associates, Princeton, N.J., January 2000. Officers: John A. Windolf, chairman/president; Douglas T. Cook, Lori Windolf Crispo, executive vps. Contact: John A. Windolf.

Bolton & Co. - an Assurex partner

1100 El Centro St., South Pasadena, Calif. 91030; 626-799-7000; fax: 626-441-3233 www.boltonco.com

Table with 3 columns: 1999, 1998, and data for Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Personal, Services, Interest income, Employees, Retail offices.

Founded: 1931. Retail brokerage: 99% commissions, 1% fees.

Employee benefits: 11% of revenue in 1999. Officers: William D. Bolton, chairman/CEO; James A. Bolton, president; Steve Brockmeyer, executive vp. Contact: William D. Bolton; wbolton@bolton-co.com.

Roger Bouchard Insurance Inc.

101 Starcrest Drive, Clearwater, Fla. 33765; 727-447-6481; fax: 727-449-1267 www.rbouchard.com

Table with 3 columns: 1999, 1998, and data for Premium volume, Gross revenues.

Table with 3 columns: 1999, 1998, and data for Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Personal, Interest income, Other, Employees, Retail offices.

Founded: 1948. Parent: FNB Corp.

Retail brokerage: 94.5% commissions, 5.5% fees. Employee benefits: 10.8% of revenue in 1999. Officers: Tim Bouchard, Rick Bouchard, Ray Bouchard. Contact: Gary Caruolo, treasurer, gary@rbouchard.com.

Bowen, Mickette & Britt Inc.

1111 N. Loop W., Suite 400, Houston, Texas 77008; 713-880-7100; fax: 713-880-7166 www.bmb-inc.com

Table with 3 columns: 1999, 1998, and data for Gross revenues, Brokerage revenues, U.S. clients, Non-U.S. clients, Brokerage: retail, U.S. offices, Personal, Services, Interest income, Other, Employees, Retail offices.

Founded: 1981. Retail brokerage: 96.6% commissions, 3.4% fees.

Employee benefits: 14.7% of revenue in 1999. Officers: David G. Mickette, chairman; Edward G. Britt Jr., president/CEO; Larry M. Karren, treasurer/COO. Contact: Edward G. Britt Jr.; ebritt@bmb-inc.com.

Brady & Co. Inc.

1031 W. Fourth Ave., Suite 400, P.O. Box 107502, Anchorage, Alaska 99510-7502; 907-276-5617; fax: 907-276-6292 www.bradycompany.com

Table with 3 columns: 1999, 1998, and data for Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Wholesale, Personal, Services, Employees, Retail offices.

Founded: 1977. Retail brokerage: 83% commissions, 17% fees.

Employee benefits: 29% of revenue in 1999. Officers: Carl F. Brady Jr., chairman/CEO; Fred D. Chadwick, president/COO. Contact: Fred D. Chadwick; fred_chadwick@bradycompany.com.

Bratrud Middleton Insurance Brokers Inc.

4701 S. 19th St., Tacoma, Wash. 98405; 253-759-2200; fax: 253-756-8969 www.bratrud.com

Table with 3 columns: 1999, 1998, and data for Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Wholesale, Personal, Services, Employees, Retail offices.

Founded: 1968. Retail brokerage: 93% commissions, 7% fees.

Employee benefits: 18% of revenue in 1999. Officers: Charles W. Miller, president; Robert E. Heilesen, executive vp; Stephen Feltus, corporate secretary/treasurer. Contact: Delene M. Losch; dml@bratrud.com.

Brokerage Concepts Inc.

651 Allendale Road, King of Prussia, Pa. 19406; 610-337-2600; fax: 610-491-4990 www.bcitpa.com

Table with 3 columns: 1999, 1998, and data for Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Wholesale, Reinsurance, Services, Interest income.

Table with 3 columns: 1999, 1998, and data for Employees, Retail offices.

Founded: 1977.

Retail brokerage: 46% commissions, 54% fees. Employee benefits: 95% of revenue in 1999. Acquisitions: Model Consulting Inc., Bensalem, Pa., April 2000. Officers: Arnold M. Katz, president; Mike Shrine, director-operations; Aaron Singer, director-finance. Contact: Neil Model; 610-491-4910; neil.r.odell@bcitpa.com.

Brown & Brown Inc.

220 S. Ridgewood Ave., Daytona Beach, Fla. 32114; 904-239-7250; fax: 904-239-7252 www.brown-n-brown.com

Table with 3 columns: 1999, 1998, and data for Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Wholesale, Fairsurance, Personal, Services, Interest income, Other, Employees, Retail offices.

Founded: 1959. Retail brokerage: 98% commissions, 2% fees.

Employee benefits: 15% of revenue in 1999. Acquisitions: Hilb, Rogal & Hamilton (Daytona Beach office), Daytona Beach, Fla., January 1999; The Insurance Center of Roswell Inc., Roswell, N.M., February 1999; Clancy-Stoutman Inc. McCitcello and Perry, Fla., March 1999; Bill Williams Agency Inc., St. Petersburg, Fla., March 1999; Burns Harrelson Burns, Phoenix, July 1999; Amore-Ross*, Fort Lauderdale, Fla., July 1999; Tonorello, Phoenix, August 1999; Policy Underwriters, Phoenix, October 1999; Signature Agency*, Ocala, Fla., November 1999; RBS, Roswell, N.M., December 1999; RMA/PMSI, Altamonte Springs, Fla., January 2000; AmerSys Inc., Oviedo, Fla., May 2000; Bowers, Schunmann & Welch, Washington, N.J. and Bethlehem, Pa., June 2000.

Non-retail subsidiaries: RMA/PMSI, Altamonte Springs, Fla.; Brown & Brown Benefits, Daytona Beach, Fla.; Roehrig & Macduff, Daytona Beach and Saint Petersburg, Fla.; Champion Underwriters, Ft. Lauderdale, Fla.; Florida Intracoastal Underwriters Inc., Miami Lakes, Fla.; Halcyon Underwriters Ltd., Orlando, Fla.; United Self-Insured Services, Orlando, Fla.; Peachtree Special Risk, Atlanta. Officers: J. Hyatt Brown, chairman/president/CEO; Jim W. Henderson, executive vp; Cory T. Walker, vp/treasurer/COO. Contact: Cory T. Walker. *Purchased on pooling basis.

Brown-Hiller-Clark & Associates

5500 Euper Lane, P.O. Box 3529, Fort Smith, Ark. 72913; 501-452-4000; fax: 501-484-5185 www.bhca.com

Table with 3 columns: 1999, 1998, and data for Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Personal, Services, Employees, Retail offices.

Fiscal year ending Sept. 30. Founded: 1915.

Retail brokerage: 99% commissions, 1% fees. Employee benefits: 11% of revenue in 1999. Officers: Sam B. Hiller, president/treasurer; Larry R. Clark, executive vp/secretary; Thomas L. Cooley, vp; William Stan Miller, president-EHC Life & Group Specialists Inc.; Gary Winton, president-BHC of Oklahoma Inc. Contact: Sam B. Hiller; samhiller@bhca.com. *Restated.

Burnham Insurance Group

300 Country Pine Lane, Battle Creek, Mich. 49015; 616-441-5000; fax: 616-441-80E3 www.burnhaminsurance.com

Table with 3 columns: 1999, 1998, and data for Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Personal, Interest income, Employees, Retail offices.

Founded: 1979. Retail brokerage: 99.7% commissions, 0.3% fees.

Employee benefits: 3.9% of revenue in 1999. Acquisitions: Sentry Financial Services Inc., Dallas, May 2000. Officers: Charles Burnham, chairman/CEO; Terry Stewart, president; Richard Phillips, CFO.

Byrne, Byrne and Co.

120 S. LaSalle St., Suite 1710, Chicago, Ill. 60603; 312-346-2150; fax: 312-346-4637

Table with 3 columns: 1999, 1998, and data for Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Non-U.S. clients, Brokerage: retail, U.S. offices, Personal, Services, Employees, Retail offices.

Founded: 1898. Retail brokerage: 85% commissions, 15% fees.

Employee benefits: 40% of revenue in 1999. Officers: Stephen J. Byrne, chairman/president; Daniel A. Byrne, executive vp; William MacLaughlin, vp. Contact: William MacLaughlin.



CBIZ Benefits & Insurance Services Inc.

2600 Grand Ave., Suite 600, Kansas City, Mo. 64108; 800-562-1865; fax: 816-471-1881 www.cbiz.com

Table with 3 columns: 1999, 1998, and data for Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Wholesale, Personal, Services, Interest income, Employees, Retail offices.

Founded: 1996. Parent: Century Business Services Inc.

Retail brokerage: 85% commissions, 15% fees.

Employee benefits: 58% of revenue in 1999. Non-retail subsidiaries: CBIZ Agent Resource Inc., Columbia, Md.; Cornerstone Broker Insurance Services Agency Inc., Cincinnati; Employers Select Plan of Ohio, Columbus, Ohio; Southern Ohio Benefits Agency Inc., Cincinnati.

Officers: Robert A. O'Byrne, senior vp-CBIZ Benefits & Insurance Services; Nancy Mellard vp-corporate and legal operations; Ron Safier, vp-finance operations. Contact: Lisa M. Russ, marketing manager; lruss@cbiz.com.

CFG Insurance Services

9800 Bren Road E., Minnetonka, Minn. 55343; 612-945-0200; fax: 612-945-9477 www.cfginsurance.com

Table with 3 columns: 1999, 1998, and data for Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Personal, Services, Interest income, Employees, Retail offices.

Fiscal year ending March 30. Founded: 1974.

Retail brokerage: 98.4% commissions, 1.6% fees.

Employee benefits: 64.5% of revenue in 1999. Contact: Eldon Oldre; eldono@cfginsurance.com.

CG&B Insurance Brokers Inc.

120 S. Town Centre Blvd., Markham, Ontario L6G 1C3 Canada; 905-479-6670; fax: 905-479-9164 www.cgbgroup.com

Table with 3 columns: 1999, 1998, and data for Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Non-U.S. clients, Brokerage: retail, Non-U.S. offices, Wholesale, Personal, Interest income, Employees, Retail offices.

Converted at applicable exchange rates. Founded: 1973.

Retail brokerage: 99% commissions, 1% fees. Employee benefits: 15% of revenue in 1999.

Acquisitions: Haney Hunt & Bowden Insurance

Continued from previous page

Brokers, Toronto, July 1999; Later & Co. Ltd., Toronto, July 1999; Fish & Associates, Toronto, October 1999.
Officers: Barry Cosburn, president; Jeff Brandham, Rod Finlayson, vps.
Contact: Darryl D. Ticknor, vp-international darrylt@cgbgroup.com.

Cal-Surance Associates Inc.

333 City Blvd. W., Suite 400,
 Orange, Calif. 92868;
 714-939-0800; fax: 714-939-7445
 www.calsurance.net

	1999	1998
Premium volume	\$110,098,000	\$108,198,000
Gross revenues	\$24,897,000	\$21,949,000
Brokerage revenues	\$24,897,000	\$21,949,000
U.S. clients	100%	100%
Brokerage: retail	50%	56%
U.S. offices	\$12,448,500	\$12,291,000
Wholesale	29%	29%
Services	21%	15%
Employees	149	135
Retail offices	1	1

Founded: 1962.
Parent: The Cal-Surance Cos. Inc.
Retail brokerage: 93% commissions, 7% fees.
Non-retail subsidiaries: Lancer Claims Services Inc., Orange, Calif.; United Network of Insurance Services Inc., Orange, Calif.; Trans Asian Insurance Services Inc., Orange, Calif.; Sterling Reinsurance Intermediaries Inc., Orange, Calif.; Sterling Insurance Co. Ltd, Hamilton, Bermuda.
Officers: Donald Martin, chairman; Kenneth Masters, president/CEO; James Adams, CFO.
Contact: Kenneth Masters.

Calco Insurance Brokers & Agents Inc.

2000 Alameda de las Pulgas,
 San Mateo, Calif. 94403-1298;
 650-574-0773; fax: 650-572-4622
 www.calco.com

	1999	1998
Premium volume	\$353,000,000	\$261,000,000
Gross revenues	\$29,057,529	\$26,833,016
Brokerage revenues	\$28,912,241	\$26,672,017
U.S. clients	99%	99%
Non-U.S. clients	1%	1%
Brokerage: retail	58.5%	58.8%
U.S. offices	\$17,001,645	\$15,777,813
Personal	1.9%	2.0%
Services	39.1%	38.6%
Interest income	0.5%	0.6%
Employees	246	266
Retail offices	5	5

Founded: 1937.
Parent: California Casualty Management Co.
Retail brokerage: 99% commissions, 1% fees.
Employee benefits: 16.3% of revenue in 1999.
Non-retail subsidiaries: Calco Medical Management Corp., Orange and San Mateo, Calif.
Officers: Kai Anderson, vice chairman; Donald D. Fey, president; George Bowen, senior vp.
Contact: Donald D. Fey, dfey@calco.com.

Caledonian Insurance Group Inc.

3023 80th Ave. S.E.,
 Mercer Island, Wash. 98040;
 206-232-9870; fax: 206-232-9515
 www.users.uswest.net/~ciginc/

	1999	1998
Premium volume	\$18,000,000	\$17,000,000
Gross revenues	\$2,300,000	\$1,850,000
Brokerage revenues	\$2,300,000	\$1,850,000
U.S. clients	85%	86%
Non-U.S. clients	15%	14%
Brokerage: retail	89%	92.5%
U.S. offices	\$2,047,000	\$1,711,250
Wholesale	8%	6%
Reinsurance	1.5%	0%
Personal	1%	1%
Interest income	0.5%	0.5%
Employees	19	17
Retail offices	2	2

Founded: 1988.
Retail brokerage: 96% commissions, 4% fees.
Officers: Anthony Cowan, president/CEO; Larry Maloney, senior vp; JoAnn Trimble, vp.
Contact: Anthony Cowan.

The Cambridge Group Inc.

15415 Middlebelt Road,
 Livonia, Mich. 48154;
 800-824-5002; fax: 734-525-0612
 www.cambridgegroupcompany.com

	1999	1998*
Premium volume	\$120,000,000	\$117,900,000
Gross revenues	\$13,775,562	\$12,874,245
Brokerage revenues	\$11,709,228	\$10,814,366
U.S. clients	100%	100%
Brokerage: retail	66%	63%
U.S. offices	\$9,091,871	\$8,110,774
Personal	3%	3%
Services	16%	18%
Investment income	0%	1%
Other	15%	15%
Employees	117	107

Fiscal year ending Sept. 30.
Founded: 1985.
Retail brokerage: 99% commissions, 1% fees.
Employee benefits: 75% of revenue in 1999.
Officers: Albert Papa, Kenneth Hale, co-chair-

men; Michael Hale, president.
Contact: Michael Hale; mhale@cambridgeunderwriters.com.
 *1998 figures are restated due to corporate restructuring of the company to include Cambridge Underwriters Ltd., Cambridge Financial Services Inc. and Pension Fund.

The Capacity Group of Cos.

120 Pleasant Ave.,
 Upper Saddle River, N.J. 07458;
 201-236-9800; fax: 201-236-0480
 www.capcoverage.com

	1999	1998
Premium volume	\$83,266,418	\$55,398,007
Gross revenues	\$13,738,959	\$7,755,721
Brokerage revenues	\$13,601,569	\$7,678,164
U.S. clients	100%	100%
Brokerage: retail	58%	58%
U.S. offices	\$7,968,596	\$4,498,318
Wholesale	14%	10%
Personal	26%	30%
Services	1%	1%
Interest income	1%	1%
Employees	69	49
Retail offices	2	5

Founded: 1980.
Retail brokerage: 97% commissions, 3% fees.
Employee benefits: 5% of revenue in 1999.

Acquisitions: Insurance Resource Group, River Edge, N.J., October 1999.
Officers: Mark B. Weinraub, chairman/CEO; Robert G. Lull, president/CFO/COO; Carl A. Gerson, Debra Lynn Stanton, Jay Bergstein, Ronald Bergstein, executive vps.
Contact: Robert G. Lull; rgull@capcoverage.com.

Grupo Cassab Machaen Agente de Seguros S.A. de C.V.

Presidente Masarik No. 17, 4 Piso,
 Desp. 501, Col. Chapultepec Morales,
 Mexico City, 11570 Mexico;
 525-255-4615; fax: 525-531-2751
 www.geocities.com/gemsacv/mx.html

	1999	1998
Premium volume	\$5,347,606	\$3,382,219
Gross revenues	\$3,377,546	\$2,177,773
Brokerage revenues	\$3,377,546	\$2,177,773
U.S. clients	8%	8%
Non-U.S. clients	92%	92%
Brokerage: retail	100%	100%
U.S. offices	\$1,260,000	\$174,222
Non-U.S. offices	\$2,117,546	\$2,003,551
Employees	32	25
Retail offices	2	2

Converted at applicable exchange rates.

Founded: 1982.
Retail brokerage: 80% commissions, 20% fees.
Employee benefits: 40% of revenue in 1999.
Officers: Alfonso Cassab, CEO; Alfonso Victoria, operations manager; Eduardo Cassab, sales manager; Jorge Serrano, business technician; Arturo Suarez, programming manager.
Contact: Eduardo Cassab, ecassab@hotmail.com.

Cobbs, Allen & Hall Inc.

115 Office Park Drive, Suite 200,
 Birmingham, Ala. 35223;
 205-414-8100; fax: 205-414-8110
 www.cobbsallenhall.com

	1999	1998
Premium volume	\$50,125,900	\$37,239,800
Gross revenues	\$10,196,900	\$7,925,400
Brokerage revenues	\$9,972,568	\$7,830,295
U.S. clients	100%	100%
Brokerage: retail	62.7%	68.2%
U.S. offices	\$6,395,496	\$5,411,463
Wholesale	13.4%	7.1%
Personal	6.6%	8%
Services	15.1%	15%
Interest income	1.4%	1.5%
Other	0.8%	0.2%
Employees	99	77
Retail offices	4	3

Founded: 1887.
Parent: CAH Holdings Inc.
Retail brokerage: 93% commissions, 7% fees.
Employee benefits: 20.5% of revenue in 1999.
Acquisitions: Carraway, Cohen & Channell, Augusta, Ga., November 1999.
Officers: Bruce S. Denson, chairman/CEO; Grantland Rice III, president; C. Kendall McEachern, division president.
Contact: Bruce S. Denson; bsdenson@cobbs-allenhall.com.

Commerce National Insurance Services Inc.

Commerce Atrium, 1701 Route 70 E.,
 Cherry Hill, N.J. 08034;
 856-489-7000; fax: 856-795-9783
 www.commerceonline.com

	1999	1998
Premium volume	\$500,000,000	\$350,000,000
Gross revenues	\$50,332,100	\$31,568,600
Brokerage revenues	\$50,332,100	\$31,568,600
U.S. clients	100%	100%
Brokerage: retail	73%	77%
U.S. offices	\$36,742,433	\$24,307,822
Wholesale	1%	1%

Continued on next page



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- Alternative Risk Solutions, Florham Park, New Jersey
- Fidelity & Surety, Schaumburg, Illinois
- Professional Liability, Florham Park, New Jersey
- Primary Business Solutions, Florham Park, New Jersey

Continued from previous page

Table with 2 columns: 1999, 1998. Rows: Personal (22%, 16%), Services (4%, 6%), Employees (393, 28C), Retail offices (20, 12)

Founded: 1996. Parent: Commerce Bank North. Retail brokerage: 95% commissions, 5% fees. Employee benefits: 26% of revenue in 1999. Acquisitions*: Mullaney Insurance Associates Inc., Oakhurst, N.J., November 1999; Handlan Associates L.L.C., Morrestown, N.J., December 1999; Traber & Vreeland Inc., Randolph, N.J., December 1999. Officers: George E. Norcross III, chairman/CEO; Joseph Buckelew, vice chairman; Edward Kiessling, president/COO. *Purchased on a pooling basis.

Charles L. Crane Agency Co. 100 S. Fourth St., Suite 800, St. Louis, Mo. 63102; 314-241-8700; fax: 314-444-4970 www.craneagency.com

Table with 2 columns: 1999, 1998. Rows: Premium volume (\$111,000,000 vs \$105,000,000), Gross revenues (\$13,521,632 vs \$12,679,933), Brokerage revenues (\$13,251,199 vs \$12,426,333), U.S. clients (100%, 100%), Brokerage: retail (82.9%, 80.5%), U.S. offices (\$11,209,432 vs \$10,258,126), Personal (15%, 17%), Services (0.1%, 0.1%), Interest income (1%, -%), Other (1%, -%), Employees (150, 150), Retail offices (3, 3)

Founded: 1885. Retail brokerage: 99% commissions, 1% fees. Employee benefits: 15% of revenue in 1999. Officers: R. Christopher Imbs, chairman; Edwin A. Lips Jr., vice chairman; Michael T. Reedy, president. Contact: Jerry Burnett, senior vp/COO.

Frank Crystal & Co. Inc. 40 Broad St., New York, N.Y. 10004; 212-344-2444; fax: 212-952-1095

Table with 2 columns: 1999, 1998. Rows: Gross revenues (\$57,930,000 vs \$55,040,000), Brokerage revenues (\$57,930,000 vs \$55,040,000), U.S. clients (100%, 100%), Brokerage: retail (93%, 32%), U.S. offices (\$53,874,528 vs \$50,636,800), Personal (6%, 6%), Services (1%, 2%), Employees (235, 230), Retail offices (5, 5)

Founded: 1933. Retail brokerage: 98% commissions, 2% fees. Officers: James W. Crystal, chairman/CEO; Mark Freitas, COO; Arthur H. Littmann, executive vp/CFO. Contact: James W. Crystal.

The directory begins on page 48. An explanation of the terms used in the directory can be found on page 49.

D

DFS&A Insurance Agency Inc.

80 W. Upper Ferry Road, Suite 5, Ewing, N.J. 08628; 609-771-8900; fax: 609-771-8901

Table with 2 columns: 1999, 1998. Rows: Premium volume (\$28,681,000 vs \$26,344,000), Gross revenues (\$1,270,388 vs \$1,166,861), Brokerage revenues (\$1,244,980 vs \$1,155,192), U.S. clients (98%, 97%), Non-U.S. clients (2%, 3%), Brokerage: retail (95%, 95%), U.S. offices (\$1,206,869 vs \$1,108,518), Wholesale (1%, 1%), Services (2%, 3%), Interest income (1%, 1%), Other (1%, 0%), Employees (7, 8), Retail offices (2, 2)

Founded: 1997. Retail brokerage: 98% commissions, 2% fees. Employee benefits: 54% of revenue in 1999. Officers: Robert M. Neumann, president; Ronald G. Keefe, executive vp; Susan Edelstein, William G. Bloor, assistant vps. Contact: Robert M. Neumann.

The Daniel & Henry Co. - an Assurex partner

2350 Market St., Suite 400, St. Louis, Mo. 63103; 314-421-1525; fax: 314-444-1990 www.daniel-henry.com

Table with 2 columns: 1999, 1998. Rows: Premium volume (\$142,200,000 vs \$135,700,000), Gross revenues (\$18,851,000 vs \$18,029,000), Brokerage revenues (\$18,851,000 vs \$18,029,000), U.S. clients (100%, 100%), Brokerage: retail (86.8%, 85.7%), U.S. offices (\$16,363,000 vs \$15,459,000), Personal (13.1%, 12.1%), Services (0.1%, 2.2%), Employees (205, 200), Retail offices (1, 1)

Founded: 1921. Retail brokerage: 95.7% commissions, 4.3% fees.

Employee benefits: 17.5% of revenue in 1999. Officers: Charles S. Drew Jr., chairman/president; Michael W. Cremins, executive vp/COO; M. Henry Johnson, Thomas J. Purcell Jr., John R. Drew, executive vps. Contact: James A. Samson, secretary/treasurer/general manager-administration; 314-444-1735.

Dann Insurance

1500 S. Lakeside Drive, Bannockburn, Ill. 60015; 847-444-1060; fax: 847-444-1065 www.danninsurance.com

Table with 2 columns: 1999, 1998. Rows: Premium volume (\$100,918,846 vs \$95,035,978), Gross revenues (\$11,355,492 vs \$10,050,013), Brokerage revenues (\$10,674,162 vs \$9,447,012), U.S. clients (100%, 100%), Brokerage: retail (84%, 82%)

Table with 2 columns: 1999, 1998. Rows: U.S. offices (\$9,538,613 vs \$8,241,011), Personal (6%, 8%), Services (4%, 4%), Interest income (3%, 3%), Other (3%, 3%), Employees (86, 91), Retail offices (2, 3)

Founded: 1948. Retail brokerage: 90% commissions, 10% fees.

Employee benefits: 29% of revenue in 1999. Officers: Scott Dann, president; Marvin Rotstein, Julie Dann, executive vps. Contact: Scott Dann; 847-444-2534; scott@danninsurance.com.

Davis Baldwin Inc. - an Assurex partner

4600 W. Cypress St., Suite 200, Tampa, Fla. 33607; 813-287-1936; fax: 813-289-0521 www.davisbaldwin.com

Table with 2 columns: 1999, 1998. Rows: Premium volume (\$240,000,000 vs \$195,000,000), Gross revenues (\$18,046,539 vs \$14,863,248), Brokerage revenues (\$18,046,539 vs \$14,722,257), U.S. clients (100%, 100%), Brokerage: retail (94%, 92.6%), U.S. offices (\$16,963,747 vs \$13,763,368), Personal (2.6%, 3.4%), Services (3.4%, 3%), Other (0%, 1%), Employees (121, 100), Retail offices (2, 2)

Founded: 1936. Retail brokerage: 76% commissions, 24% fees.

Employee benefits: 18.9% of revenue in 1999. Acquisitions: Boushall & Associates, Tampa, Fla., May 1999. Officers: L. Lowry Baldwin, president; Charles Davis Jr., CEO; John I. Baldwin, executive vp. Contact: L. Lowry Baldwin.

J. Rolfe Davis Insurance Agency Inc. - an Assurex partner

850 Concourse Parkway S., Suite 200, Maitland, Fla. 32794; 407-691-9600; fax: 407-691-9616 www.jrdavis.com

Table with 2 columns: 1999, 1998. Rows: Premium volume (\$100,000,000* vs \$80,000,000*), Gross revenues (\$11,328,627 vs \$10,459,638), Brokerage revenues (\$11,215,340 vs \$10,355,041), U.S. clients (100%, 100%), Brokerage: retail (90%, 88%), U.S. offices (\$10,195,576 vs \$9,204,481), Personal (9%, 9%), Interest income (1%, 1%), Employees (83, 83), Retail offices (1, 2)

Founded: 1942. Retail brokerage: 98% commissions, 2% fees. Employee benefits: 29% of revenue in 1999.

Officers: F. David McKinney, president/CEO; Donald B. Boone, John F. Watson Jr., senior vps. Contact: John F. Watson Jr.; 407-691-9818; jwatson@rdavis.com. *Estimated.

debis Assekuranz Makler

debis Hans am Potsdamen Platz, Berlin-10875-4602; 49-30-2554-4600; fax: 49-30-2554-4600 www.debis.com

Table with 2 columns: 1999, 1998. Rows: Premium volume (\$704,600,000 vs \$741,000,000), Gross revenues (\$73,170,000 vs \$70,680,000), Brokerage revenues (\$73,170,000 vs \$70,680,000), U.S. clients (5%, 5%), Non-U.S. clients (95%, 95%), Brokerage: retail (80%, 80%), U.S. offices (\$3,794,000 vs \$3,534,000), Non-U.S. offices (\$54,742,000 vs \$56,544,000), Reinsurance (5%, 5%), Personal (15%, 13%), Employees (600, 537), Retail offices (5, 5)

Converted at applicable exchange rates. Founded: 1990. Parent: Daimler-Chrysler Group. Retail brokerage: 100% commissions. Officers: Egon Schubert; Dieter Hadubrand R. Jungklaus; Lothar Schwarz. Contact: Jorg Winkler.

DeWitt Stern Group Inc.

420 Lexington Ave., New York, N.Y. 10170; 212-867-3550; fax: 212-983-6483 www.dewittstern.com

Table with 2 columns: 1999, 1998. Rows: Gross revenues (\$10,000,000 vs \$8,900,000), Brokerage revenues (\$9,500,000 vs \$8,457,000), U.S. clients (90%, 30%), Non-U.S. clients (10%, 10%), Brokerage: retail (68%, 68%), U.S. offices (\$6,800,000 vs \$6,052,000), Wholesale (3%, 3%), Services (23%, 23%), Personal (1%, 1%), Interest income (3%, 3%), Other (2%, 2%), Employees (86, 86), Retail offices (5, 4)

Founded: 1899. Retail brokerage: 99% commissions, 1% fees. Employee benefits: 11% of revenue in 1999. Officers: Jolvon F. Stern, president/CEO-DeWitt Stern Group Inc.; Gilbert Andrus, executive vp-DeWitt Stern Group Inc.; David O'Dowd, managing director-DeWitt Stern Imperatore Ltd. Contact: Gilbert Andrus.

DiBuduo & DeFendis Insurance Group - an Assurex partner

7030 N. Fruit, Fresno, Calif. 93711; 559-432-0222; fax: 559-431-7941 www.dibu.com

Table with 2 columns: 1999, 1998. Rows: Premium volume (\$120,000,000 vs \$104,000,000), Gross revenues (\$13,466,274 vs \$11,465,000), Brokerage revenues (\$13,304,679 vs \$11,322,420), U.S. clients (100%, 100%), Brokerage: retail (89.7%, 89.4%), U.S. offices (\$12,078,470 vs \$10,249,331), Personal (9.1%, 9.4%), Interest income (1.2%, 1.2%), Employees (137, 125), Retail offices (5, 5)

Founded: 1960. Retail brokerage: 100% commissions. Employee benefits: 10.2% of revenue in 1999.

Officers: Anthony J. DiBuduo, Leonard J. DeFendis, Matthew D. DeFendis, Michael P. CeFendis, partners. Contact: Matthew D. DeFendis; 559-437-2404; mdefendis@dibu.com.

Dodge, Warren & Peters Insurance Services Inc.

3625 Del Amo Blvd., Suite 300, Torrance, Calif. 90503; 310-542-4370; fax: 310-542-3328 www.dwandp.com

Table with 2 columns: 1999, 1998. Rows: Premium volume (\$185,000,000 vs \$170,000,000), Gross revenues (\$18,800,000 vs \$15,580,886), Brokerage revenues (\$18,800,000 vs \$15,580,886), U.S. clients (100%, 100%), Brokerage: retail (93%, 83%), U.S. offices (\$17,484,000 vs \$15,420,223), Wholesale (1%, 0%), Personal (1%, 0%), Services (5%, 7%), Employees (155, 155), Retail offices (5, 5)

Fiscal year ending Oct. 31. Founded: 1977. Retail brokerage: 94% commissions 6% fees. Employee benefits: 25% of revenue in 1999.

Non-retail subsidiaries: Integrated Claims Administrators Inc., Torrance, Calif. Officers: Neil S. Dodge, chairman; Charles H. Collinge, president; Donald J. Gwizdalski, secretary. Contact: Randall A. Mallory, CFO; rmallory@dwandp.com.

Robert F. Driver Co. Inc

1620 Fifth Ave., San Diego, Calif. 92101; 619-238-1828; fax: 619-699-1323 www.rfdriver.com

Table with 2 columns: 1999, 1998. Rows: Premium volume (\$584,000,000 vs \$459,000,000), Gross revenues (\$48,238,000 vs \$35,600,000), Brokerage revenues (\$46,988,000 vs \$34,104,800), U.S. clients (100%, 100%), Brokerage: retail (88.6%, 91.3%), U.S. offices (\$42,738,868 vs \$32,502,800), Wholesale (6.6%, 3%), Personal (1.5%, 1.5%), Services (0.7%, 0%), Interest income (2.1%, 2.2%), Other (0.5%, 2%), Employees (316, 246), Retail offices (8, 5)

Founded: 1925. Retail brokerage: 92% commissions, 8% fees. Employee benefits: 24.4% of revenue in 1999. Acquisitions: Averbeck Co. Insurance Brokers, Ontario, Calif., February 1999; The Sher Co. Insurance Services, San Rafael, Calif., March 1999; J. Ostiek, Fresno, Calif., March 2000.

Officers: Thomas E. Corbett, chairman/CEO; Jerold D. Hall, president/COO; P. Gregory Zimmer Jr., executive vp/CFO; Richard B. Gulley, executive vp/vice chairman. Contact: Richard B. Gulley.

E

James Econn & Co.

445 S. Figueroa St., 36th Floor, Los Angeles, Calif. 90071-1602; 213-629-3131; fax: 213-629-4440 www.jameseconn.com

Table with 2 columns: 1999, 1998. Rows: Premium volume (\$33,139,481 vs \$40,285,166), Gross revenues (\$5,027,099 vs \$5,147,734), Brokerage revenues (\$4,902,105 vs \$5,147,734), U.S. clients (100%, 100%), Brokerage: retail (95%, 93%), U.S. offices (\$4,775,744 vs \$4,917,518), Personal (3%, 4%), Interest income (2%, 3%), Employees (27, 30), Retail offices (1, 1)

Founded: 1919. Retail brokerage: 85% commissions, 15% fees. Employee benefits: 2% of revenue in 1999. Officers: James Econn, chairman/CEO; Gregory W. Econn, president; William F. Mitchell, executive vp; Suzanne Thompson, vp/COO. Contact: James Econn.

Employee Benefit Specialists Inc.

9351 Grant St., Suite 300, Denver, Colo. 80229; 303-280-1215; fax: 303-280-1821

Table with 2 columns: 1999, 1998. Rows: Premium volume (\$53,684,740 vs \$47,160,900), Gross revenues (\$2,684,237 vs \$2,358,047), Brokerage revenues (\$2,657,395 vs \$2,334,466), U.S. clients (100%, 100%), Brokerage: retail (70%, 68%), U.S. offices (\$1,878,966 vs \$1,603,472), Reinsurance (18%, 20%), Services (11%, 11%), Other (1%, 1%), Employees (20, 21), Retail offices (1, 1)

Founded: 1976. Employee benefits: 100% of revenue in 1999. Officers: Alan M. Curtis, president; Stan W. Bell, senior vp; Dale M. Curtis, corporate counsel/COO. Contact: Alan M. Curtis; acurtis@ebs-1.com.

F

F G Insurance Services Inc.

13101 Northwest Freeway, Suite 220, Houston, Texas 77040; 713-939-9898; fax: 713-939-7535

Table with 2 columns: 1999, 1998. Rows: Premium volume (\$80,000,000 vs \$75,000,000), Gross revenues (\$8,700,000 vs \$8,500,000), Brokerage revenues (\$8,700,000 vs \$8,500,000), U.S. clients (100%, 100%), Brokerage: retail (50%, 60%), U.S. offices (\$4,350,000 vs \$5,100,000), Wholesale (30%, 30%), Personal (20%, 10%), Employees (44, 53), Retail offices (2, 2)

Founded: 1967. Parent: F G Holdings. Retail brokerage: 100% commissions. Employee benefits: 4% of revenue in 1999.

Non-retail subsidiaries: Century Surplus Lines Inc., Houston. Officers: Robert G. Cox, chairman; Ron Rudloff, president; Elizabeth H. Kirby, senior vp. Contact: Robert G. Cox.

Falkins Insurance Group Ltd.

911 Baker St., Cranbrook, British Columbia V1C 1A4 Canada; 250-426-2205; fax: 250-426-7499 www.falkins.com

Bollinger, Inc.
Short Hills, New Jersey
acquired
Spalding Associates, Inc.
Princeton, New Jersey
The undersigned initiated this transaction and advised the seller
Harbor Capital Advisors, Inc.
Financial Consultants to the Insurance Industry
Paul J. Di Stefano, CPA, CPCU, Managing Director
Corporate Offices: Huntington, New York
800-858-2732

Continued from previous page

	1999	1998
Premium volume	\$19,169,000	\$19,893,000
Gross revenues	\$2,181,300	\$2,233,600
Brokerage revenues	\$2,181,300	\$2,233,600
Non-U.S. clients	100%	100%
Brokerage: retail	55%	55%
Non-U.S. offices	\$1,199,715	\$1,228,480
Personal	45%	45%
Employees	40	40
Retail offices	9	10

Fiscal year ending July 31.
 Converted at the applicable exchange rates.
 Founded: 1897.
Retail brokerage: 100% commissions.
Officers: S.N. (Simon) Murphy, president; R.G. (Bob) McGill, vp; S.L. (Sandra) Westover, secretary/treasurer.
Contact: S.N. (Simon) Murphy.

Financial Independence Co.
 21300 Victory Blvd., Suite 215,
 Woodland Hills, Calif. 91367;
 818-592-0205; fax: 818-592-6345
 www.f-i-c.com

	1999	1998
Premium volume	\$71,000,000	\$65,000,000
Gross revenues	\$3,700,000	\$3,000,000
Brokerage revenues	\$3,700,000	\$3,000,000
U.S. clients	100%	100%
Brokerage: retail	99%	99%
U.S. offices	\$3,663,000	\$2,970,000
Personal	1%	1%
Employees	27	22
Retail offices	6	4

Fiscal year ending March 31.
 Founded: 1983.
Retail brokerage: 100% commissions.
Employee benefits: 100% of revenue in 1999.
Officers: Howard Hartman, chairman; Sheila Hartman, president; Diana Hartman, secretary.
Contact: Sheila Hartman; 818-592-0205; sheilah@f-i-c.com.

J.P. Flanagan Corp.
 600 W. Fulton, Suite 602,
 Chicago, Ill. 60661;
 312-577-5757; fax: 312-577-5758
 www.jpflanagan.com

	1999	1998
Premium volume	\$55,000,000	\$41,000,000
Gross revenues	\$6,000,000	\$4,200,000
Brokerage revenues	\$5,880,000	\$4,000,000
U.S. clients	100%	100%
Brokerage: retail	96%	93%
U.S. offices	\$5,760,000	\$3,900,000
Wholesale	1%	1%
Personal	0%	1%
Services	1%	0%
Interest income	2%	5%
Employees	45	33
Retail offices	6	3

Founded: 1992.
Retail brokerage: 99% commissions, 1% fees.
Employee benefits: 22% of revenue in 1999.
Acquisitions: Parker Nielsen & Co., Chicago, January 2000.
Contact: Joseph P. Flanagan, president.

Forrest Sherer Inc.
 24 N. Sixth St., P.O. Box 900,
 Terre Haute, Ind. 47808;
 812-232-0441; fax: 812-232-1783
 www.fsiinsurance.com

	1999	1998
Premium volume	\$42,203,250	\$42,213,622
Gross revenues	\$5,413,846	\$5,380,563
Brokerage revenues	\$5,040,290	\$5,192,343
U.S. clients	100%	100%
Brokerage: retail	75.7%	80.2%
U.S. offices	\$4,098,281	\$4,318,440
Wholesale	2.9%	2.6%
Personal	13.2%	12.9%
Services	1.3%	0.8%
Interest income	2.8%	3%
Other	4.1%	0.5%
Employees	62	61
Retail offices	1	1

Founded: 1920.
Retail brokerage: 98.6% commissions, 1.4% fees.
Employee benefits: 10.9% of revenue in 1999.
Officers: John W. Dinkel, president/treasurer; John S. Lukens, executive vp; Dennis S. Michael, vp/secretary.
Contact: John W. Dinkel.

Fox-Everett Inc. - an Assurex partner
 3780 I-55 N.,
 Jackson, Miss. 39205;
 601-981-6000; fax: 601-981-9243
 www.foxeverett.com

	1999	1998
Premium volume	\$75,000,000	\$65,000,000
Gross revenues	\$10,262,000	\$8,783,000
Brokerage revenues	\$10,056,760	\$8,607,340
U.S. clients	100%	100%
Brokerage: retail	66%	67%
U.S. offices	\$6,773,000	\$5,885,000
Personal	6%	5%
Services	26%	26%
Interest income	2%	2%
Employees	108	91
Retail offices	2	2

Founded: 1945.

Retail brokerage: 98% commissions, 2% fees.
Employee benefits: 60% of revenue in 1999.
Officers: John Anderson, president; Bill Mathison, Larry Vance, executive vps.
Contact: John Anderson.

Frenkel & Co. Inc. - an Assurex partner
 2 World Trade Center,
 New York, N.Y. 10048;
 212-488-0200; fax: 212-488-1800
 www.frenkel.com

	1999	1998
Premium volume	\$325,245,000	\$335,600,000
Gross revenues	\$36,937,000	\$36,600,000
Brokerage revenues	\$35,100,000	\$34,770,000
U.S. clients	99%	99%
Non-U.S. clients	1%	1%
Brokerage: retail	85%	85%
U.S. offices	\$31,400,000	\$31,110,000
Wholesale	1%	1%
Personal	8%	8%
Services	1%	1%
Interest income	5%	5%
Employees	234	238
Retail offices	4	4

Founded: 1878.
Retail brokerage: 90% commissions, 10% fees.

Employee benefits: 12% of revenue in 1999.
Acquisitions: John DeFazio & Co., Pasadena, Calif., September 1999.
Officers: Robert E. Shunk, president/CEO; John F. Kelly, executive vp/COO; Raymond F. Courtien, executive vp.

Fringe Benefits Management Co.
 1720 Gadsden St.,
 Tallahassee, Fla. 32301-5547;
 850-425-6200; fax: 850-425-6220
 www.fbmc-benefits.com

	1999	1998
Premium volume	\$325,000,000	\$260,000,000
Gross revenues	\$15,516,970	\$14,834,548
Brokerage revenues	\$15,516,970	\$14,834,548
U.S. clients	100%	100%
Brokerage: retail	53%	56.3%
U.S. offices	\$8,223,994	\$7,973,570
Services	47%	43.7%
Employees	195	185
Retail offices	1	1

Founded: 1976.
Retail brokerage: 53% commissions, 47% fees.
Employee benefits: 100% of revenue in 1999.
Officers: Mike Sheridan, chairman; Lorraine Ritch, president/CEO; Debra Tougas, CFO.

Contact: Bob McKnight, senior vp; 800-872-0345, ext. 213; bmcknight@fbmc-benefits.com.



Arthur J. Gallagher & Co.
 The Gallagher Centre, 2 Pierce Place,
 Itasca, Ill. 60143;
 630-773-3800; fax: 630-285-4000
 www.ajg.com

Founded: 1927.
Officers: J. Patrick Gallagher Jr., president/CEO; Michael J. Cloherty, executive vp/CFO; James J. Braniff III, Peter J. Durkalski, James W. Durkin Jr., David E. McGurn Jr., vps.
Contact: Michael J. Cloherty.
 See profile on page 36.

William Gallagher Associates
 200 State St.,
 Boston, Mass. 02109;
 617-261-6700; fax: 617-261-6720
 www.wgains.com

	1999	1998
Gross revenues	\$13,000,000	\$9,500,000

Brokerage revenues	\$12,870,000	\$9,405,000
U.S. clients	97%	98%
Non-U.S. clients	3%	2%
Brokerage: retail	97%	97%
U.S. offices	\$12,310,000	\$9,150,000
Non-U.S. offices	\$300,000	\$65,000
Personal	1%	1%
Services	1%	1%
Interest income	1%	1%
Employees	82	70
Retail offices	4	4

Founded: 1983.
Retail brokerage: 97% commissions, 3% fees.
Employee benefits: 20% of revenue in 1999.
Officers: William W. Gallagher III, chairman; Philip J. Edmundson, president/CEO.
Contact: Philip J. Edmundson; pedmundson@wgains.com.

The Gleason Agency Inc.
 BT Financial Plaza, Suite 204, P.O. Box 8,
 Johnstown, Pa. 15907;
 814-532-0200; fax: 814-536-5554

	1999	1998
Premium volume	\$37,200,000	\$37,200,000
Gross revenues	\$5,600,000	\$5,200,000
Brokerage revenues	\$4,866,400	\$4,518,800
U.S. clients	100%	100%

Continued on next page

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Lillie S. Axelrod, CIC — Atlanta, GA

Acordia
 America's Local Insurance Broker

Table with 3 columns: Category, 1999, 1998. Rows include Brokerage: retail, U.S. offices, Personal, Interest income, Other, Employees, Retail offices.

Founded: 1924. Retail brokerage: 98.6% commissions, 1.4% fees. Officers: Robert A. Gleason Jr., chairman/CEO; Christopher K. Gleason, president; Michele M. Baker, vp-operations. Contact: Robert A. Gleason Jr.

L.J. Gliem & Associates L.L.C.

5201 Johnson Drive, Kansas City, Mo. 66205; 913-432-4431; fax: 913-432-2934

Table with 3 columns: Category, 1999, 1998. Rows include Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Personal, Services, Employees, Retail offices.

Founded: 1992. Retail brokerage: 95% commissions, 5% fees. Officers: Larry J. Gliem, Deborah J. Gliem, members. Contact: Larry J. Gliem.

The Graham Co.

1 Penn Square W., Philadelphia, Pa. 19102; 215-567-6300; fax: 215-567-3203 www.grahamco.com

Table with 3 columns: Category, 1999, 1998. Rows include Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Personal, Interest income, Employees, Retail offices.

Founded: 1950. Retail brokerage: 64% commissions, 36% fees. Officers: William A. Graham IV, CEO; Michael Tiagwad, president; John B. McCormick, treasurer/CFO. Contact: Margaret C. Jones; mjones@grahamco.com.

Gras Savoye & Cie.

2-8 rue Ancelle, Neuilly-sur-Seine, 92200 France; 33-1-41-43-5000; fax: 33-1-41-43-5555 www.grassavoye.com

Table with 3 columns: Category, 1999, 1998. Rows include Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Non-U.S. offices, Wholesale, Reinsurance, Personal, Services, Interest income, Other, Employees, Retail offices.

Founded: 1907. Officers: Patrick Lucas, managing partner/CEO; Daniel Naftalski, managing partner/COO; Emmanuel Gras, managing partner. Contact: Hubert Moreno, deputy operating officer; hubert.moreno@grassavoye.com. See profile on page 47.

Great Lakes Employee Benefit Services Inc.

4967 Crooks Road, Suite 105, Troy, Mich. 48098; 248-641-0000; fax: 248-641-0073 www.glebs.com

Table with 3 columns: Category, 1999, 1998. Rows include Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Employees, Retail offices.

Founded: 1997. Retail brokerage: 100% commissions. Employee benefits: 100% of revenue in 1999. Officers: James T. Scoggin, Joseph F. Coan, principals. Contact: Gloria Maxim, director-operations; gm-maxim@glebs.com.

The HDH Group Inc. - an Assurex partner

USX Tower, 600 Grant St., Suite 5900, Pittsburgh, Pa. 15219; 412-391-7300; fax: 412-391-7322 www.hdhgroup.com

Table with 3 columns: Category, 1999, 1998. Rows include U.S. clients, Brokerage: retail, U.S. offices, Wholesale, Reinsurance, Services, Interest income, Other, Employees, Retail offices.

Founded: 1982. Retail brokerage: 90% commissions, 10% fees. Employee benefits: 42% of revenue in 1999. Acquisitions: PBI Inc., Erie and Edinboro, Pa., September 1999. Officers: Bryan Hondru, chairman; Frank Mikan, president; Joan Capozzolo, executive vp. Contact: Bryan Hondru.

HLF Insurance Holdings Ltd.*

Friary Court, Cruited Friars, London, EC3N 3NP England; 44-207-560-3000; fax: 44-207-560-3502

Table with 3 columns: Category, 1999, 1998. Rows include Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Personal, Services, Interest income, Other, Employees, Retail offices.

Officers: D.B. Margrett, CEO; S.R.D. Wilson, COO; W.H.C. Wilks, corporate finance director; T.J. Tooke, finance director. *Trading as Heath Lambert Group. See profile on page 42.

H & R Phillips Inc.

350 Fifth Ave., Suite 5400, New York, N.Y. 10118; 212-812-1000; fax: 212-239-5480 www.hrphillips.com

Table with 3 columns: Category, 1999, 1998. Rows include Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Personal, Services, Interest income, Other, Employees, Retail offices.

Founded: 1964. Retail brokerage: 91% commissions, 9% fees. Employee benefits: 53% of revenue in 1999. Officers: Judith L. Robinson, president; Carmen Barros, vp. Contact: Judith L. Robinson; 212-812-1010.

HSBC Gibbs Holdings Ltd.

Bishops Court, 27/33 Artillery Lane, London, E1 7LP England; 44-207-247-5433; fax: 44-207-377-2139 www.insurancebrokers.hsbc.co.uk

Table with 3 columns: Category, 1999, 1998. Rows include Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Non-U.S. offices, Wholesale, Reinsurance, Personal, Services, Interest income, Other, Employees, Retail offices.

Converted at applicable exchange rates. Founded: 1808. Parent: HSBC Holdings P.L.C. Retail brokerage: 72% commissions, 28% fees. Employee benefits: 14% of revenue in 1999. Non-retail subsidiaries: Corinthian Insurance Co. Ltd., London; HSBC Actuaries & Consultants Ltd., St. Abans, England. Officers: G.F. Puttergill, chairman; A.M.M. Dixon, managing director; A.S. Fishman, managing director-HSBC Actuaries and Consulting Ltd. Contact: A.M.M. Dixon.

Haas & Wilkerson Insurance

4300 Shawnee Mission Parkway, P.O. Box 2946, Shawnee Mission, Kan. 66201-1346; 913-432-4400; fax: 913-432-6159

Table with 3 columns: Category, 1999, 1998. Rows include Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Wholesale, Personal, Services, Interest income, Employees, Retail offices.

Fiscal year ending Jan. 31. Founded: 1939. Retail brokerage: 93% commissions, 7% fees. Employee benefits: 5% of revenue in 1999. Officers: William R. Wilkerson III, CEO/chairman; J. Philip Colson, president; Frederick P. Dunn, executive vp; L. Mitchell Castor, CFO/COO, Dan Allan, vp. Contact: L. Mitchell Castor.

Hamilton Dorsey Alston Co. Inc. -an Assurex partner

4401 Northside Parkway, Suite 400, Atlanta, Ga. 30327; 770-850-0050; fax: 770-850-9375 www.hdains.com

Table with 3 columns: Category, 1999, 1998. Rows include Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Personal, Services, Interest income, Employees, Retail offices.

Fiscal year ending Oct. 31. Founded: 1972. Retail brokerage: 84% commissions, 16% fees. Employee benefits: 29% of revenue in 1999. Officers: John C. Hamilton, president; Stephen F. Fallon, Joseph W. Hamilton III, senior vps. Contact: John C. Hamilton; jchamilton@hdains.com. *Estimated.

Cameron M. Harris & Co. - an Assurex partner

P.O. Box 220748, Charlotte, N.C. 28222; 704-366-8834; fax: 704-366-8245 www.camharris.com

Table with 3 columns: Category, 1999, 1998. Rows include Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Personal, Services, Other, Employees, Retail offices.

Founded: 1979. Parent: C. M. Harris Holding Co. Retail brokerage: 92.6% commissions, 7.4% fees. Employee benefits: 16.8% of revenue in 1999. Officers: Cameron Harris, president/CEO; M. Eugene Link, executive vp/COO; James F. Walker, executive vp; Harold J. Wilkerson, vp; William A. Richard Jr., secretary/treasurer/CFO. Contact: Harold J. Wilkerson; 704-916-1008.

Hastings-Tapley Insurance Agency Inc.

271 Cambridge St., Cambridge, Mass. 02141; 617-876-7510; fax: 617-876-7155 www.hastings-tapley.com

Table with 3 columns: Category, 1999, 1998. Rows include Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Services, Interest income, Employees, Retail offices.

Fiscal year ending Sept. 30. Founded: 1866. Retail brokerage: 97.1% commissions, 2.9% fees. Employee benefits: 5% of revenue in 1999. Non-retail subsidiaries: Lane England Associates, Cambridge, Mass.; NetCare Services Inc., Cambridge, Mass.; Governmental Entities Management Services Inc., Latham, N.Y. Officers: Frederick J. England Jr., chairman/CFO; Donald Lewis, president/CEO; Marsha K. Burridge, executive vp/COO; Jennifer L. Ceecker, executive vp. Contact: A.M.M. Dixon, senior vp/treasurer. *Premium volume excludes life and group insurance.

The Hays Group Inc.

80 S. Eighth St., Suite 1650, Minneapolis, Minn. 55402; 612-333-3323; fax: 612-373-7270 www.haysgroup.com

Table with 3 columns: Category, 1999, 1998. Rows include Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Reinsurance, Personal, Services, Interest income, Employees, Retail offices.

Founded: 1994. Retail brokerage: 55% commissions, 45% fees. Employee benefits: 23% of revenue in 1999. Acquisitions: Gilbert-Magill Co., Kansas City, Mo., June 2000. Officers: James C. Hays, president/CEO; Michael

J. Egan, president/CEO-Hays Benefit Group; William L. Mershon, executive vp; Stephen T. Lerum, senior vp-finance/CFO. Contact: Russ Berman, rberman@haysgroup.com; Brian Hughes, bhughes@haysgroup.com; Les Young, lyoung@haysgroup.com.

Healthcare Insurance Services Inc.

820 Gessner, Suite 1000, Houston, Texas 77024; 713-461-4000; fax: 713-935-2427 www.galtney.com

Table with 3 columns: Category, 1999, 1998. Rows include Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Wholesale, Reinsurance, Services, Employees, Retail offices.

Founded: 1983. Parent: The Galtney Group Inc. Retail brokerage: 90% commissions, 10% fees. Non-retail subsidiaries: Western Litigation Specialists Inc., Houston. Officers: William F. Galtney Jr., chairman/CEO; George W. McCleary Jr., president/COO; Phillip E. Reischman, executive vp. Contact: William F. Galtney Jr.

The Heffernan Group

1981 N. Broadway, Suite 215, Walnut Creek, Calif. 94596; 925-934-8500; fax: 925-934-8278 www.heffpete.com

Table with 3 columns: Category, 1999, 1998. Rows include Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Wholesale, Reinsurance, Personal, Services, Interest income, Other, Employees, Retail offices.

Founded: 1981. Parent: P. Newman, senior vp-operations; Edward J. Dantzig, senior vp. Retail brokerage: 96% commissions, 4% fees. Employee benefits: 4% of revenue in 1999. Officers: F. Michael Heffernan, president; Rob N. Newman, senior vp-operations; Edward J. Dantzig, senior vp.

Joseph Held Co. Inc.

Wall Street Plaza, 88 Pine St., Seventh Floor, New York, N.Y. 10005; 800-221-9940; fax: 212-797-5413

Table with 3 columns: Category, 1999, 1998. Rows include Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Wholesale, Personal, Services, Interest income, Employees, Retail offices.

Founded: 1897. Retail brokerage: 97.5% commissions, 2.5% fees. Officers: Kenneth S. Held, president/CEO; Renee Held, vp/secretary. Contact: Kenneth S. Held, 212-732-3E38.

Paul Hertel & Co. Inc.

243 Chestnut St., Philadelphia, Pa. 19106; 215-925-7656; fax: 215-923-0342

Table with 3 columns: Category, 1999, 1998. Rows include Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Wholesale, Personal, Services, Interest income, Other, Employees, Retail offices.

Founded: 1908. Retail brokerage: 98% commissions, 2% fees. Employee benefits: 1% of revenue in 1999. Officers: Robert J. Hertel, president; Joseph F. Robinson, vp; Paul R. Bush III, secretary. Contact: Joseph F. Robinson.

Hibbs-Hallmark & Co.

501 Shelley Drive, P.O. Box 8357, Tyler, Texas 75711; 903-561-8484; fax: 903-581-5988 www.hibbshallmark.com

Table with 3 columns: Category, 1999, 1998. Rows include Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Reinsurance, Personal, Services, Interest income, Other, Employees, Retail offices.

Founded: 1970. Retail brokerage: 98% commissions, 2% fees. Employee benefits: 6% of revenue in 1999. Non-retail subsidiaries: CAS-Claims Administrative Services Inc., Tyler, Texas. Officers: Billy E. Hibbs Sr., chairman/CEO; Billy E. Hibbs Jr., president; Barry Jones, executive vp/president-Claims Administrative Services Inc. Contact: Billy E. Hibbs Sr.

Higginbotham & Associates Inc.

260 Bailey Ave., Fort Worth, Texas 76107; 817-336-2377; fax: 817-347-6981 www.higginbotham.net

Table with 3 columns: Category, 1999, 1998. Rows include Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail, U.S. offices, Personal, Interest income, Other, Employees, Retail offices.

Founded: 1948. Retail brokerage: 99% commissions, 1% fees. Employee benefits: 24% of revenue in 1999. Acquisitions: Burk, Luebbhusen & Ray, Fort Worth, Texas, July 1999; Clifton Management, Fort Worth, Texas, July 1999. Officers: James R. Reid, president/CEO. Contact: Chris Rooker, commercial manager; 817-347-6998, crooker@higginbotham.net; Kim Smith, accounting manager, 817-347-6807.

Hilb, Rogal & Hamilton Co.

4235 Innslake Drive, Glen Allen, Va. 23060; 804-747-6500; fax: 804-747-6046 www.hrh.com

Table with 3 columns: Category, 1999, 1998. Rows include Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Non-U.S. clients, Brokerage: retail, U.S. offices, Non-U.S. offices, Wholesale, Reinsurance, Personal, Services, Employees, Retail offices.

Founded: 1982. Retail brokerage: 98% commissions, 2% fees. Employee benefits: 18.8% of revenue in 1999. Acquisitions: Summit Risk Management & Insurance Services Inc., Concord, Calif., January 1999; American Phoenix Corp., Hartford, Conn., May 1999; Insurance Concepts of Connecticut Inc., Hamden, Conn., November 1999; Kelter-Thorne Insurance Agency of Newport Beach, California Inc., Newport Beach, Calif., February 2000; The Insurance Managers Inc., Dallas, February 2000; Michael Klocke & Co., Orlando, Fla., May 2000; Granite Insurance Services L.L.C., Portland, Ore., June 2000; United Financial Associates, Mount Laurel, N.J., June 2000; Shanolly Inc., Mount Laurel, N.J., June 2000. Non-retail subsidiaries: Managing Agency Group Inc., Hartford, Conn.; Premier Funding Associates Inc., Hartford, Conn. Officers: Andrew L. Rogal, chairman/CEO; Martin L. Vaughan III, president/COO; Timothy J. Korman, executive vp-finance and administration. Contact: Carolyn Jones, senior vp/CFO/treasurer; 804-747-3108; carolyn.jones@hrh.com. *Restated.

Hirsch Wolf & Co.

1505 Coney Island Ave., Brooklyn, N.Y. 11230; 718-252-2800; fax: 718-253-9682

Table with 3 columns: Category, 1999, 1998. Rows include Premium volume, Gross revenues, Brokerage revenues, U.S. clients, Brokerage: retail.

Founded: 1999. Employee benefits: 85.5% of revenue in 1999. Officers: Robert J. Hirsch, president; Joseph F. Robinson, vp. Contact: Joseph F. Robinson.

Continued from previous page

	1999	1998
U.S. offices	\$2,565,000	\$2,180,400
Wholesale	2.8%	3.5%
Personal	8.5%	11%
Services	1%	4%
Interest income	2.2%	2.5%
Employees	32	33
Retail offices	2	2

Fiscal year ending June 30.
Founded: 1958.
Retail brokerage: 99% commissions, 1% fees.
Employee benefits: 17.5% of revenue in 1999.
Officers: Hirsch Wolf, president; Raquel Wolf, secretary.

The Hirshorn Co.

14 E. Highland Ave.,
 Philadelphia, Pa. 19118;
 215-242-8200; fax: 215-247-6366
 www.hirshorn.com

	1999	1998
Premium volume	\$8,599,591	\$9,211,266
Gross revenues	\$1,443,434	\$1,427,286
Brokerage revenues	\$1,278,882	\$1,315,958
U.S. clients	88%	88.9%
Non-U.S. clients	12%	11.1%
Brokerage: retail	61.4%	66.6%
U.S. offices	\$886,268	\$950,572
Personal	27.2%	25.6%
Interest income	0.4%	0.3%
Other	11%	7.5%
Employees	15	16
Retail offices	2	1

Fiscal year ending June 30.
Founded: 1931.
Retail brokerage: 91.1% commissions, 8.9% fees.
Employee benefits: 6.2% of revenue in 1999.
Officers: Ralph S. Hirshorn, chairman; George M. Connelly, president; Stephen H. Wetherill, vp.
Contact: George M. Connelly; gconnelly@hirshorn.com.

Hitachi Insurance Services Ltd.

Tokyo Kotsu Kaikan 10-1,
 Yurakucho 2-Chome, Chiyoda-ku,
 Tokyo, 100-0006 Japan;
 81-3-3215-2229; fax: 81-3-3215-2109

	1999	1998
Premium volume	\$546,128,730	\$506,929,760
Gross revenues	\$65,296,351	\$59,452,472
Brokerage revenues	\$63,662,967	\$58,144,520
U.S. clients	0.5%	0.7%
Non-U.S. clients	99.5%	99.3%
Brokerage: retail	25.5%	26.4%
U.S. offices	\$325,323	\$416,408
Non-U.S. offices	\$16,336,296	\$15,279,048
Reinsurance	0.1%	0.1%
Personal	71.9%	71.3%
Interest income	1.8%	2.2%
Other	0.7%	0%
Employees	408	408
Retail offices	32	33

Fiscal year ending March 31.
 Converted at applicable exchange rates.
Founded: 1949.
Parent: Hitachi Ltd.
Retail brokerage: 100% commissions.
Employee benefits: 26.3% of revenue in 1999.
Non-retail subsidiaries: Concord Enterprise Insurance Co. Ltd., Hamilton, Bermuda; Hitachi Insurance Services (Hong Kong) Ltd., Hong Kong.
Officers: N. Fukuma, president; Rikuo Takuhara, Kouichirou Warishi, managing directors.
Contact: Hironobu Kaneko, general manager-international department.

Hobbs Group L.L.C.

4401 Northside Parkway, Suite 560,
 Atlanta, Ga. 30327;
 404-949-3200; fax: 404-949-3216
 www.hobbsgroup.com

	1999	1998
Premium volume	\$390,000,000	\$270,000,000
Gross revenues	\$70,402,150	\$51,045,000
Brokerage revenues	\$68,994,107	\$50,240,100
U.S. clients	96%	95%
Non-U.S. clients	4%	5%
Brokerage: retail	70%	69%
U.S. offices	\$47,216,074	\$33,459,998
Non-U.S. offices	\$2,107,431	\$1,761,052
Wholesale	2%	1%
Reinsurance	1%	1%
Personal	1%	1%
Services	24%	26%
Interest income	2%	2%
Employees	352	235
Retail offices	23	20

Founded: 1997.
Retail brokerage: 70% commissions, 30% fees.
Employee benefits: 33.7% of revenue in 1999.
Acquisitions: Kirklín & Co., Omaha, Neb., March 1999; Timothy S. Mills Insurance Services, San Diego; Linden Co., Denver, August 1999; Executive Benefits Group, Braintree, Mass., November 1999; JTK, Fort Lauderdale, Fla., April 2000.
Officers: Thomas A. Golub, president/CEO; Edward F. McNulty, Daniel J. Donovan, John F. McGrath, executive vps.
Contact: Thomas A. Golub; 904-949-3201; tgolub@hobbsgroup.com.

Holmes, Murphy & Associates Inc.

3001 Westown Parkway,
 West Des Moines, Iowa 50266-1321;
 515-223-6950; fax: 515-221-7143
 www.holmesmurphy.com

	1999	1998
Premium volume	\$280,000,000*	\$247,614,761
Gross revenues	\$37,739,635	\$30,876,740
Brokerage revenues	\$36,984,842	\$30,259,205
U.S. clients	100%	100%
Brokerage: retail	82%	79%
U.S. offices	\$30,946,500	\$24,392,704
Personal	1%	1%
Services	15%	18%
Interest income	1%	1%
Other	1%	1%
Employees	287	259
Retail offices	5	4

Fiscal year ending June 30.
Parent: HMA Inc.
Retail brokerage: 99% commissions, 1% fees.
Employee benefits: 40% of revenue in 1999.
Acquisitions: KGO Inc., Sioux Falls, S.D., July 1999.
Officers: J. Douglas Reichardt, chairman/CEO-HMA Inc.; Nickolas J. Henderson, president/COO-HMA Inc.; James S. Swift, president-Holmes, Murphy & Associates Inc.

Contact: Nickolas J. Henderson; nhenderson@holmesmurphy.com.
 *Estimated.

Horton Insurance Agency Inc.

14400 John Humphrey Drive,
 Orland Park, Ill. 60462;
 708-873-3000; fax: 708-873-3001
 www.thehortongroup.com

	1999	1998
Premium volume	\$250,000,000	\$150,000,000
Gross revenues	\$22,626,000	\$16,327,756
Brokerage revenues	\$22,399,740	\$16,246,117
U.S. clients	100%	100%
Brokerage: retail	77%	87%
U.S. offices	\$17,422,000	\$14,025,148
Wholesale	10%	0.5%
Personal	10%	10%
Services	2%	2%
Interest income	1%	0.5%
Employees	225	100
Retail offices	7	4

Founded: 1971.
Retail brokerage: 99% commissions, 1% fees.
Employee benefits: 25% of revenue in 1999.
Acquisitions: Buschbach Insurance Agency Inc., Oak Lawn, Ill., January 1999.
Officers: Glenn Horton, president; David Loomis, executive vp; Charles Naso, vp.
Contact: Glenn Horton; glennh@hortonins.com.

Hub International

55 E. Jackson Blvd.,
 Chicago, Ill. 60604;
 877-402-6601; fax: 877-402-6606
 www.thehubgroup.com

	1999	1998
Premium volume	\$348,300,000	\$252,000,000
Gross revenues	\$57,375,000	\$40,320,000
Brokerage revenues	\$54,506,250	\$37,900,800
U.S. clients	12%	0%
Non-U.S. clients	88%	100%
Brokerage: retail	58%	55%
U.S. offices	\$8,186,265	0
Non-U.S. offices	\$25,091,235	\$22,176,000
Wholesale	2%	4%
Personal	33%	35%
Services	2%	0%
Interest income	5%	6%
Employees	1,500	725
Retail offices	110	45

Converted at applicable exchange rates.
Founded: 1998.
Retail brokerage: 95% commissions, 5% fees.
Employee benefits: 12% of revenue in 1999.
Acquisitions: Independent Brokerage Group Inc., April 1999; Group Five Planned Insurance Services Inc., April 1999; Andre Gauthier & Associates Inc., April 1999; Pace Insurance Agencies (1987) Ltd., May 1999; P. Moauro & Associates Inc., May 1999; Paul Ayotte Insurance Brokers (Kapuskas-

ing) Ltd., May 1999; Paul Ayotte Insurance Broker Ltd., May 1999; Pro-Form Insurance Services, June 1999; Page Insurance Ltd., June 1999; Evans Bastion Insurance Agencies Ltd., June 1999; Mointra Services Inc., June 1999; Cambridge Insurance Brokers Ltd., June 1999; Assurance Murdoch Crevier Inc., July 1999; Arcon Insurance Brokers Ltd., July 1999; Feder & Associates Insurance Brokers Ltd., July 1999; KMS Insurance Services Ltd., July 1999; Underwriting Alliance Group Inc., July 1999; Athnity Brokerage Network Inc., July 1999; Segger & Associates Ltd., July 1999; APS Financial Corp., July 1999; APS Financial Brokerage, July 1999; Allan Tolsma Agencies Ltd., July 1999; Allan Tolsma Agencies (Culwood) Ltd., July 1999; J.S. Crawford Insurance Agencies (1976) Ltd., July 1999; Revelstroke Agencies Ltd., July 1999; Ken Magnes Agencies Ltd., July 1999; Gestion S. Lamanque Inc., August 1999; Assurances Cloutier & Cloutier Inc., August 1999; Parsons, Brown & Co. Ltd., August 1999; TOS Insurance Services Ltd., August 1999; Lakeview Insurance Services Ltd., August 1999; Colwood Insurance Services Inc., August 1999; Defieux Saxeby Insurance Services Inc., August 1999.
Officers: Martin P. Hughes, chairman/CEO; John Varnell, vice chairman; Richard A. Gulliver, president/COO.
Contact: Martin P. Hughes.

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Hylant Group

1505 Jefferson Ave.,
Toledo, Ohio 43624;
419-255-1020; fax: 419-255-7557
www.hylant.com

	1999	1998
Premium volume	\$352,000,000	\$243,000,000
Gross revenues	\$28,652,000	\$24,520,000
Brokerage revenues	\$28,365,480	\$24,274,800
U.S. clients	100%	100%
Brokerage: retail	97%	95%
U.S. offices	\$27,792,000	\$23,025,000
Personal	1%	1%
Services	1%	3%
Interest income	1%	1%
Employees	280	251
Retail offices	9	7

Founded: 1935.
Retail brokerage: 54% commissions, 46% fees.
Employee benefits: 12% of revenue in 1999.

Acquisitions: O'Brien & Sanderson, Fort Wayne, Ind., March 2000; Benefit Options, Ann Arbor, Mich., April 2000.

Non-retail subsidiaries: Hylant Broker Services, Columbus, Ohio; Hylant Administrative Services, Hylant Health Management, Toledo, Ohio.

Officers: Patrick R. Hylant, chairman/CEO; William F. Buckley, president/COO; J. Scott Stewart, executive vp.

Contact: William Pridgeon, CFO; bill.pridgeon@hylant.com.

I

Insurance & Consulting Services of Greenville Inc., dba Fickling & Clement Insurance

105 Arlington Blvd.,
Greenville, N.C. 27858;
252-756-8300; fax: 252-756-9092
www.fcins.com

	1999	1998
Premium volume	\$8,798,000	\$8,800,000
Gross revenues	\$1,461,438	\$1,366,382
Brokerage revenues	\$1,432,209	\$1,339,054
U.S. clients	100%	100%
Brokerage: retail	80%	80%
U.S. offices	\$1,169,150	\$,093,106
Personal	18%	18%
Other	2%	2%
Employees	16	15
Retail offices	1	1

Founded: 1975.

Employee benefits: 8% of revenue in 1999.
Officers: W. Kurt Fickling, CEO; James E. Clement, COO; Terry L. Whitford, CFO; Stephen C. Bath, president-life and health.

Contact: Terry L. Whitford; twhitford@fcins.com.

Insurance & Risk Management - an Assurex partner

3811 Illinois Road,
Fort Wayne, Ind. 46804;
219-436-1616; fax: 219-432-4083
www.insurancerriskmgmt.com

	1999	1998
Premium volume	\$91,000,000	\$66,000,000
Gross revenues	\$12,714,000	\$12,522,000
Brokerage revenues	\$12,586,860	\$12,396,780
U.S. clients	100%	100%
Brokerage: retail	83%	81%
U.S. offices	\$10,553,000	\$10,143,000
Personal	15%	16%
Services	1%	2%
Interest income	1%	1%
Employees	151	157
Retail offices	3	5

Founded: 1963.

Retail brokerage: 72% commissions, 28% fees.
Employee benefits: 50% of revenue in 1999.

Acquisitions: Steve Gillie's Book of Business, Fort Wayne, Ind., August 1999; Franklin Johnson's Book of Business, Fort Wayne, Ind., August 1999.

Officers: John Hettwer, chairman; Harold Everett, treasurer; David Stahl, secretary.

Contact: Steve Goss; 317-257-9191; sgoss@irmgmt.com.

Insurance Management Associates - an Assurex partner

P.O. Box 2992,
Wichita, Kan. 67201-2992;
316-267-9221; fax: 316-266-6254
www.imacorp.com

	1999	1998
Premium volume	\$350,000,000	\$345,000,000
Gross revenues	\$31,344,092	\$27,386,000
Brokerage revenues	\$30,560,490	\$26,920,438
U.S. clients	100%	100%
Brokerage: retail	92.5%	87%
U.S. offices	\$28,993,328	\$23,825,820
Personal	2.7%	3.2%
Services	2.3%	8.1%
Interest income	2.5%	1.7%
Employees	265	254
Retail offices	5	5

Founded: 1974.

Retail brokerage: 91.3% commissions, 9.7%

Employee benefits: 13% of revenue in 1999.
Officers: W.C. Cohen Jr., chairman; Robert L. Cohen, vice chairman/CEO; Kurt D. Watson, president/COO.
Contact: W.C. Cohen Jr.

Insurance Management Co.

123 W. Ninth St., P.O. Box 1133,
Erie, Pa. 16501;
814-452-3200; fax: 814-454-5598

	1999	1998
Premium volume	\$19,500,000	\$21,300,000
Gross revenues	\$2,600,000	\$2,700,000
Brokerage revenues	\$2,600,000	\$2,700,000
U.S. clients	100%	100%
Brokerage: retail	100%	91%
U.S. offices	\$2,600,000	\$2,457,000
Services	0%	9%
Employees	24	25
Retail offices	1	1

Founded: 1933.

Retail brokerage: 100% commissions.
Employee benefits: 4% of revenue in 1999.

Officers: John C. Bloomstine, president; Chris W. Bloomstine, vp/secretary; Beth A. Dubik, vp/treasurer.

Contact: John C. Bloomstine, john.bloomstine@imcraie.com.

Insurance Marketing Agencies Inc.

306 Main St.,
Worcester, Mass. 01608;
508-753-7233; fax: 508-754-0487

	1999	1998
Premium volume	\$35,000,000	\$30,000,000
Gross revenues	\$4,447,412	\$4,103,420
Brokerage revenues	\$4,136,093	\$3,775,146
U.S. clients	100%	100%
Brokerage: retail	66%	67%
U.S. offices	\$2,935,292	\$2,749,291
Wholesale	6%	5%
Personal	21%	20%
Interest income	2%	2%
Other	5%	6%
Employees	46	43
Retail offices	2	2

Founded: 1924.

Retail brokerage: 100% commissions.
Employee benefits: 8% of revenue in 1999.

Officers: Sumner W. Herman, president; Peter H. Herman, treasurer; Laura B. Herman-Strohecker, vp.
Contact: Sumner W. Herman; sumatima@aol.com.

InsurMark Group Inc.

12355 Sunrise Valley Drive, Suite 240,
Reston, Va. 20191;
703-715-2600; fax: 703-715-2909
www.insurmarkgroup.com

	1999	1998
Premium volume	\$65,000,000	\$40,000,000
Gross revenues	\$1,635,000	\$1,010,000
Brokerage revenues	\$1,635,000	\$1,010,000
U.S. clients	100%	100%
Brokerage: retail	98%	100%
U.S. offices	\$1,602,300	\$1,010,000
Services	2%	0%
Employees	13	17
Retail offices	2	1

Founded: 1993.

Retail brokerage: 98% commissions, 2% fees.
Employee benefits: 81% of revenue in 1999.

Acquisitions: Britt Insurance, Raleigh, N.C., June 2000.

Officers: Karl R. Nelson, president; Gary F. Funk, executive vp; Diana M. Mason vp.

Intersea CIA Ltda

Edificio Torres de la Merced, Cordova
#812 Y V.M. Rendon, Piso 20,
Guayaquil, Ecuador;
593-4-563-775; fax: 593-4-560-087
www.rcp.net.pe/rehder

	1999	1998
Premium volume	\$3,120,000	\$3,200,000
Gross revenues	\$532,105	\$535,705
Brokerage revenues	\$532,105	\$535,705
U.S. clients	8%	10%
Non-U.S. clients	92%	90%
Brokerage: retail	94%	95%
Non-U.S. offices	\$500,179	\$508,920
Wholesale	3%	2%
Personal	1%	1%
Services	2%	2%
Employees	10	10
Retail offices	2	2

Founded: 1974.

Parent: Corporacion Rehder y Asociados.
Retail brokerage: 100% commissions.

Officers: Pedro C. Linares, general manager; Jorge Pedrera, manager.
Contact: Pedro C. Linares; 593-4-562-050; plinares@porta.net.

InterWest Insurance Services Inc.

4011 Watt Ave.,
Sacramento, Calif. 95864;
916-488-3100; fax: 916-488-7143
www.iwins.com

	1999	1998
Premium volume	\$171,392,000	\$164,800,000
Gross revenues	\$17,805,000	\$17,120,000
Brokerage revenues	\$17,270,850	\$16,948,880
U.S. clients	100%	100%
Brokerage: retail	87%	86%
U.S. offices	\$15,490,350	\$14,723,200
Personal	10%	10%
Services	0%	3%
Interest income	1%	1%
Other	2%	0%
Employees	160	155
Retail offices	4	4

Founded: 1992.

Retail brokerage: 99% commissions, 1% fees.
Employee benefits: 11% of revenue in 1999.

Officers: Tom Williams, chairman/CEO; Bill O'Keefe, executive vp.

Contact: Tom Williams, Bill O'Keefe.

J

Jardine Lloyd Thompson Group P.L.C.

6 Crutched Friars,
London, EC3N 2PH England;
44-207-528-4444; fax: 44-207-528-4500
www.jltgroup.com

Founded: 1970.

Officers: R.J.O. Barton, chairman; Ken Carter, CEO; G.W. Stuart-Clarke, group finance director; J.P. McGill, CEO-Risk Solutions; J. Hastings-Bass, CEO-corporate risks and services.

See profile on page 39.

K

Kaye Group Inc.

122 E. 42nd St.,
New York, N.Y. 10168;
212-338-2100; fax: 212-857-0368
www.kayegroup.com

	1999	1998
Premium volume	\$413,000,000	\$473,000,000
Gross revenues*	\$78,638,000	\$73,613,000
Brokerage revenues	\$47,204,000	\$44,904,000
U.S. clients	100%	100%
Brokerage: retail	41.7%	44%
U.S. offices	\$33,027,000	\$32,389,000
Wholesale	15.1%	14%
Personal	3.2%	3%
Other	40%	39%
Employees	250	264
Retail offices	5	5

Founded: 1952.

Retail brokerage: 91% commissions, 9% fees.
Employee benefits: 13% of revenue in 1999.

Acquisitions: Seaman, Ross & Wiener, Woodbury, N.Y., January 1999.

Non-retail subsidiaries: Claims Administration Corp., New York; Old Lyme Insurance Co. Rhode Island Inc., Warwick, R.I.; Program Brokerage Corp., Westport, Conn., New York, Warwick, R.I.; Old Lyme Insurance Co. Ltd., Hamilton, Bermuda.

Officers: Bruce D. Guthart, chairman/president/CEO; Michael P. Sabanos, executive vp/CFO; Damian Testa, executive vp; Marc I. Cohen, president-Program Brokerage Corp.
Contact: Bruce D. Guthart; 212-338-2259.

*Gross revenues for both 1999 and 1998 include estimated commissions payable by an insurer Kaye owns.

Keenan & Associates

2355 Crenshaw Blvd., Suite 200,
Torrance, Calif. 90501;
310-212-3344; fax: 310-212-0354
www.keenanassoc.com

	1999	1998
Gross revenues	\$59,585,500	\$51,912,000
Brokerage revenues	\$47,850,000	\$50,400,000
U.S. clients	100%	100%
Brokerage: retail	41%	39%
U.S. offices	\$24,430,005	\$20,245,680
Services	56%	58%
Interest income	2%	2%
Other	1%	1%
Employees	480	439
Retail offices	12	12

Founded: 1972.

Retail brokerage: 58% commissions, 42% fees.
Employee benefits: 35% of revenue in 1999.

Officers: John R. Keenan, CEO; Sean K. Smith, president-schools; Jerry Ascolesi, president-health care.
Contact: David J. De Wenter, executive vp/COO.

Kelter-Thorner Inc.

210 S. Old Woodward Ave., Suite 200,
Birmingham, Mich. 48009;
248-540-3131; fax: 248-540-2002
www.kelter-thorner.com

	1999	1998
Premium volume	\$154,600,000	\$144,360,000
Gross revenues	\$18,892,000	\$17,290,000
Brokerage revenues	\$17,286,000	\$16,166,000
U.S. clients	100%	100%
Brokerage: retail	74.1%	72.5%
U.S. offices	\$13,999,000	\$12,535,000
Wholesale	8.4%	10%
Personal	6%	10%
Services	3%	1%

	1.8%	3%
Interest income	1.8%	3%
Other	6.7%	3.5%
Employees	85	97
Retail offices	5	5

Fiscal year ending Sept. 30.
Founded: 1930.

Retail brokerage: 100% commissions.
Employee benefits: 3% of revenue in 1999.

Non-retail subsidiaries: Atlantic Underwriters Inc., Birmingham, Mich.
Officers: Theodore R. Kelter, chairman; Marilyn Chernoff, president; Michael J. Kelter, executive vp.

Contact: Sharon Neveau, controller.

R.C. Knox & Co. Inc.

1 Goodwin Square,
Hartford, Conn. 06103;
860-524-7600; fax: 860-240-1587
www.rcknox.com

	1999	1998
Premium volume	\$128,000,000	\$108,300,300
Gross revenues	\$14,000,000	\$11,300,000
Brokerage revenues	\$13,300,000	\$11,210,000
U.S. clients	100%	100%
Brokerage: retail	84%	63%
U.S. offices	\$11,760,000	\$9,794,000
Personal	11%	12%
Interest income	3%	4%
Other	2%	1%
Employees	98	90
Retail offices	2	1

Founded: 1893.

Parent: People's Bank.
Retail brokerage: 98% commissions, 2% fees.

Employee benefits: 17% of revenue in 1999.

Acquisitions: Beardslay, Brown & Bassett, Fairfield, Conn., October 1999.

Officers: Norman Kayser, vice chairman; John Bymes, president/CEO; Harold Smullen, executive vp/COO.

Contact: J. Michael Collier, vp; 860-524-7658

Continued from previous page

Lovitt & Touché Inc.

7202 E. Rosewood,
Tucson, Ariz. 85710;
520-722-3000; fax: 520-722-7106
www.lovitt-touche.com

	1999	1998
Premium volume	\$126,054,078	\$117,807,364
Gross revenues	\$12,833,387	\$11,957,653
Brokerage revenues	\$12,679,386	\$11,742,414
U.S. clients	100%	100%
Brokerage: retail	92%	89.6%
U.S. offices	\$11,806,716	\$10,714,056
Personal	5.7%	5.5%
Services	1.1%	3.1%
Interest income	1.2%	1.8%
Employees	110	113
Retail offices	3	3

Founded: 1911.
Retail brokerage: 80% commissions*, 20% fees*.
Employee benefits: 20% of revenue in 1999.
Non-retail subsidiaries: Mountain States Insurance Services, Phoenix, Taylor and Tucson, Ariz.
Officers: Carlos G. Touché, chairman; Charles A. Touché, CEO; Steven D. Touché, president.
Contact: Steven D. Touché.
*Estimated.

Contact: Douglas D. Fyfe, manager-Tucson office; 520-795-8511, ext. 3402; dfyfe@mahoney-group.com.

Marcotte Insurance Agency Inc.

366 Regency Parkway,
Omaha, Neb. 68114;
402-398-9009; fax: 402-398-0917
www.marcotteins.com

	1999	1998
Premium volume	\$27,000,000	\$27,000,000
Gross revenues	\$2,600,398	\$2,600,444
Brokerage revenues	\$2,548,390	\$2,496,426
U.S. clients	100%	100%
Brokerage: retail	75%	76%
U.S. offices	\$1,842,549	\$1,976,337
Personal	23%	20%
Interest income	2%	4%
Employees	25	25
Retail offices	1	1

Fiscal year ending July 31.
Founded: 1927.
Retail brokerage: 95% commissions, 5% fees.
Employee benefits: 20% of revenue in 1999.
Officers: Carol J. Casey, president/COO; Bernard J. Akromis, Thomas J. Welborn, executive vps.
Contact: Carol J. Casey.

Marsh & McLennan Cos. Inc.

1166 Ave. of the Americas,
New York, N.Y. 10036;
212-345-6000; fax: 212-345-3833
www.marsh.com

Founded: 1871.
Officers: Jeffrey W. Greenberg, chairman/CEO-Marsh & McLennan Cos.; Lawrence J. Lasser, president/CEO-Putnam Investments Inc.; John T. Sinnott, chairman-Marsh Inc.; Peter Coster, president-Mercer Consulting Group Inc.
See profile on Page 20.

Marshall & Sterling Enterprises Inc.

110 Main St.,
Poughkeepsie, N.Y. 12601;
914-454-0800; fax: 914-454-0880
www.marshallsterling.com

	1999	1998
Premium volume	\$185,000,000	\$180,000,000
Gross revenues	\$29,717,777	\$27,301,872
Brokerage revenues	\$29,717,777	\$27,301,872
U.S. clients	100%	100%
Brokerage: retail	63%	67%
U.S. offices	\$18,722,200	\$18,292,254
Wholesale	8%	5%
Personal	26%	28%

	3%	0%
Services	249	247
Employees	15	12
Retail offices		

Founded: 1864.
Retail brokerage: 99.5% commissions, 0.5% fees.
Employee benefits: 1% of revenue in 1999.
Acquisitions: HDL Associates Inc., Poughkeepsie, N.Y., July 1999; Robson & Geraghty Inc., Hoosick, N.Y., January 2000; Rose Agency, Mechanicville, N.Y., January 2000.
Officers: John P. O'Shea, chairman/president; James D. Tunick, president-Marshall & Sterling St. Thomas Inc.; David C. Ridgway, president-Marshall & Sterling St. Croix Inc.
Contact: John P. O'Shea; 914-454-0800, ext. 220.

May-Davis Inc.

P.O. Box 11539,
Spokane, Wash. 99211;
509-535-8783; fax: 509-534-0318

	1999	1998
Premium volume	\$3,400,000	\$4,000,000
Gross revenues	\$600,000	\$650,000
Brokerage revenues	\$600,000	\$650,000
U.S. clients	100%	100%
Brokerage: retail	98%	98%
U.S. offices	\$588,000	\$630,500
Personal	2%	2%
Employees	5	5

Retail offices 1
Fiscal year ending June 30.
Founded: 1974.
Retail brokerage: 100% commissions.
Employee benefits: 5% of revenue in 1999.
Officers: William H. Davis, president; William A. May, vp.
Contact: William H. Davis

McGriff, Seibels & Williams Inc. -an Assurex partner
2211 Seventh Ave. S.,
Birmingham, Ala. 35233;
205-252-9871; fax: 205-581-9293
www.mcgriff.com

	1999	1998
Premium volume	\$658,635,919	\$610,952,151
Gross revenues	\$72,816,347	\$66,395,900
Brokerage revenues	\$69,590,505	\$60,493,308
U.S. clients	100%	100%
Brokerage: retail	85.1%	82.3%
U.S. offices	\$62,738,565	\$54,623,909
Wholesale	6.6%	6.4%
Services	2.9%	2.4%
Interest income	3.6%	4.3%
Other	0.8%	4.6%
Employees	482	456
Retail offices	5	5

Continued on next page



M-J Insurance Inc. - an Assurex partner

3750 Priority Way S. Drive, Suite 200,
Indianapolis, Ind. 46250;
317-805-7500; fax: 317-805-7515

	1999	1998
Premium volume	\$110,580,000	\$105,517,000
Gross revenues	\$11,368,000	\$10,062,000
Brokerage revenues	\$11,368,000	\$10,062,000
U.S. clients	99%	98%
Non-U.S. clients	1%	2%
Brokerage: retail	85%	81%
U.S. offices	\$9,662,800	\$8,150,220
Personal	5%	9.1%
Services	10%	9.9%
Employees	106	106
Retail offices	1	1

Fiscal year ending Sept. 30.
Founded: 1964.
Retail brokerage: 87% commissions, 13% fees.
Employee benefits: 26% of revenue in 1999.
Officers: Michael M. Bill, president; Edward L. Mourmigham, Jan R. Bednarz, vps.
Contact: Michael M. Bill, vp.

MLW Services Inc.

100 William St.,
New York, N.Y. 10038;
212-797-9600; fax: 212-425-0719

	1999	1998
Premium volume	\$72,000,000	\$74,000,000
Gross revenues	\$11,300,000	\$11,200,000
Brokerage revenues	\$11,187,000	\$11,088,000
U.S. clients	100%	100%
Brokerage: retail	64%	64%
U.S. offices	\$7,232,000	\$7,168,000
Wholesale	29%	30%
Personal	4%	3%
Services	2%	2%
Interest income	1%	1%
Employees	59	60
Retail offices	1	1

Founded: 1986.
Retail brokerage: 92% commissions, 8% fees.
Employee benefits: 2% of revenue in 1999.
Non-retail subsidiaries: Barkly Coverage Corp., New York.
Officers: Charles J. Weisblum, chairman; Andrew H. Marks, president; Bert Linder, executive vp.
Contact: Andrew H. Marks.

The Mahoney Group - an Assurex partner

719 E. Cottonwood Lane,
Casa Grande, Ariz. 85222;
520-836-7483; fax: 520-836-6681
www.mahoneygroup.com

	1999	1998
Premium volume	\$119,000,000	\$102,400,000
Gross revenues	\$14,111,105	\$12,083,000
Brokerage revenues	\$13,123,328	\$11,237,190
U.S. clients	99%	99%
Non-U.S. clients	1%	1%
Brokerage: retail	78%	78%
U.S. offices	\$11,006,662	\$9,424,740
Wholesale	5%	5%
Personal	10%	10%
Interest income	1%	1%
Other	6%	6%
Employees	131	125
Retail offices	9	9

Founded: 1915.
Parent: Southwestern Financial Corp.
Retail brokerage: 35.5% commissions, 4.5% fees.
Employee benefits: 15% of revenue in 1999.
Acquisitions: Nolan David Agency, Kingman, Ariz., March 1999; Marsh & McLennan Cos. Inc. (Tucson Office), Tucson, Ariz., April 1999.
Officers: John W. McEvoy, president; Edward F. Higginbotham, CFO; Glenn Luglan, vp.

FAX 860-229-1111

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O

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Continued from previous page

Founded: 1983.
Retail brokerage: 93.3% commissions, 5.7% fees.
Employee benefits: 4.7% of revenue in 1999.
Non-retail subsidiaries: Atlanta.
Officers: Bruce C. Dunbar Jr., chairman/president/CEO; Gary M. Cooney, vice chairman; Thomas A. Lambert III, treasurer/senior vp/CFO; Monty Wallace, Ron Gladrosich, senior vps.
Contact: Leslie Sasser, controller.

**McQueary Henry
Bowles Troy L.L.P.**
 12700 Park Central Drive, Suite 1700,
 Dallas, Texas 75251;
 972-770-1600; fax: 972-770-1699
 www.mhbtc.com

	1999	1998
Premium volume	\$125,000,000	\$111,477,638
Gross revenues	\$14,000,000	\$11,550,000
Brokerage revenues	\$13,860,000	\$10,972,500
U.S. clients	100%	96%
Non-U.S. clients	0%	4%
Brokerage: retail	81.8%	88%
U.S. offices	\$11,452,000	\$10,164,000
Wholesale	9%	0%
Personal	7%	7%
Services	1.2%	0%
Interest income	1%	5%
Employees	100	93
Retail offices	4	3

Founded: 1926.
Retail brokerage: 95% commissions, 5% fees.
Employee benefits: 10.5% of revenue in 1999.
Officers: Ted Troy, vice chairman; Bill Henry, CEO; Don Bowles, president.
Contact: Patrick Arthur, pat_arthur@mhbtc.com.

**Meadowbrook
Insurance Group Inc.**
 26600 Telegraph Road,
 Southfield, Mich. 48034-2438;
 248-358-1100; fax: 248-358-1614
 www.meadowbrook.com

	1999	1998
Premium volume	\$506,004,819	\$414,759,174
Gross revenues	\$69,296,567*	\$61,120,564
Brokerage revenues	\$68,576,877	\$60,151,872
U.S. clients	100%	100%
Brokerage: retail	50%	57%

	1999	1998
U.S. offices	\$33,237,455	\$33,537,723
Non-U.S. offices	\$1,410,828	\$1,240,998
Reinsurance	2%	2%
Personal	1%	1%
Services	46%	33%
Interest income	1%	2%
Employees	687	714
Retail offices	19	14

Founded: 1955.
Retail brokerage: 53% commissions, 41% fees.
Acquisitions: TPA Associates, Andover, Mass., August 1999
Officers: Merton J. Segal, chairman/CEO; Robert S. Cubbin, president/COO; Joseph C. Henry, executive vp.
Contact: Kenn Aller, senior vp.
 * Does not include revenue from underwriting.

Meeker-Magner Co.
 2360 E. Devon Ave., Suite 3013,
 Des Plaines, Ill. 60018;
 847-699-1400; fax: 847-699-6383
 www.meekermagner.com

	1999	1998
Premium volume	\$27,500,000	\$2,600,000
Gross revenues	\$2,989,000	\$2,381,000
Brokerage revenues	\$2,959,110	\$2,323,383
U.S. clients	100%	100%
Brokerage: retail	82%	36%
U.S. offices	\$2,450,980	\$2,447,660
Wholesale	1%	1%
Personal	16%	11%
Interest income	1%	2%
Employees	27	26
Retail offices	1	1

Founded: 1902.
Retail brokerage: 38% commissions, 12% fees.
Employee benefits: 30% of revenue in 1999.
Officers: T. Gerald Magner Jr., president; T. Gerald Magner III, William B. Tolan, vps.
Contact: T. Gerald Magner Jr.; tgm@meeker-magner.com.

Mellon/Clair Odell Group
 120 W. Germantown Pike,
 Plymouth Meeting, Pa. 19462;
 610-825-8100; fax: 610-825-4891

	1999	1998
Premium volume	\$197,500,000	\$196,903,000
Gross revenues	\$20,951,000	\$22,653,000
Brokerage revenues	\$20,951,000	\$22,653,000
U.S. clients	100%	100%

	1999	1998
Brokerage: retail	50%	51%
U.S. offices	\$10,476,458	\$10,535,580
Personal	50%	49%
Employees	103	99
Retail offices	4	4

Founded: 1930.
Parent: Mellon Bank N.A.
Retail brokerage: 92% commissions, 8% fees.
Officers: Frank Svitek, president/CEO; William Kanehann, executive vp/COO; Christina Madden, vp-operations.
Contact: Frank Svitek, William Kanehann.

Merritt & McKenzie Inc.
 400 Northcreek, Suite 400,
 3715 Northside Parkway N.W.,
 Atlanta, Ga. 30327-2813;
 404-266-7160; fax: 404-266-7199
 www.merrittmckenzie.com

	1999	1998
Gross revenues	\$7,200,000	\$6,800,000
Brokerage revenues	\$7,200,000	\$6,800,000
U.S. clients	100%	100%
Brokerage: retail	80%	80%
U.S. offices	\$5,760,000	\$5,440,000
Personal	15%	15%
Services	5%	5%
Employees	60	58
Retail offices	1	1

Fiscal year ending March 31.
Founded: 1926.
Parent: Synaxis Group.
Retail brokerage: 95% commissions, 5% fees.
Employee benefits: 15% of revenue in 1999.
Officers: Sam P. McKenzie Jr., chairman; John P. Langsford, president; Bob Reynolds, Carroll Jones, senior vps.
Contact: James Hamilton, CFO; jhamilton@merrittmckenzie.com.

**Mesirow Insurance
Services Inc.**
 321 N. Clark St.,
 Chicago, Ill. 60610;
 312-595-6200; fax: 312-595-7205
 www.mesirowfinancial.com

	1999	1998
Premium volume	\$200,000,000	\$200,000,000
Gross revenues	\$26,894,920	\$25,082,070
Brokerage revenues	\$26,625,970	\$24,392,313
U.S. clients	100%	100%
Brokerage: retail	94%	91.2%
U.S. offices	\$25,281,225	\$22,887,388
Personal	5%	6%
Investment income	0%	0.8%
Other	1%	2%
Employees	159	151
Retail offices	4	3

Fiscal year ending March 31.
Founded: 1972.
Parent: Mesirow Financial.
Retail brokerage: 88% commissions, 12% fees.
Employee benefits: 37% of revenue in 1999.
Contact: Richard S. Price, president.

Mid American Group Inc.
 414 Plaza, Suite 303,
 Westmont, Ill. 60559;
 630-789-9508; fax: 630-789-9516
 www.midamgroup.com

	1999	1998
Premium volume	\$60,000,000	\$35,000,000
Gross revenues	\$1,987,000	\$1,225,000
Brokerage revenues	\$1,987,000	\$1,225,000
U.S. clients	100%	100%
Brokerage: retail	100%	100%
U.S. offices	\$1,987,000	\$1,225,000
Employees	9	6
Retail offices	1	1

Founded: 1989.
Retail brokerage: 85% commissions, 15% fees.
Employee benefits: 100% of revenue in 1999.
Officers: James P. Lill, president; Harry Dell, vps; Daniel P. Hutchinson, vp-operations.

**Milne Scali & Co.
Insurance Services**
 1750 E. Glendale Ave.,
 Phoenix, Ariz. 85020;
 602-395-9111; fax: 602-395-0222
 www.milnescali.com

	1999	1998
Gross revenues	\$9,790,000	\$9,380,000
Brokerage revenues	\$9,500,000	\$9,100,000
U.S. clients	100%	100%
Brokerage: retail	82%	82%
U.S. offices	\$8,028,000	\$7,692,000
Reinsurance	1%	1%
Personal	14%	14%
Interest income	3%	3%
Employees	79	78
Retail offices	3	3

Founded: 1990.
Retail brokerage: 93% commissions, 7% fees.
Employee benefits: 12.3% of revenue in 1999.
Officers: Terrence M. Scali, president; Richard W. Milne Jr., vp.
Contact: Terrence M. Scali; terrys@milnescali.com.

**Fred A. Moreton & Co. -
an Assurex partner**
 709 E. South Temple St.,
 Salt Lake City, Utah 84102;
 801-531-1234; fax: 801-531-6117
 www.famoreton.com

	1999	1998
Premium volume	\$175,000,000	\$190,000,000
Gross revenues	\$13,822,147	\$14,659,545
Brokerage revenues	\$12,951,352	\$14,368,258
U.S. clients	100%	100%
Brokerage: retail	88.8%	92.1%
U.S. offices	\$12,274,066	\$13,226,451
Wholesale	0.2%	0.2%
Personal	4.3%	3.9%
Services	0.4%	3.1%
Interest income	4.9%	0.1%
Other	1.4%	0.3%
Employees	100	105
Retail offices	2	2

Founded: 1910.
Retail brokerage: 91.5% commissions, 8.5% fees.
Employee benefits: 31.1% of revenue in 1999.
Non-retail subsidiaries: Moreton Financial Corp., Salt Lake City; Risk Services Inc., Salt Lake City.
Officers: William R. Moreton, president/CEO; Craig L. Smith, executive vp/COO; William Tingey, vp/CFO.
Contact: Craig L. Smith.

Morris & MacKenzie Inc.
 3500 de Maisonneuve Blvd. W., Suite 240C,
 Montreal, Quebec H3Z 3C1 Canada
 514-925-3222; fax: 514-989-9981
 www.morrismackenzie.ca

	1999	1998
Gross revenues	\$11,615,805	\$12,073,125
Brokerage revenues	\$11,267,331	\$11,710,931
Brokerage: retail	66%	59%
Non-U.S. offices	\$7,666,498	\$8,330,285
Personal	31%	28%
Interest income	3%	3%
Employees	164	157
Retail offices	4	4

Fiscal year ending Sept. 30.
Converted at applicable exchange rates.
Founded: 1939.
Parent: Mackmor Ltd.
Retail brokerage: 90% commissions, 10% fees.
Employee benefits: 10% of revenue in 1999.
Acquisitions: Jarvis Insurance Ltd., Toronto, July 1999.
Officers: Frank Dougan, president/CEO; Maurice Sauve, executive vp; Trevor F. Grimwood, senior vp.
Contact: Frank Dougan.

**NIA Group L.L.C. -
an Assurex partner**

66 Route 17 N.,
 Paramus, N.J. 07652;
 201-845-6600; fax: 201-845-0061
 www.niagroup.com

	1999	1998
Gross revenues	\$61,891,000	\$44,367,000
Brokerage revenues	\$61,457,763	\$47,764,226
U.S. clients	100%	100%
Brokerage: retail	68.2%	52.2%
U.S. offices	\$42,210,000	\$28,379,589
Wholesale	4.7%	2.8%
Personal	19.3%	26.1%
Services	7.1%	6.7%
Interest income	0.7%	0.7%
Other	0%	11.5%
Employees	503	426
Retail offices	17	14

Founded: 1926.
Employee benefits: 15% of revenue in 1999.
Acquisitions: Blanco Insurance Agency, Miami Lakes, Fla., September 1999; Madden Insurance Agency, Randolph, N.J., November 1999; National Associates, Cape May, N.J., December 1999.
Officers: Donald Readlinger, chairman; Steven Grossberg, president; Roger Gross, executive vp/COO.
Contact: Roger Gross; rgross@niagroup.com.

**Near North Insurance
Brokerage Inc.**
 875 N. Michigan Ave.,
 Chicago, Ill. 60611;
 312-280-5600; fax: 312-280-56C2
 www.nnng.com

	1999	1998
Premium volume	\$856,000,000	\$630,000,000
Gross revenues	\$94,200,000	\$74,500,000
Brokerage revenues	\$87,606,000	\$68,540,000
U.S. clients	99%	99%
Non-U.S. clients	1%	1%
Brokerage: retail	71%	79%
U.S. offices	\$66,642,000	\$54,445,000
Non-U.S. offices	\$240,000	\$410,000
Wholesale	3%	1%
Reinsurance	4%	6%
Personal	2%	5%
Services	13%	5%
Investment income	0%	2%
Other	7%	2%
Employees	834	649
Retail offices	12	12

Founded: 1962.
Parent: Near North National Group.
Retail brokerage: 85% commissions, 15% fees.
Employee benefits: 10% of revenue in 1999.
Acquisitions: Kaercher Insurance Agency, Las Vegas, June 1999; Near North Entertainment Insurance Services L.L.C., Los Angeles, January 2000.
Non-retail subsidiaries: THB Intermed arts,

Los Angeles; Chicago; New York.
Officers: Michael Segal, CEO; William Bartholomay, president-Near North National Group; Dana Berry, Devra Gerber, Matt Walsh, group executive vps/managing directors.
Contact: Natalie Rafalikos; 312-280-5547; nrafalik@nnng.com.



Old Kent Insurance Group Inc.
 333 Bridge St. N.W., Suite 400,
 P.O. Box 2167,
 Grand Rapids, Mich. 49504;
 616-653-4200; fax: 616-653-4290
 www.oldkentinsurance.com

	1999	1998
Premium volume	\$106,000,000	\$94,900,000
Gross revenues	\$20,599,000	\$18,936,000
Brokerage revenues	\$20,496,000	\$18,746,640
U.S. clients	100%	100%
Brokerage: retail	64.5%	67%
U.S. offices	\$13,286,000	\$12,687,000
Wholesale	10%	6%
Personal	24%	25%
Services	1%	1%
Interest income	0.5%	1%
Employees	182	180
Retail offices	12	12

Founded: 1969.
Parent: Old Kent Financial Corp.
Retail brokerage: 95% commissions, 5% fees.
Employee benefits: 27% of revenue in 1999.
Acquisitions: The Grotenhuis Group, Grand Rapids, Mich., January 2000.
Officers: William C. Anderson, president/CEO; Michael Poggi, senior vp; Wayne Walkotten, vp/CFO.
Contact: Sue Vogelar, 616-653-4206; Shawn Hays, 616-653-4261.

**The James B. Oswald Co. -
an Assurex partner**
 1360 E. Ninth St.,
 Cleveland, Ohio 44145;
 216-622-7400; fax: 216-241-4520
 www.jamesboswald.com

	1999	1998
Premium volume	\$120,000,000	\$105,000,000
Gross revenues	\$18,320,000	\$15,742,000
Brokerage revenues	\$18,247,000	\$15,601,000
U.S. clients	100%	100%
Brokerage: retail	84%	84%
U.S. offices	\$15,388,000	\$13,223,000
Wholesale	3%	3%
Personal	13%	12%
Investment income	0%	1%
Employees	145	130
Retail offices	6	6

Founded: 1893.
Retail brokerage: 95% commissions, 5% fees.
Employee benefits: 15% of revenue in 1999.
Officers: Jim Pender, chairman; Marc S. Byrnes, president/CEO; William J. Leonard, COO.
Contact: Marc S. Byrnes.

Palley Simon Associates Inc.
 165 Township Line Road, Suite 2500,
 Jenkintown, Pa. 19046;
 215-884-2100; fax: 215-881-2473

	1999	1998
Premium volume	\$21,299,000	\$19,411,000
Gross revenues	\$3,278,000	\$2,956,000
Brokerage revenues	\$3,239,000	\$2,913,000
U.S. clients	100%	100%
Brokerage: retail	77.3%	72.9%
U.S. offices	\$2,534,000	\$2,229,000
Personal	18.5%	20.7%
Services	3%	2.4%
Interest income	1.2%	1.4%
Other	0%	0.1%
Employees	31	31
Retail offices	1	1

Founded: 1974.
Retail brokerage: 96% commissions, 4% fees.
Employee benefits: 1% of revenue in

Continued from previous page

Fiscal year ending June 30.
Founded: 1868.
Retail brokerage: 87% commissions, 13% fees.
Employee benefits: 25% of revenue in 1999.
Acquisitions: McDonald & Co., Dallas, January 1999; KPMG Benefit Consulting, Atlanta, Baltimore, January 1999; Powell Walton Milward, Lexington, Ky., January 1999; Slabaugh Morgan Associates, Richmond, Va., March 1999.
Officers: John E. Cay III, chairman; F. Michael Crowley, president; Frank Beard, executive vp.
Contact: Kavar Smith, vp-marketing.

Parker, Smith & Feek Inc. - an Assurex partner

2233 112th Ave. N.E.,
 Bellevue, Wash. 98004;
 425-709-3600; fax: 425-709-7471
 www.psfinc.com

	1999	1998
Premium volume	\$112,400,000	\$111,000,000
Gross revenues	\$14,186,000	\$13,256,000
Brokerage revenues	\$13,902,280	\$12,990,880
U.S. clients	100%	100%
Brokerage: retail	93%	93%
U.S. offices	\$13,193,000	\$12,328,000
Personal	5%	5%
Interest income	2%	2%
Employees	125	127
Retail offices	2	2

Founded: 1937.
Retail brokerage: 90% commissions, 10% fees.
Employee benefits: 15% of revenue in 1999.
Officers: V. Parker, president/CEO; J. Tracey, senior vp/secretary; G. Collins, COO.
Contact: Steve Wolf.

Polk & Sullivan Group Inc.

3401 West End Ave., Suite 600,
 Nashville, Tenn. 37203;
 615-385-2860; fax: 615-385-8358
 www.polk-sullivan.com

	1999	1998
Premium volume	\$80,179,419	\$55,643,595
Gross revenues	\$9,686,103	\$6,924,629
Brokerage revenues	\$9,492,380	\$6,786,136
U.S. clients	100%	100%
Brokerage: retail	81%	87%
U.S. offices	\$7,845,743	\$6,024,427
Personal	15%	9%
Services	2%	2%
Interest income	2%	2%
Employees	76	52
Retail offices	2	1

Founded: 1976.
Parent: Synaxis Group Inc.
Retail brokerage: 98% commissions, 2% fees.
Employee benefits: 16% of revenue in 1999.
Acquisitions: Ritter Insurance Agency, Nashville, Tenn., January 1999; Mann & Smith, Clarksville, Tenn., February 1999; Cummings & Associates, Clarksville, Tenn., April 1999.
Officers: Marshall T. Polk III, president; A. Noel Sullivan, senior executive vp; George J. Anderson, executive vp; Daniel D. Hite, executive vp/secretary.
Contact: Daniel D. Hite; 615-385-2860; dhite@polk-sullivan.com.

Cecil W. Powell & Co.

219 Newman St., P.O. Drawer 41490,
 Jacksonville, Fla. 32203;
 904-353-3181; fax: 904-353-5722
 www.cwpowellins.com

	1999	1998
Premium volume	\$80,000,000*	\$76,500,000
Gross revenues	\$7,000,000*	\$6,700,000*
Brokerage revenues	\$6,930,000	\$6,831,000
U.S. clients	100%	100%
Brokerage: retail	91%	91%
U.S. offices	\$6,370,000	\$6,097,000
Personal	6%	6%
Services	2%	2%
Interest income	1%	1%
Employees	53	50
Retail offices	1	1

Fiscal year ending May 30.
Founded: 1935.
Retail brokerage: 90% commissions, 10% fees.
Employee benefits: 20% of revenue in 1999.
Officers: Fitzhugh K. Powell Sr., chairman; Fitzhugh K. Powell Jr., president; Richard Abis, vp.
Contact: Fitzhugh K. Powell Sr.; hpowell@cw-powellins.com.
 *Estimated.

Praxis Associates Inc.

P.O. Box 70122,
 San Juan, Puerto Rico 00936-8122;
 787-764-0369; fax: 787-765-2366
 www.pr-axis.com

	1999	1998
Premium volume	\$31,000,000	\$30,000,000
Gross revenues	\$6,600,000	\$6,500,000
Brokerage revenues	\$6,593,400	\$6,435,000
U.S. clients	90%	90%
Non-U.S. clients	10%	10%
Brokerage: retail	10%	10%
U.S. offices	\$660,000	\$650,000
Wholesale	80%	80%
Reinsurance	5%	3%
Personal	4%	6%
Interest income	1%	1%
Employees	45	43
Retail offices	1	1

Founded: 1846.

Parent: Praxis Holdings Inc.
Retail brokerage: 100% commissions.
Employee benefits: 20% of revenue in 1999.
Officers: Enrique Gomez-Monagas, CEO; Juan J. Jaramil, treasurer; Jorge Ortiz, comptroller.
Contact: Enrique Gomez-Monagas.

Preferred Benefits Inc.

975 Spaulding S.E.,
 Grand Rapids, Mich. 49546;
 616-956-1199; fax: 616-956-1214
 www.preferredbenefits.com

	1999	1998
Gross revenues	\$757,400	\$669,500
Brokerage revenues	\$757,400	\$669,500
U.S. clients	100%	100%
Brokerage: retail	85%	85%
U.S. offices	\$643,790	\$569,075
Wholesale	10%	10%
Personal	3%	3%
Services	2%	2%
Employees	6	6
Retail offices	1	1

Founded: 1975.
Employee benefits: 97% of revenue in 1999.
Officers: Susan Mason, president/treasurer; Kathleen Noom, vp; Jeffrey Noom, secretary.
Contact: Susan Mason.

Pritchard & Jerden Inc.

3565 Piedmont Road N.E.,
 Building Three, Suite 700,
 Atlanta, Ga. 30305;
 404-238-9090; fax: 404-261-5440
 www.pritchardjerden.com

	1999	1998
Gross revenues	\$5,685,000	\$5,594,500
Brokerage revenues	\$5,457,600	\$5,370,720
U.S. clients	99%	100%
Non-U.S. clients	1%	0%
Brokerage: retail	92%	91%
U.S. offices	\$5,230,200	\$5,090,995
Personal	4%	5%
Interest income	2%	2%
Other	2%	2%
Employees	40	42
Retail offices	1	1

Fiscal year ending March 31.
Founded: 1960.
Retail brokerage: 82% commissions, 18% fees.
Employee benefits: 43% of revenue in 1999.
Officers: James L. Jerden, chairman/president; James L. Bailey, Charles M. Caswell, Robert M. Shulman, executive vps.
Contact: James L. Bailey; jbailey@pritchard-jerden.com.



Rebsamen Insurance Inc.

1500 Riverfront Drive,
 Little Rock, Ark. 72202;
 501-661-4500; fax: 501-636-9592
 www.rebsamen.com

	1999	1998
Premium volume	\$160,056,644	\$156,439,756
Gross revenues	\$25,951,373	\$25,376,678
Brokerage revenues	\$25,120,929	\$24,513,870
U.S. clients	100%	100%
Brokerage: retail	67.0%	56.7%
U.S. offices	\$17,390,015	\$16,946,732
Wholesale	15.4%	15.6%
Personal	4.3%	4.5%
Services	10.1%	9.8%
Interest income	3.2%	3.4%
Employees	168	150
Retail offices	4	4

Founded: 1928.
Retail brokerage: 80% commissions, 20% fees.
Employee benefits: 13% of revenue in 1999.
Officers: Allen J. McDowell, president; John D. Howard, William R. Fisher, senior vps.
Contact: William R. Fisher; billfisher@rebsamen.com.

Rehder y Asociados S.A.

Las Begonias 441, 7 mo. Piso-San Isidro,
 Lima, 27 Peru;
 51-1-442-3982; fax: 51-1-422-9099
 www.rcp.net.pe/rehder

	1999	1998
Premium volume	\$50,000,000	\$48,000,000
Gross revenues	\$5,350,000	\$6,517,000
Brokerage revenues	\$6,286,500	\$6,386,660
U.S. clients	14%	15%
Non-U.S. clients	86%	85%
Brokerage: retail	71%	72%
Non-U.S. offices	\$4,508,500	\$4,692,240
Reinsurance	4%	6%
Personal	18%	15%
Services	6%	5%
Interest income	1%	2%
Employees	95	95
Retail offices	4	4

Founded: 1977.
Employee benefits: 31% of revenue in 1999.
Officers: Bernardo Rehder, chairman; Jaime Grana, vice chairman; Javier Rehder, director/general manager; Jorge Rehder, international director.
Contact: Javier Rehder.

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Ricci Associates Inc. dba RAI Insurance Group

1910 Pine St., St. Louis, Mo. 63103; 314-231-2277; fax: 314-231-1641

	1999	1998
Premium volume	\$17,689,527	\$16,746,689
Gross revenues	\$1,866,855	\$1,881,658
Brokerage revenues	\$1,807,116	\$1,842,143
U.S. clients	100%	100%
Brokerage: retail	89.8%	90.2%
U.S. offices	\$1,676,436	\$1,697,256
Wholesale	0%	1%
Personal	5.2%	5%
Services	1.8%	1.7%
Interest income	2.2%	2%
Other	1%	0%
Employees	16	19
Retail offices	1	2

Founded: 1985.
Retail brokerage: 94% commissions, 6% fees.
Employee benefits: 15% of revenue in 1999.
Officers: Stephen E. Ricci, president; John D. Wittenberg, executive vp; Julie M. Wilhelm, vp.
Contact: Stephen E. Ricci.

Riedman Corp.

45 East Ave., Rochester, N.Y. 14604; 716-232-4424; fax: 716-232-7802
 www.riedman.com

	1999	1998
Premium volume	\$395,000,000	\$332,000,000
Gross revenues	\$57,445,000	\$49,606,000
Brokerage revenues	\$54,570,000	\$47,373,000
U.S. clients	100%	100%
Brokerage: retail	100%	86.5%
U.S. offices	\$37,914,000	\$32,990,000
Personal	22%	22%
Services	7%	7%
Interest income	1%	2%
Other	4%	2.5%
Employees	640	654
Retail offices	71	70

Founded: 1938.
Retail brokerage: 95% commissions, 5% fees.
Employee benefits: 11% of revenue in 1999.
Acquisitions: LaForest Insurance Agency, Flint, Mich., February 1999; Insurance Dynamics Agency, Virginia Beach, Va., March 1999; Burroughs-Distell Inc., West Sand Lake, N.Y., April 1999; Nelson Insurance Agency, New Ulm, Minn., May 1999; Johnson-Millard Agency, Clear Lake, Iowa, October 1999; Gosling, Hanford & Small Inc., Rochester, N.Y., October 1999; James Carr Agency Inc., North Richmond, Va., November 1999; Dibble Agency Inc., Port Charlotte, Fla., December 1999; HRH/Erickson-Swan-Rowley Insurance, Jamestown, N.Y., May 2000; Monument Insurance Agency, West Richmond, Va., May 2000; Insurance Management Systems Inc., Englewood, Colo., June 2000.

Non-retail subsidiaries: Vision Financial, Keene, N.H.
Officers: John R. Riedman, chairman; James R. Riedman, president; Geoffrey M. Weaver Jr., CFO.

Riggs, Counselman, Michaels & Downes Inc. - an Assurex partner

555 Fairmount Ave., Baltimore, Md. 21286; 410-339-7263; fax: 410-339-5867
 www.rcmd.com

	1999	1998
Premium volume	\$220,000,000	\$200,000,000
Gross revenues	\$23,000,000	\$19,000,000
Brokerage revenues	\$22,310,000	\$18,240,000
U.S. clients	100%	100%
Brokerage: retail	80%	78%
U.S. offices	\$18,400,000	\$14,820,000
Wholesale	1%	1%
Reinsurance	1%	1%
Personal	5%	6%
Services	10%	10%
Interest income	3%	4%
Employees	175	175
Retail offices	1	1

Founded: 1885.
Retail brokerage: 86% commissions, 14% fees.
Employee benefits: 36% of revenue in 1999.
Officers: Albert R. Counselman, president/CEO; Thomas P. Healy, Francis G. Riggs, executive vps.
Contact: Linda G. Swartz; 410-769-6488; lswartz@rcmd.com.

Robertson-Ryan & Associates Inc.

660 E. Mason St., Milwaukee, Wis. 53202; 414-271-3575; fax: 414-271-0196

	1999	1998
Premium volume	\$57,533,540	\$54,116,243
Gross revenues	\$10,913,949	\$10,488,901
Brokerage revenues	\$10,586,531	\$10,174,223
U.S. clients	100%	100%
Brokerage: retail	83%	84%
U.S. offices	\$9,058,578	\$8,810,676
Personal	14%	13%
Interest income	3%	3%
Employees	82	82
Retail offices	1	1

Founded: 1960.
Retail brokerage: 97% commissions, 3% fees.
Employee benefits: 38% of revenue in 1999.
Officers: Jack T. Ryan, chairman; James C. Boyce, vice chairman; John S. Borges, president; Thomas G. Wells, executive vp/COO.

Contact: Thomas G. Wells; twells@robertson-ryan.com.

The Rutherford Cos. - an Assurex partner

P.O. Box 12748, Roanoke, Va. 24028; 540-982-3511; fax: 540-342-9747
 www.rutherford.com

	1999	1998
Premium volume	\$147,500,000	\$131,781,636
Gross revenues	\$17,356,098	\$14,495,980
Brokerage revenues	\$16,835,415	\$14,195,980
U.S. clients	98%	97%
Non-U.S. clients	2%	3%
Brokerage: retail	91.7%	91%
U.S. offices	\$15,915,542	\$13,191,342
Personal	1.8%	2.5%
Services	3.5%	4.5%
Interest income	3%	2%
Employees	144	129
Retail offices	9	9

Fiscal year ending June 30.
Founded: 1916.
Retail brokerage: 91% commissions, 9% fees.
Employee benefits: 6.5% of revenue in 1999.
Officers: Thomas Rutherford Jr., chairman/CEO; Thomas R. Brown, president; George A. Steadman III, COO; Bradford R. Buie, senior vp/controller; David Keys, senior vp.
Contact: George A. Steadman III.



Saldana & Associates Inc.

Centro de Seguros Building, 701 Ponce de Leon Ave., Suite 303, San Juan, Puerto Rico 00907; 787-721-2600; fax: 787-721-1093
 www.saldana.net

	1999	1998
Premium volume	\$173,016,529	\$163,412,539
Gross revenues	\$21,188,859	\$18,882,167
Brokerage revenues	\$21,188,859	\$18,882,167
U.S. clients	100%	100%
Brokerage: retail	97%	96.3%
U.S. offices	\$20,568,025	\$18,183,527
Personal	3%	3.7%
Employees	155	147
Retail offices	3	3

Founded: 1972.
Retail brokerage: 100% commissions.
Employee benefits: 19.9% of revenue in 1999.
Officers: Ralph G. Christiansen Jr., president; Ruben A. Jordan, senior vp; Eduardo Emanuelli, executive vp.
Contact: Ralph G. Christiansen Jr.; ralph@saldana.net.

San Diego Associates Inc.

3550 Camino Del Rio N., Suite 206, San Diego, Calif. 92108; 619-283-7800; fax: 619-283-8686

	1999	1998
Premium volume	\$199,000,000	\$23,000,000
Gross revenues	\$980,000	\$1,000,000
Brokerage revenues	\$980,000	\$1,000,000
U.S. clients	100%	100%
Brokerage: retail	60%	60%
U.S. offices	\$588,000	\$600,000
Services	40%	40%
Employees	5	6
Retail offices	1	1

Founded: 1984.
Retail brokerage: 70% commissions, 30% fees.
Employee benefits: 100% of revenue in 1999.
Contact: David Peterson, president.

Schaefer-Smith-Ankeney Insurance Agency

2002 E. Osborn Road, Phoenix, Ariz. 85016; 602-956-7800; fax: 602-381-2699
 www.ssains.com

	1999	1998
Premium volume	\$117,000,000	\$106,000,000
Gross revenues	\$15,765,000	\$13,479,000
Brokerage revenues	\$15,607,350	\$13,344,210
U.S. clients	100%	100%
Brokerage: retail	78%	78%
U.S. offices	\$12,296,700	\$10,513,620
Wholesale	8%	6%
Personal	13%	15%
Interest income	1%	1%
Employees	115	110
Retail offices	3	3

Founded: 1957.
Retail brokerage: 99% commissions, 1% fees.
Employee benefits: 16% of revenue in 1999.
Non-retail subsidiaries: T.M. Downey & Associates, Phoenix.
Officers: William C. Schaefer, president; Travis L. Hair, executive vp; Craig F. Ankeney, secretary/treasurer.
Contact: Donald C. Johnston, vp/CFO; 602-381-2622; djohnsto@ssains.com.

Schiff, Kreidler-Shell Inc. - an Assurex partner

1 W. Fourth St., Suite 1300, Cincinnati, Ohio 45202; 513-977-3100; fax: 513-977-3129
 www.sksins.com

	1999	1998
Premium volume	\$74,640,000	\$66,230,000

Gross revenues	\$9,840,000	\$9,370,000
Brokerage revenues	\$9,466,080	\$9,013,940
U.S. clients	100%	100%
Brokerage: retail	76.8%	76.2%
U.S. offices	\$7,557,120	\$7,140,000
Personal	18.1%	18.4%
Services	1.3%	1.6%
Interest income	3.2%	3.5%
Other	0.6%	0.3%
Employees	83	81
Retail offices	2	2

Founded: 1876.
Retail brokerage: 98% commissions, 2% fees.
Employee benefits: 17.7% of revenue in 1999.
Officers: Robert C. Schiff, chairman; Thomas R. Dietz, president; Alvin F. Roehr, executive vp.
Contact: Thomas R. Dietz.

Schwartz Brothers Insurance Agency Inc.

135 S. LaSalle St., Suite 2035, Chicago, Ill. 60603; 312-630-0800; fax: 312-630-0833
 www.schwartzbrothers.com

	1999	1998
Premium volume	\$46,300,000	\$45,000,000
Gross revenues	\$9,350,000	\$8,000,000
Brokerage revenues	\$9,022,750	\$7,728,000
U.S. clients	100%	100%
Brokerage: retail	74.5%	76.6%
U.S. offices	\$6,965,750	\$6,128,000
Wholesale	5%	5%
Personal	13%	12%
Services	4%	3%
Interest income	3.5%	3.4%
Employees	51	50
Retail offices	1	1

Founded: 1919.
Retail brokerage: 95% commissions, 5% fees.
Employee benefits: 20% of revenue in 1999.
Officers: J. Spencer Miller, Robert I. Schwartz, Howard Sharfman, partners.
Contact: J. Spencer Miller; smith@schwartzbrothers.com.

Scott Insurance

P.O. Box 10489, Lynchburg, Va. 24506; 804-832-2100; fax: www.scottins.com

	1999	1998
Premium volume	\$112,700,000	\$90,400,000
Gross revenues	\$12,153,290	\$11,017,282
Brokerage revenues	\$11,946,684	\$10,838,802
U.S. clients	100%	100%
Brokerage: retail	86.7%	87%
U.S. offices	\$10,538,120	\$9,593,850
Personal	7.4%	8.3%
Services	4.2%	3%
Interest income	1.7%	1.7%
Employees	95	90
Retail offices	5	5

Founded: 1864.
Retail brokerage: 82.2% commissions, 17.8% fees.
Employee benefits: 11.3% of revenue in 1999.
Officers: Walker P. Sydnor Jr., president; Craig K. Ryder, COO/CFO.
Contact: Walker P. Sydnor Jr.; wsydnor@scottins.com.

Seitlin - an Assurex partner

2001 N.W. 107th Ave., Suite 200, Miami, Fla. 33172; 305-591-0090; fax: 305-593-6993
 www.seitlin.com

	1999	1998
Premium volume	\$152,000,000	\$135,000,000
Gross revenues	\$14,945,000	\$12,631,418
Brokerage revenues	\$14,659,000	\$12,500,000
U.S. clients	99%	100%
Non-U.S. clients	1%	0%
Brokerage: retail	88.6%	91%
U.S. offices	\$13,241,000	\$11,486,550
Personal	3.9%	5.1%
Services	5.6%	2%
Interest income	1.9%	1.9%
Employees	120	116
Retail offices	2	2

Founded: 1945.
Retail brokerage: 93.7% commissions, 6.3% fees.
Employee benefits: 13.5% of revenue in 1999.
Officers: M. Stephen Jackman, president; Carolyn Davis, president-benefits division; Barry Ladis, executive vp.
Contact: M. Stephen Jackman; 954-267-8600; sjackman@seitlin.com.

SilverStone Group Inc.

11516 Miracle Hills Drive, Omaha, Neb. 68154; 402-964-5400; fax: 402-964-5454
 www.ssgi.com

	1999	1998
Premium volume	\$167,000,000	\$147,000,000
Gross revenues	\$16,000,000	\$14,500,000
Brokerage revenues	\$15,520,000	\$13,920,000
U.S. clients	100%	100%
Brokerage: retail	57%	52%
U.S. offices	\$9,120,000	\$7,540,000
Personal	8%	8%
Services	32%	36%
Interest income	1%	2%
Other	2%	2%
Employees	164	162
Retail offices	2	3

Founded: 1945.
Parent: SilverStone Holdings Inc.

Retail brokerage: 91% commissions, 9% fees.
Employee benefits: 66% of revenue in 1999.
Officers: John P. Nelson, chairman; Lew Trowbridge, president/CEO.
Contact: Pam Stene; pstene@ssgi.com.

The Sklover Group Inc.

400 Post Ave., Suite 103, Westbury, N.Y. 11590; 516-333-6011; fax: 516-333-6608
 www.sklover.com

	1999	1998
Premium volume	\$18,000,000	\$19,000,000
Gross revenues	\$1,800,000	\$1,900,000
Brokerage revenues	\$1,746,000	\$1,862,000
U.S. clients	85%	85%
Non-U.S. clients	8%	15%
Brokerage: retail	75%	76%
U.S. offices	\$1,350,000	\$1,425,000
Wholesale	1%	2%
Reinsurance	5%	2%
Personal	6%	8%
Services	10%	10%
Interest income	2%	0%
Other	1%	2%
Employees	8	8
Retail offices	2	2

Founded: 1964.
Retail brokerage: 95% commissions, 5% fees.
Employee benefits: 15% of revenue in 1999.
Non-retail subsidiaries: TSG Services L.L.C., Westbury, N.Y.
Officers: Richard Sklover, chairman; Andrew Sklover, president.
Contact: Andrew Sklover; asklover@sklover.com.

Smith Watson Parker Insurance

2590 Hollywood Blvd., Hollywood, Fla. 33020; 954-925-2590; fax: 954-920-0641

	1999	1998
Premium volume	\$41,876,000	\$45,360,000
Gross revenues	\$5,244,000	\$5,568,000
Brokerage revenues	\$5,244,000	\$5,568,000
U.S. clients	100%	100%
Brokerage: retail	85%	80%
U.S. offices	\$4,457,400	\$4,534,400
Personal	15%	20%
Employees	42	46
Retail offices	1	1

Founded: 1934.
Retail brokerage: 100% commissions.
Officers: Thomas Coter, president; Larry Vaught, CEO; Andrew Spargo, vp/COO.
Contact: Andrew Spargo.

Starkweather & Shepley Insurance Brokerage Inc. - an Assurex partner

Continued from previous page

	1999	1998
Wholesale	28.8%	28%
Personal	9.7%	10.1%
Interest income	0.7%	1.1%
Employees	696	548
Retail offices	64	39

Founded: 1957.
Parent: SAFECO Corp.
Retail brokerage: 97% commissions, 3% fees.
Employee benefit: 16.5% of revenue in 1999.
Acquisitions: PKW Inc., Concord, Calif., January 1999; Northern New Mexico Insurance, Santa Fe, N.M., April 1999; ASW Insurers Inc., Albuquerque, N.M., April 1999; Intermountain Insurance Services, Vail, Colo., August 1999; Caesar & Seider Insurance, Santa Barbara, Calif., November 1999; Sunbelt/Austin Insurance, El Paso, Texas, November 1999; Smith/Blackburn Insurance, Denver, February 2000; Glenview Insurance Services, Glenview, Ill., June 2000; P. Joline & Associates, Shrewsbury, N.J., June 2000.

Non-retail subsidiaries: GBA Financial Programs & Insurance Marketing, Pleasant Hill, Calif.; NFC Consulting Group, Chicago; P. Joline & Associates, Shrewsbury, N.J.; EBC Inc., Las Vegas.

Officers: David E. Weymouth, president/CEO; Matthew J. Chavez, senior vp/COO.
Contact: Matthew J. Chavez; mchavez@talbotcorp.com.

Tanenbaum-Harber Co. Inc.

320 W. 57th St.,
 New York, N.Y. 10019;
 212-603-0204; fax: 212-603-0397

	1999	1998
Premium volume	\$245,000,000	\$230,000,000
Gross revenues	\$25,000,000	\$23,500,000
Brokerage revenues	\$24,500,000	\$23,030,000
U.S. clients	99%	99%
Non-U.S. clients	1%	1%
Brokerage: retail	82%	82%
U.S. offices	\$20,500,000	\$19,270,000
Wholesale	6%	6%
Reinsurance	2%	2%
Personal	4%	4%
Services	4%	4%
Interest income	2%	2%
Employees	190	180
Retail offices	5	5

Founded: 1860.
Retail brokerage: 90% commissions, 10% fees.
Employee benefits: 30% of revenue in 1999.
Non-retail subsidiaries: Tesco Benefits, New York; Tesco Consulting Actuaries, New York; Tanenbaum-Harber Reinsurance Intermediaries Inc., New York.
Officers: Walter L. Harris, president/CEO; Alan N. Rovin, James V. Mannino, executive vps; John S. Beres, senior vp.
Contact: Walter L. Harris.

J.W. Terrill Inc.

16091 Swingley Ridge Road,
 Chesterfield, Mo. 63017;
 636-728-7700; fax: 636-728-0877
 www.jwterrrill.com

	1999	1998
Premium volume	\$105,000,000	\$95,000,000
Gross revenues	\$10,000,000	\$9,200,000
Brokerage revenues	\$10,000,000	\$9,200,000
U.S. clients	100%	100%
Brokerage: retail	91%	92%
U.S. offices	\$9,100,000	\$8,464,000
Wholesale	1%	1%
Personal	7%	7%
Services	1%	
Employees	97	90
Retail offices	1	1

Founded: 1972.
Parent: Terrill Group Inc.
Retail brokerage: 95% commissions, 5% fees.
Employee benefits: 28% of revenue in 1999.
Acquisitions: Virtual Benefits Administrators Inc., St. Louis, December 1999.
Officers: John W. Terrill Jr., chairman/president; Cottrell Fox, Mark C. Erickson, Andrew P. Thone, Lynda W. Baris, executive vps.
Contact: John W. Terrill Jr.; jterrrill@jwterrrill.com; Lynda W. Baris; lbaris@jwterrrill.com.

Thilman & Filippini

1 E. Wacker Drive, Suite 1800,
 Chicago, Ill. 60601;
 312-527-9500; fax: 312-527-9509
 www.tandf.com

	1999	1998
Premium volume	\$100,000,000	\$80,000,000
Gross revenues	\$11,000,000	\$8,913,000
Brokerage revenues	\$10,780,000	\$8,823,870
U.S. clients	90%	92%
Non-U.S. clients	10%	8%
Brokerage: retail	85%	84%
U.S. offices	\$9,350,000	\$7,487,000
Personal	3%	4%
Services	10%	11%
Interest income	2%	1%
Employees	86	72
Retail offices	1	1

Founded: 1980.
Retail brokerage: 83% commissions, 17% fees.
Employee benefits: 20% of revenue in 1999.
Officers: Thomas W. Filippini, E. Thomas Thilman, Peter Kunz, Eric Mezmar, John Atkinson, partners.
Contact: E. Thomas Thilman; 312-527-7250; tom.thilman@tandf.com.

Thoits Insurance Service Inc.

444 Castro St., Suite 200,
 Mountain View, Calif. 94041;
 650-934-0300; fax: 650-934-0399
 www.thoitsinsurance.com

	1999	1998
Premium volume	\$115,000,000	\$110,000,000
Gross revenues	\$10,149,690	\$6,164,965
Brokerage revenues	\$10,048,193	\$6,103,048
U.S. clients	100%	100%
Brokerage: retail	90%	90%
U.S. offices	\$9,134,721	\$5,548,460
Personal	8%	8%
Services	1%	1%
Interest income	1%	1%
Employees	65	64
Retail offices	1	1

Fiscal year ending Jan. 31.
Founded: 1891.
Retail brokerage: 92% commissions, 8% fees.
Employee benefits: 23% of revenue in 1999.
Acquisitions: FG & H, Palo Alto, Calif., February 1999.
Officers: Don Way, CEO; Skip McIntyre, president.

An explanation of the terms used in the directory can be found on Page 49.

dent.
Contact: Don Way; 650-210-1601; dway@thoitsinsurance.com.

Timberline Insurance Managers Inc.

1300 Mopac Expressway S., Fifth Floor,
 Austin, Texas 78746;
 512-434-8464; fax: 512-434-8647

	1999	1998
Premium volume	\$300,000,000	\$306,000,000
Gross revenues	\$33,395,415	\$33,409,123
Brokerage revenues	\$31,825,830	\$32,206,395
U.S. clients	100%	100%
Brokerage: retail	45.1%	42.4%
U.S. offices	\$15,061,332	\$14,165,468
Wholesale	8.9%	13.2%
Personal	40.8%	40.3%
Services	0.5%	0.5%
Interest income	2.7%	2.1%
Other	2%	1.5%
Employees	210	210
Retail offices	6	6

Founded: 1957.
Parent: Lumbermen's Investment Corp.
Retail brokerage: 90% commissions, 10% fees.
Employee benefits: 3% of revenue in 1999.
Non-retail subsidiaries: The Insurance Market place Inc., Austin, Texas.
Officers: Hal Shults, president; Nick Grant, senior vp; Brian Elkouri, administrative manager.
Contact: Brian Elkouri.

nior vp; Brian Elkouri, administrative manager.
Contact: Brian Elkouri.

The Treiber Group L.L.C.

377 Oak St.,
 Garden City, N.Y. 11530;
 516-745-0800; fax: 516-745-0089
 www.treiber-group.com

	1999	1998
Gross revenues	\$26,773,490	\$23,048,415
Brokerage revenues	\$24,631,611	\$21,204,542
U.S. clients	100%	100%
Brokerage: retail	40%	40%
U.S. offices	\$10,709,396	\$9,219,366
Wholesale	40%	40%
Personal	10%	10%
Services	2%	2%
Interest income	1%	1%
Other	7%	7%
Employees	85	80
Retail offices	2	2

Founded: 1899.
Retail brokerage: 96% commissions, 4% fees.
Employee benefits: 7% of revenue in 1999.
Acquisitions: Smallwood Enterprises, Garden City, N.Y., February 1999; T. Simon Brokerage, Garden City N.Y., February 1999; Whelen & Wren, New York, February 2000.
Officers: H. Craig Treiber, chairman/CEO; John

H. Treiber, president-The Treiber Group; Scott R. Treiber, president-The Treiber Agency Group.
Contact: Barbara Hyer; bhyer@treiber.org.

Tri-Arc Financial Services Inc.

983 Old Eagle School Road, Suite 616,
 Wayne, Pa. 19087;
 610-254-9890; fax: 610-254-9893
 www.triarcfs.com

	1999	1998
Premium volume	\$38,985,000	\$12,139,000
Gross revenues	\$9,925,452	\$4,272,917
Brokerage revenues	\$9,726,943	\$4,144,729
U.S. clients	100%	100%
Brokerage: retail	75%	40%
U.S. offices	\$7,444,089	\$1,709,167
Wholesale	22%	55%
Personal	1%	2%
Interest income	1%	1%
Other	1%	2%
Employees	16	14
Retail offices	5	4

Founded: 1950.
Retail brokerage: 100% commissions.
Officers: Jon W. Yoskin II, chairman; Richard Maida, president; Glenn Fischer, COO; Steve Suhey, partner.
Contact: Richard Maida; rmaida@triarcfs.com.

Continued on next page


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www.myamericaschoice.com

Continued from previous page

The Tribus Cos.

65 Willow Brook Blvd.,
Wayne, N.J. 07470;
973-890-1818; fax: 973-890-7841
www.tribus.com

	1999	1998
Premium volume	\$396,000,000	\$350,000,000
Gross revenues	\$19,800,000	\$17,500,000
Brokerage revenues	\$19,800,000	\$17,500,000
U.S. clients	100%	100%
Brokerage: retail	86%	87%
U.S. offices	\$17,028,000	\$15,225,000
Wholesale	11%	10%
Personal	1%	1%
Services	2%	2%
Employees	204	150
Retail offices	4	3

Fiscal year ending March 31.
Founded: 1967.
Retail brokerage: 97% commissions, 3% fees.

Employee benefits: 70% of revenue in 1999.
Acquisitions: Spectrum Insurance Group, Parsippany, N.J., October 1999.
Non-retail subsidiaries: Agency Resources Inc., Wayne, N.J.
Officers: Donald M. Tribus, chairman; John Petillo, CEO; Howard Maltzman, president.
Contact: Jack E. Appleman, vp-marketing and communication; jack@tribus.com.



USI Insurance Services Corp.

50 Californa St., 24th Floor,
San Francisco, Calif. 94111;
415-983-0100; fax: 415-983-0101
www.usi-insurance.com

Founded: 1994.

Officers: Bernard H. Mizel, chairman/CEO; David L. Eslick, president/COO; Michael L. Pautler, executive vp/CFO; Ernest J. Newborn II, general counsel.
Contact: Steve J. Wolfert, vp-corporate communications.
See profile on page 45.



Van Beurden Insurance Services Inc.

1600 Draper St., P.O. Box 37,
Kingsburg, Calif. 93631;
559-897-2975; fax: 559-897-4070
www.vanbeurden.com

	1999	1998
Premium volume	\$204,150,000	\$202,620,000
Gross revenues	\$30,350,000	\$25,630,000
Brokerage revenues	\$25,830,000	\$22,690,000
U.S. clients	100%	100%
Brokerage: retail	27%	30%
U.S. offices	\$8,200,000	\$7,704,000
Wholesale	49%	51%
Personal	4%	4%
Services	5%	3%
Interest income	1%	1%
Other	14%	11%
Employees	198	135
Retail offices	10	11

Founded: 1934.
Retail brokerage: 100% commissions.
Retail brokerage: 3% of revenue in 1999.
Non-retail subsidiaries: Total Pay Management, Kingsburg, Calif.; Sounds of Life Las Vegas.
Officers: William J. Van Beurden, president; Donald K. Bingham, president-Van Beurden Insurance Services of Washington Inc.; Charles R. Hayes, president-Van Beurden Hayes Insurance Services Inc., Oregon.
Contact: Chris Van Beurden, COO; chrisvb@vanbeurden.com.

Truman Van Dyke Co.

6255 Sunset Blvd., Suite 1401,
Hollywood, Calif. 90028;
323-462-3300; fax: 323-462-4857

	1999	1998
Premium volume	\$6,796,238	\$9,496,506
Gross revenues	\$1,520,761	\$1,938,643
Brokerage revenues	\$1,520,761	\$1,938,643
U.S. clients	100%	100%
Brokerage: retail	85%	91%
U.S. offices	\$1,292,647	\$1,764,165
Wholesale	15%	9%
Employees	13	18

Founded: 1953.
Retail brokerage: 98% commissions, 2% fees.
Officers: Truman Van Dyke Jr., president; Kent G. Hamilton, executive vp.; Tanya K. Apolegate, secretary.
Contact: Truman Van Dyke Jr.; truman@tvdc.com.

Van Gilder Insurance Corp. - an Assurex partner

700 Broadway, Suite 1000,
Denver, Colo. 80203;
303-837-8500; fax: 303-831-5295

	1999	1998
Premium volume*	\$147,000,000	\$117,000,000
Gross revenues	\$21,855,000	\$17,619,000
Brokerage revenues	\$20,980,000	\$17,615,040
U.S. clients	100%	100%
Brokerage: retail	83%	85%
U.S. offices	\$18,650,000	\$15,596,650
Wholesale	2%	1%
Personal	11%	10%
Interest income	4%	4%
Employees	199	172
Retail offices	6	5

Founded: 1905.
Retail brokerage: 98% commissions, 2% fees.
Employee benefits: 10% of revenue in 1999.
Acquisitions: Tri County Insurance, Parker, Colo., January 1999.
Non-retail subsidiaries: High Country Insurance Managers, Denver.
Officers: Dell Van Gilder, president/CEO; Jerry Ray, executive vp/COO; Henry Higginbottom, executive vp/secretary/treasurer.
*Property and casualty only.

Van Meter Insurance Inc.

1240 Fair Way St.,
Bowling Green, Ky. 42103;
270-781-2020; fax: 270-843-8808
www.vanmeterins.com

	1999	1998
Premium volume	\$41,865,658	\$59,683,000
Gross revenues	\$12,295,000	\$15,550,523
Brokerage revenues	\$11,926,150	\$15,084,007
U.S. clients	100%	100%
Brokerage: retail	62%	60%
U.S. offices	\$6,024,550	\$7,464,251
Personal	4%	5%
Services	31%	32%
Interest income	1%	1%
Other	2%	2%
Employees	126	144
Retail offices	4	4

Founded: 1977.
Parent: Synvantage Group Inc.
Retail brokerage: 95% commissions, 5% fees.
Employee benefits: 12.2% of revenue in 1999.
Officers: David S. Haynes, CEO; Gerald R. Heming, president; Christian L. Volkert, vp.

Contact: Gerald R. Heming.

Vidal & Rodriguez Inc.

South Capital Center, 239 Ave. Arterial
Hostos, Suite 501,
San Juan, Puerto Rico 00918-1478
787-751-7610; fax: 787-763-2810

	1999	1998
Premium volume	\$20,008,049	\$20,321,538
Gross revenues	\$3,192,583	\$3,237,459
Brokerage revenues	\$3,192,583	\$3,237,459
U.S. clients	100%	100%
Brokerage: retail	86%	88%
U.S. offices	\$2,809,364	\$2,848,964
Wholesale	8%	8%
Personal	3%	3%
Services	1%	1%
Employees	27	23
Retail offices	1	1

Fiscal year ending June 30.
Founded: 1986.
Retail brokerage: 100% commissions.
Employee benefits: 16% of revenue in 1999.
Officers: Luis Rodriguez, president; Diego Vidal, executive vp.
Contact: Luis Rodriguez, luisrodr@rtc.net; Diego Vidal, dvidal@prt.net.

Vista National Insurance Group Inc.

1300 W. Higgins Road, Suite 220,
Park Ridge, Ill. 60068;
847-823-8095; fax: 847-823-8120
www.vistanational.com

	1999	1998
Premium volume	\$41,604,339	\$38,465,000
Gross revenues	\$1,678,453	\$1,418,620
Brokerage revenues	\$1,678,453	\$1,418,620
U.S. clients	100%	100%
Brokerage: retail	96%	94%
U.S. offices	\$1,611,315	\$1,333,503
Wholesale	2%	0%
Reinsurance	1%	4%
Services	1%	2%
Employees	20	17
Retail offices	1	1

Founded: 1996.
Retail brokerage: 99% commissions, 1% fees.
Employee benefits: 100% of revenue in 1999.
Officers: David N. Schwimmer, president.
Contact: Chris Simpson; chris@vistanational.com.



The Watson Group - an Assurex partner

225 Spring St.,
Wethersfield, Conn. 06109;
860-263-1700; fax: 860-563-6336
www.watsongroup.com

	1999	1998
Premium volume	\$113,000,000	\$120,000,000
Gross revenues	\$10,773,866	\$9,223,595
Brokerage revenues	\$10,612,258	\$9,131,359
U.S. clients	100%	100%
Brokerage: retail	74.5%	70%
U.S. offices	\$8,026,530	\$6,917,696
Personal	2.4%	2%
Interest income	1.5%	1%
Employees	85	82
Retail offices	1	1

Founded: 1929.
Retail brokerage: 90% commissions, 10% fees.
Employee benefits: 23% of revenue in 1999.
Officers: Thomas A. Willsey, president/CEO; Alan S. Currie, CFO; Peter E. Peterson, executive vp.
Contact: Thomas A. Willsey; 860-263-1710; twillsey@watsongroup.com.

Wells Fargo Insurance Inc.*

600 S. Highway 169, 12th Floor,
St. Louis Park, Minn. 55426;
612-667-5600; fax: 612-667-2681
www.wellsfargo.com

	1999	1998
Premium volume	\$1,100,000,000	\$776,200,000
Gross revenues	\$222,000,000	\$178,000,000
Brokerage revenues	\$190,254,000	\$151,090,000
U.S. clients	100%	100%
Brokerage: retail	78.5%	80.5%
U.S. offices	\$174,270,000	\$143,290,000
Personal	7.2%	10%
Interest income	1.3%	1.3%
Other	13%	8.2%
Employees	807	740
Retail offices	52	60

Founded: 1929.
Parent: Wells Fargo & Co.
Retail brokerage: 97% commissions, 3% fees.
Employee benefits: 1% of revenue in 1999.
Acquisitions: Goodson Agency, Denver, August 1999; SB Insurance Agency, October 1999.
Officers: Timothy J. King, president; Steven C. Veno, executive vp/COO; Kevin P. Berg, senior vp/CFO.
Contact: Michelle Leschisin; 612-667-5596.
*Formerly Norwest Insurance Inc.

Wharton Group

101 S. Livingston Ave.,
Livingston, N.J. 07039;
973-992-5775; fax: 973-992-6660
www.whartoninsurance.com

	1999	1998
Gross revenues	\$11,005,000	\$10,205,000
Brokerage revenues	\$10,890,980	\$10,102,950
U.S. clients	100%	100%
Brokerage: retail	86%	86%
U.S. offices	\$9,464,300	\$8,776,300
Personal	12%	12%
Services	1%	1%
Interest income	1%	1%
Employees	74	92
Retail offices	3	4

Fiscal year ending June 30
Founded: 1912.
Retail brokerage: 98% commissions, 2% fees.

Employee benefits: 12% of revenue in 1999.
Officers: Dennis F. Klein, president/CEO; Bruce D. Gilson, executive vp; Robert L. Sileno, senior vp.
Contact: Dennis F. Klein.

Willis Group Ltd.

10 Trinity Square,
London, EC3P 3AX England;
44-207-488-8111; fax: 44-207-488-8223
www.willis.com

Founded: 1828.
Officers: John Reeve, executive chairman; Ken Pinkston, group executive director; Thomas Coraine, group finance director.
Contact: Tony Jeeves, group communications; 44-207-481-7133; jeevest@willis.com.
See profile on page 28.

Wisenberg Insurance & Risk Management

24 Greenway Plaza, Suite 1100,
Houston, Texas 77046-2401;
713-507-9476; fax: 713-507-9432
www.wisenberg.com

	1999	1998
Premium volume	\$42,000,000	\$44,000,000
Gross revenues	\$6,304,783	\$6,118,000
Brokerage revenues	\$5,981,421	\$5,891,634
U.S. clients	100%	100%
Brokerage: retail	83.3%	83.8%
U.S. offices	\$5,251,884	\$5,126,884
Personal	6.4%	7.5%
Services	5.2%	5%
Interest income	1.9%	2.5%
Other	3.2%	1.2%
Employees	49	57
Retail offices	1	1

Fiscal year ending April 30.
Founded: 1934.
Retail brokerage: 88.6% commissions, 11.4% fees.
Employee benefits: 9.7% of revenue in 1999.
Non-retail subsidiaries: Risk Analysts Inc., Houston.
Officers: Joe Williams, chairman/CEO; Jeff Pozmantor, president; Jay Williams, executive vp.
Contact: Joe Williams; 713-507-4702.

Woodruff-Sawyer & Co. - an Assurex partner

220 Bush St., Seventh Floor,
San Francisco, Calif. 94104;
415-391-2141; fax: 415-989-9923
www.woodruff-sawyer.com

	1999	1998
Premium volume	\$245,000,000	\$228,000,000
Gross revenues	\$21,000,000	\$18,000,000
Brokerage revenues	\$20,622,000	\$17,676,000
U.S. clients	100%	100%
Brokerage: retail	96.4%	97.7%
U.S. offices	\$20,244,000	\$17,578,800
Wholesale	1.8%	0.5%
Interest income	1.8%	1.8%
Employees	137	121
Retail offices	2	1

Founded: 1918.
Retail brokerage: 89% commissions, 11% fees.
Employee benefits: 23% of revenue in 1999.
Officers: Douglas J. Morton, chairman; Susan K. Hunt, president; Stanley D. Loar, CEO.
Contact: Susan K. Hunt; 415-399-6434; shunt@woodruff-sawyer.com.

John L. Wortham & Son L.L.P. - an Assurex partner

Wortham Tower, 2727
Allen Parkway, P.O. Box 1388,
Houston, Texas 77019;
713-526-3366; fax: 713-522-3056
www.jwortham.com

	1999	1998
Premium volume	\$503,000,000	\$419,000,000
Gross revenues	\$48,341,000	\$40,288,000
Brokerage revenues	\$48,341,000	\$40,288,000
U.S. clients	100%	100%
Brokerage: retail	96%	96%
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GLOBAL BRIEFS

Tim Carroll has been re-elected chairman of the International Underwriting Assn. of London. Mr. Carroll is chief executive officer of ERC Frankona Reinsurance Ltd. in London, and he has been the chairman of the IUA since its formation in December 1998. The association's two deputy chairmen, Tony Latham and Tony Medniuk, were also re-elected. . . . St. Paul Re, a New York-based unit of The St. Paul Cos., has announced a number of key appointments and the creation of a new Financial Solutions unit. **Michael Schell**, who since 1998 has been managing director of the London operations of St. Paul Re, is moving to New York to become president and chief operating officer of Global Reinsurance. Mr. Schell will be replaced in London by **Thomas Mahoney**, who previously was general manager of St. Paul Re's Brussels office. **Graham Bignell** has been named general manager of North American Underwriting in London, and he continues as deputy managing director of St. Paul Reinsurance Co. Ltd. in London. **Nicholas Hutton-Penman** has been named general manager of St. Paul Re in Brussels, having previously held the post of controller at St. Paul Re in London. The Financial Solutions unit will be used to spearhead efforts into non-traditional reinsurance and alternative risk transfer. . . . Paris-based reinsurer **SCOR S.A.** has incorporated a services company in Tokyo. Emmanuel Fierens, who joined SCOR's Tokyo office at the start of the year, has been appointed general manager of SCOR Services Japan Co. SCOR said the incorporation of a services company will enable it "to further enhance the comprehensive range of services it already offers in Japan". . . . Groupama Commercial Insurances, a London-based unit of French insurer **Groupama**, has joined forces with Atlantic Mutual Insurance Co. of New York to offer increased product liability coverage for companies that export goods to North America. In teaming with Atlantic Mutual, Groupama said it can offer liability capacity of £5 million (\$7.5 million), with the ability to place larger risks if required. . . . Lloyd's of London insurance broker **FirstCity Insurance Brokers** says it has received almost 500 inquiries from U.K. law firms about its new online professional indemnity insurance service, which is being launched at the end of July. FirstCity Director Kelvin Curran said the high response level to the introduction of the product "shows that lawyers want the time saving and convenient service" of online applications. One reason for the interest is that lawyers' professional indemnity enters a new phase on Sept. 1, 2000, when the Solicitors Indemnity Fund closes to new business and lawyers will have to find their coverage in the commercial market. . . . A professional indemnity claims service for lawyers, **AF Solicitors Claims Service**, has been jointly launched by Alexander Forbes Risk Services Ltd., the London unit of Alexander Forbes Ltd., and the London law firm of Kennedys. Glenda West, director of AF Solicitors Claims Service, said it combines the traditional, personalized claims management service found under the outgoing Solicitors Indemnity Fund with the latest in Internet-based reporting and claims monitoring. . . . Israeli and Palestinian officials held joint talks on July 5 and 6 in the Gaza Strip on reducing conflict in the compensation of victims of **cross-border traffic accidents**. Legal experts and government officials on both sides had identified auto accident resolution as a major source of potential day-to-day discord. The talks were sponsored by the U.S. Institute of Peace, a congressionally chartered organization.

American brokers study abroad

Week-long course to become an annual program

By SARAH VEYSEY

U.S. insurance brokers may increasingly turn to Lloyd's of London first when shopping for coverage for their clients, a group of brokerage executives says.

Eight brokerages sent representatives to Lloyd's recently as part of a special program to educate U.S. brokers about the 312-year-old insurance marketplace. Lloyd's plans to expand the program and host it annually.

A survey of the 15 attendees showed that the U.S. brokers' understanding of Lloyd's grew significantly during the week-long program.

The brokers—representing Crump Insurance Services Inc., Guy Carpenter & Co., Hays Group, Marsh Inc., Swett & Crawford

LLOYD'S

Group, Thilman & Filippini/ALB, John P. Woods Co. and Willis North America Inc.—spent a week late last month at Lloyd's. In the mornings, the brokers took part in theory lessons on the workings of the market, and in the afternoons, they had the chance to sit alongside a Lloyd's underwriter or tour the market with a Lloyd's practitioner.

Before the program began, the participants rated their understanding of Lloyd's at 6.2 on a scale of one to 10. By the end of the week, this rating had risen to a 9. Simi-

larly, when asked at the beginning of the program to rate Lloyd's on a scale where one was "old-fashioned" and 10 was "forward-looking," the participants gave Lloyd's a mark of 5.9. By week's end, that rating had risen to 8.1.

The participants were also asked to rate Lloyd's in virtue of its customer focus. On a scale of one to 10, where one was "customer-remote" and 10 "customer-focused," the brokers awarded Lloyd's a mark of 5.9 at the beginning of the program, but they upped the score to 7.5 by the end of their stay.

"The initial response has been extremely positive," said Julian James, managing director of Lloyd's North America in London and one of the organizers of the program. "We have had letters coming in saying, 'This has helped us to understand Lloyd's, and we are going to go back and tell people

See Lloyd's on page 65

Aussies order Lloyd's to create local trust funds

By KATE TILLEY

SYDNEY, Australia—Australia's insurance regulator, the Australian Prudential Regulatory Authority, has issued new security guidelines for Lloyd's of London, which the APRA says will provide increased protection for Australia-based policyholders.

As of July 1, Lloyd's is required to maintain four trust funds in Australia to meet any "final judgments against Lloyd's. . . if it does not pay claims."

Lloyd's also is increasing the amount of funds it must deposit to cover potential regulatory expenses that might arise if underwriters withdraw from writing business in Australia. Lloyd's is now required to deposit \$2 million Australian (\$1.2 million) in securities to cover administrative expenses, up from \$500,000 Australian (\$294,250).

The newly required trust funds, whose amount will be determined by Lloyd's liabilities on Australian policies, will not be used to cover exemplary or punitive damages that Lloyd's is ordered to pay, or payments not expressly provided for in insurance contracts.

The funds will apply to contracts written on or after July 1, 1998, and written in Australian dollars. They will be for contracts covering property in Australia and for contracts covering Australian-domiciled companies and individuals.

Keith Stern, Lloyd's general representative in Australia, based in Sydney, said the APRA was mirroring other regulatory authorities around the world in requiring deposits to be held locally, rather than in the United Kingdom. "If regulatory authorities want greater comfort by having funds here we can accommodate that," Mr. Stern said.

Negotiations had been ongoing with the APRA for five to six years to finalize the new arrangements, he said.

The new trust funds will be independently managed by the National Australia Bank. The funds' balances will be based on out-

See Trust funds on next page



PHOTO: REUTERS
Rescue workers search through the wreckage of two ski lodges in Thredbo, Australia, following a landslide on July 30, 1997.

Landslide inquiry faults government

By KATE TILLEY

SYDNEY, Australia—Almost three years after a landslide at the Australian ski resort Thredbo Village killed 18 people, a coroner has handed down a report that places the blame on two state government authorities.

Derrick Hand, the former New South Wales government coroner, came out of retirement to conduct the inquiry into the disaster (BI, Aug. 11, 1997). In a 180-page report delivered June 29 to the New South Wales state government, Mr. Hand was critical of the state government's National Parks & Wildlife Service and the Roads & Traffic Authority.

In the report, Mr. Hand said both organizations had been

See Landslide on next page

Mobil to appeal class action ruling

By DAMIEN TOMLINSON

MELBOURNE, Australia—Exxon-Mobil Australia Pty. Ltd. seeks to appeal a recent Victoria appellate court decision that a class action lawsuit can proceed against the oil company for compensation of losses caused by contaminated aviation fuel.

The oil company, which does business in Australia as Mobil, is challenging the validity of the Victoria Supreme Court's determination that, as of Jan. 1, 2000, it could hear class action lawsuits. Mobil contends that the court lacks the authority to make such rules. Previously, all class actions had to be brought in federal court. Mobil's attorneys had until last

week to file a request to appeal the June 8 appellate court ruling to the High Court of Australia.

The Victoria Court of Appeals ruled 3-2 that the state Supreme Court is entitled to hear class actions, upholding a lower court decision.

A Mobil spokesman said that two of the Court of Appeal's judges had found sufficient room for doubt about the ruling to prompt Mobil to seek leave to appeal to the High Court.

The class action lawsuit, which seeks \$100 million Australian (\$60 million) in damages, was launched in January after light planes around Australia were grounded in December 1999 when

See Mobil on next page



PHOTO: AFP

Australian authorities grounded up to 5,000 light aircraft in December 1999 after aviation fuel supplied by Exxon-Mobil Australia Pty. Ltd. was found to have been contaminated.

Landslide

Continued from previous page
aware of the unsafe condition of the road above the ski lodges that were smashed in the landslide.

The New South Wales government has ordered an independent review of the National Parks & Wildlife Service and other government authorities involved in the management of Kosciusko National Park. Thredbo is one of two major ski resorts within the national park, which is about 125 miles south of Canberra, the nation's capital.

Bob Debus, the New South Wales environment minister, has appointed senior lawyer Bret Walker to conduct the review and has asked him to report by Dec. 31.

The landslide occurred at 11:30 p.m. on July 30, 1997. Eighteen of the 19 people in the two lodges were killed, making it one of the worst natural disasters in Australian history.

A rescue operation was mounted immediately and the lone survivor was located, Aug. 2.

Mr. Hand said the road above the Thredbo village, the Alpine Way, "was in a marginally stable state and extremely vulnerable to collapse if saturated by water."

The landslide, which was triggered by a leaking water main, caused one ski lodge to slide down the hill, and crashing into a second lodge.

Mr. Hand listed the causes of the disaster as:

- The failure of any government of the responsibility for the care, control and management of the Kosciusko National Park and the maintenance of the Alpine Way to take any steps to ensure the village was safe from exposure to that marginally stable embankment.
- The approval and construc-

tion of a water main of materials that could not withstand the movement taking place in the marginally stable Alpine Way embankment into which it was laid.

- Leakage from the water main.

Mr. Hand said the Alpine Way fill embankment had been marginally stable since its construction about 40 years ago, and government authorities were aware of that. Smaller landslides had occurred in the past.

"Despite this, no specific recommendation was ever made by

The landslide, triggered by a leaking water main, caused one ski lodge to slide down the hill.

those directly responsible for the road that would have led to the reconstruction of the road above the village," Mr. Hand said.

He recommended the independent investigation into the National Parks & Wildlife Service "to ensure that its ability to function both as an environmental, urban planning and road maintenance authority is assessed and assured. I would hope that, in this way, any concerns the public may have as a result of the Alpine Way remaining in its unsatisfactory condition adjacent to an essentially urban community for so long may be allayed."

Mr. Hand said he was concerned that the Road & Traffic Authority never advised the National Parks & Wildlife Service of the need to reconstruct the road to avoid the risk of death or injury due to landslide.

Despite some criticisms during the rescue operation that occurred after the landslide and by legal representatives on behalf of the families of victims during the inquiry, Mr. Hand said the rescue was "carried out expeditiously and diligently in the light of the extremely dangerous conditions." Lawyers told the inquiry that some individuals may have survived the landslide but could not be saved because the area was considered too risky for rescue personnel.

Mr. Hand heard evidence that rescue personnel had discussed "the person who we had made contact with in the rubble and the possibility of their rescue and possible survival." A decision was made that a rescue attempt was impossible at that time and would place rescue personnel in extreme danger.

Mr. Hand said that it was "not my function to decide issues of responsibility. . . . Such issues are determined in civil suits."

The coroner's inquiry was a "fact-finding exercise and does not apportion guilt." Mr. Hand said the evidence he had considered "has not led me to the opinion that there is a prima facie case against any person for any indictable offense in respect of the deaths in the landslide."

The sole survivor, ski instructor Stuart Diver, was located in the rubble at 5:37 a.m. on Saturday, Aug. 2, and freed at 5:10 p.m. that day. Discovered as crews were removing bodies, Mr. Diver had been trapped in a small pocket of air deep below the surface of the wreckage. Mr. Hand said Mr. Diver's rescue "could not penetrate the mass of debris. . . because of the massive slab of concrete, the angle of which saved his life. It took a day of delicate drilling, tunneling and debris removal from the time he was discovered until the time he was removed."

Trust funds

Continued from previous page
standing liabilities, including incurred but not reported losses. Lloyd's previous security arrangements, which were held in its U.K. premium trust funds, were based on premiums written in Australia.

Mr. Stern said Lloyd's would collect information from syndicates quarterly on their outstanding liabilities for Australian business and would determine, with the help of actuaries, the amount to be reserved in Australia.

He said the new rules would not affect Australian writers on writing Australian business.

The new rules do not call for duplication of the premium trust funds now held in London, so underwriters are not being asked for redundant se-

curity arrangements, he noted.

Mr. Stern said South Africa's regulations had made similar arrangements, which took effect Jan. 1, 1999.

The new rules will have no effect on Australian names, some of whom are still trying to take legal action in the United Kingdom over Lloyd's attempts to recover outstanding payments. The Australian courts have ruled that they have no jurisdiction to hear names' claims, which must be brought in U.K. courts.

The number of individual names has dropped dramatically in Australia. In 1996, there were 812 Australian names; currently, about 150 Australian names remain.

Mr. Stern said that, because Lloyd's has changed its rules to allow corporate capital, many former individual names now invest through corporate structures. **BI**

Mobil

Continued from previous page
aviation fuel supplied by Mobil's Altona plant was found to be contaminated (*BI*, Feb. 21; Feb. 7).

The fuel crisis had 'broken the back of Australia's general aviation industry,' says attorney John Maitland.

Several light plane operators had reported rough-running engines and loss of power, prompting the grounding of all piston-engine planes so they could be inspected for a black residue believed to have caused the problem.

Hundreds of aviation businesses were idled as a federal investigation into the contamination took place. Earlier this year, aviation lawyer John Maitland said the fuel crisis had "broken the back of Australia's general aviation industry," and

warned "some businesses will go to the wall before this is over."

Mobil announced on Jan. 18 a \$15 million Australian (\$9 million) emergency relief fund for customers affected by the contamination, to provide for "immediate financial difficulties." It has refused to disclose whether its liability insurer will fund the payouts.

The Mobil spokesman said the company has so far paid out more than \$12 million Australian (\$7.2 million) from the hardship package, and the company's costs reimbursement and business interruption compensation schemes.

Sydney-based plaintiff law firms Slater & Gordon and Maurice Blackburn Cashman, acting for the members of the class action, are seeking compensation for physical loss, economic loss, loss of opportunity to earn income, damages for lost reputation and damages for mental distress.

The class action, which was filed with the Victoria Supreme Court, was put on hold in February after Mobil filed documents with the Court of Appeals, challenging the legitimacy of the new class action rules. **BI**

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INTERNATIONAL

Lloyd's

Continued from page 63
within our own organizations what we did," he said.

Comments made by attendees answering the survey questions also illustrate the change in their perceptions of Lloyd's.

"Lloyd's is a bit old-fashioned," said one delegate before the program began. One delegate described Lloyd's as "the old school of insurance." Another remarked, "Lloyd's needs to be easier to understand." "Lloyd's needs to establish relationships with U.S. brokers," said another participant.

After they completed the program, however, the delegates appeared much more positive about Lloyd's.

"It can get a quote a lot faster than U.S. markets," claimed one participant. "In the U.S., there is quite a long chain of command to go through when you need a carrier to write an account, whereas in Lloyd's, every transaction is completed quickly and efficiently," said another.

"Lloyd's has always been consid-

ered a market of last resort—in recent years it has become a more competitive market, and I think, going forward, it will be considered a market of first choice," commented one attendee.

Participants were nominated by senior executives in their brokerage firms, Mr. James said. "We went out to various London brokers who do a lot of U.S. business and asked them who they would put forward. They came up with the names of wholesalers and coverholders they deal with," he said. "And then, for example, we went to Marsh and Guy Carpenter and said, 'We are running this course, who would you like to put forward?'"

John Eltham, director of Lloyd's broker Miller Insurance Group Ltd., approached U.S. broker Hays Group about nominating participants for the program. Involvement in the program helped Miller Group cement existing business relationships and form some new ones, he explained. "We had some extremely good feedback (from the Hays group delegates) and, actually, we have had some business inquiries from one or two of the other attendees," he said.

As part of the program, Mr. Eltham gave a presentation on the role of the broker at Lloyd's and took part in a question-and-answer session on the final day. "We learned some things as well," he said. "Lloyd's had reinsurance people there, wholesale people there and retail brokers, and it was very good to get that sort of cross-section," he said. "Personally, I am normally only exposed to retail brokers. So to hear the views of reinsurance people and wholesale people as well was very good," he said.

David Hartoch, chief executive officer of Swett & Crawford Group, a unit of Aon Corp. in Woodland Hills, Calif., said the program was a wonderful idea. Swett & Crawford's three participants "all came back very enthused. They all want to be licensed Lloyd's brokers now," he said. "I think it was great training, and they thoroughly enjoyed it and felt like they learned a lot. I think what it accomplished was that they now have a much better understanding of how Lloyd's works and how to access Lloyd's." Mr. Hartoch said he would have no hesitation in sending "as many brokers as they want" on

the program next year.

Lloyd's plans to expand the program next year to include "between 25 and 30 people," Mr. James said.

The program was the joint idea of several parties at Lloyd's who all thought the market needed to become more accessible to U.S. brokers as part of Lloyd's ongoing drive to boost its profile in the United States, he said.

"The U.S. market is such a huge market for Lloyd's—it is our largest overseas market, and last year we wrote about \$4.8 billion of premiums from the U.S. Secondly, (the program) was a response to a feeling that we needed to do greater education with the future generations of brokers who will be trading with Lloyd's," he said. "Our plan was very much to involve people who would not ordinarily travel to London as part of their day-to-day business. It was very much targeting the next generation."

Participants were enthusiastic about the program. "This program changed anecdotal information about Lloyd's into an understanding of how Lloyd's actually works," said one participant. Another described it

as "a very valuable tool in expanding my understanding of Lloyd's."

Participants in the program were: Kenneth Fitzpatrick, associate broker in the San Francisco office of Crump Insurance Services Inc., a Dallas-based unit of Marsh & McLennan Cos. Inc.; David Leark, branch manager of Crump's Detroit office; Jonathan Creaker, account representative for Woods in Jersey City, N.J.; Kamy Vacca, assistant vp at Willis in New York; Arthur Hubley, vp at Willis in New York; Lisa Heine, vp at Swett & Crawford in Dallas; Kathy Schroeder, senior vp at Swett & Crawford in Fresno, Calif.; Judith Stevens, vp at Swett & Crawford in Glen Allen, Va.; Elizabeth Kernan, broker at Guy Carpenter in San Francisco; Brian Cole, assistant vp at Guy Carpenter in New York; Jennifer Wang, account executive at Thilman & Filippini/ALB in Chicago; Con Elfes, account executive at Hays Group in Minneapolis; Lori Lock, marketing representative at Hays Group in Minneapolis; Matthew Barrett, senior account representative at Marsh in New York; and Lauren Bellesheim, account representative at Marsh in New York. **BI**

State regulators to revise privacy proposal

By MEG FLETCHER

WASHINGTON—State insurance regulators drafting model consumer privacy regulations appear to be taking to heart criticism raised last month by several industry observers.

The National Assn. of Insurance Commissioners' Privacy Issues Working Group recently indicated that it has asked staff members to "substantially" revise and simplify a first draft of the regulation, which was presented at the NAIC's quarterly meeting last month (*BI*, June 19).

The group also announced last

week that it has extended the comment period for the regulation to July 18 from the end of June.

It remains to be seen, however, what revisions will be made and what impact the changes will have on several controversial points, including the scope of the requirements and to whom they will apply, according to Rey Becker, vp-property/casualty for the Alliance of American Insurers in Downers Grove, Ill. The Alliance is one of 11 insurance trade associations that is jointly proposing revisions.

The proposed NAIC regulation is designed to satisfy the minimum con-

sumer privacy requirements for insurance-related financial and health information, as required under Title V of the Gramm-Leach-Bliley Act, the 1999 federal financial services modernization law.

Under the initial draft, which was discussed at the NAIC's recent summer meeting, "licensees are required to develop privacy policies for health information and provide privacy notices to all individuals who are the subject of such information. Unlike the opt-out requirements for financial information, licensees are required to get explicit authorization prior to sharing health information"—a so-called opt-in approach, according to a July 10 memo from working group chair Kathleen Sebelius, NAIC vp and the Kansas insurance commissioner.

Regulators have repeatedly voiced their commitment to requiring higher confidentiality standards for health information, including requiring an opt-in approach for such information, she said.

"However, the working group took

into account the generally consistent comments of the interested parties and instructed NAIC staff to revise substantially the health information portion of the draft regulation," according to the memo. Specifically, NAIC staff was directed by the working group to delete all references to language relating to the U.S. Health and Human Services Department's pending privacy proposals. In addition, the next NAIC draft will exclude numerous details addressed in the NAIC's Health Information Privacy Model Act, which is available for states to implement (*BI*, Sept. 21, 1998).

The next NAIC draft will be available sometime before the interim meetings scheduled for Aug. 28-29 in Kansas City, Mo., though no further details about its release are available, according to an NAIC representative.

Mr. Becker said the insurance trade groups will jointly submit additional suggestions to regulators for changes in the upcoming draft, once they have finished their discussions.

He said the groups' proposed

changes to the consumer privacy requirements at this time, however, include excluding commercial insurance, deleting a sunset date of July 1, 2004, and removing references to "claimants and beneficiaries" in the regulation.

The other insurance trade associations cooperating in the joint response are: the American Assn. of Health Plans, the American Insurance Assn., the Blue Cross & Blue Shield Assn., the Council of Insurance Agents and Brokers, the Health Insurance Assn. of America, the Independent Insurance Agents of America, the National Assn. of Insurance & Financial Advisors, the National Assn. of Independent Insurers, the National Assn. of Mutual Insurance Cos. and the National Assn. of Professional Insurance Agents.

The NAIC has asked that comments be directed to David Wetmore, the NAIC's director of federal and international affairs in its Washington office. He can be reached by e-mail at dwetmore@naic.org or by fax at 202-624-8579. **BI**

NAIC

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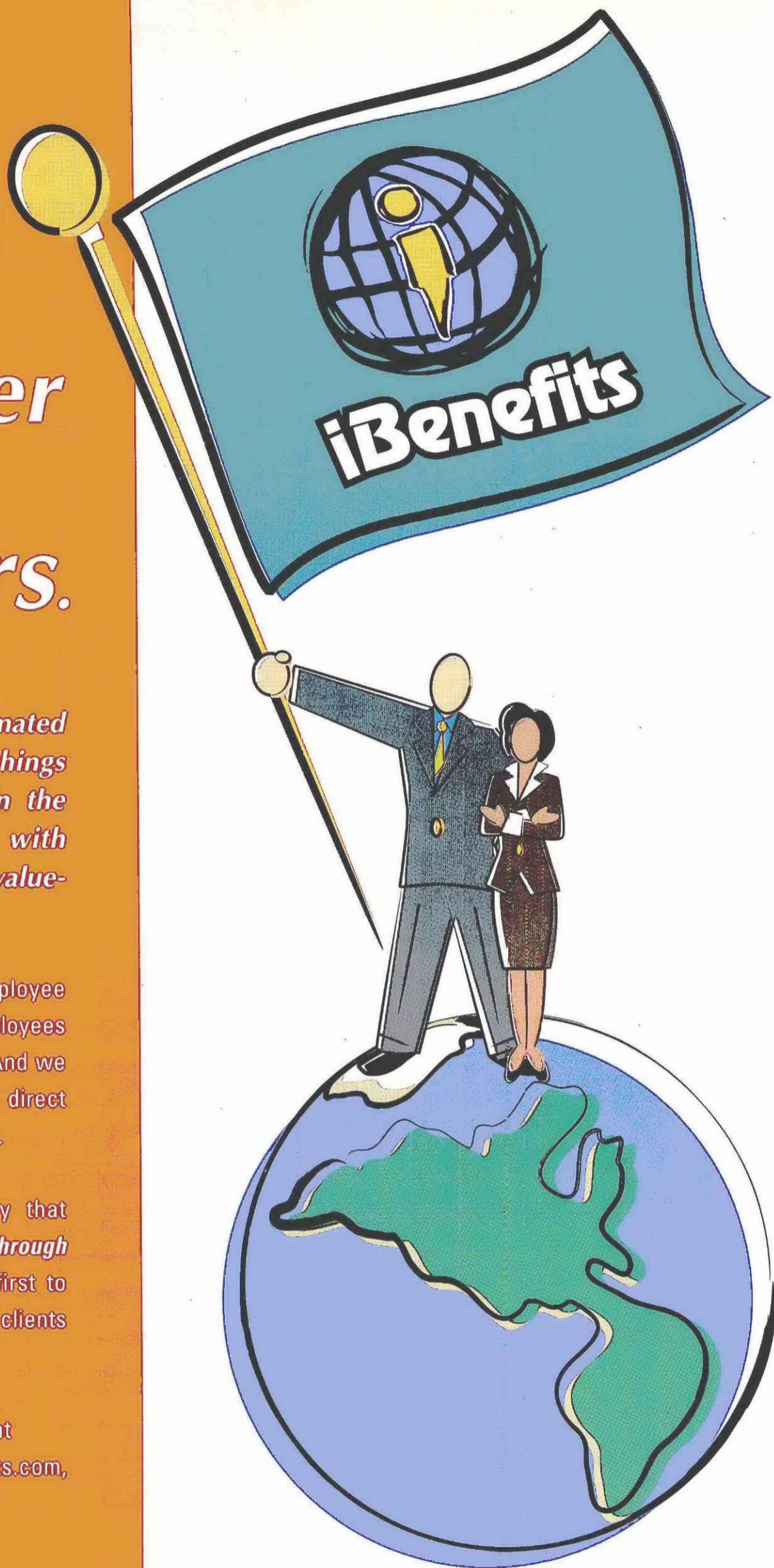
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COMMENTARY

Class action doesn't suit all

I can't believe it, but I am a member of a class-action lawsuit. I'm also surprised to realize that I feel entitled to compensation as a member of the class. But in good conscience, I am not going for the dough—or in this case for the mileage certificates that would help me get some free airline tickets.

I was recently notified that I am a class member in *Myron (Mike) Wolens et al. vs. American Airlines Inc.*, a class action filed in the Circuit Court of Cook County in 1988. The suit was filed on behalf of all AAdvantage frequent-flier program members who felt disadvantaged when American changed its rules for getting free tickets. We could still use our miles earned prior to the rule change, but American made fewer seats available for free tickets obtained when redeeming those so-called "old miles."

The suit alleges that by imposing "capacity controls" on these seats, "American breached a contract with AAdvantage members." Turns out, according to American's records, I am among those who were sort of disadvantaged. I'm sitting on 115,795 of old miles that I earned prior to July 1, 1989, which I have not yet redeemed. If the settlement is approved, I'm in the third from the bottom in the number of award certificates I will get and there are four classes of frequent fliers with way more miles who will get more certificates than I will.

I read of the proposed settlement before I knew I was a class member. I thought that I *should* be a member of the class, but figured I wouldn't be because I had no documentation of my frequent-flier miles in 1988. (That may surprise those of you who have been following my deliberations over what to keep and what to throw out as I cull my 23-year-old files in preparation for our office move next year.)

I was surprised to receive a "Notice of Class Action Lawsuit and Proposed Settlement" and then thought that perhaps it was just being sent to all AAdvantage members. But there it was, in black and white, how many old miles I had in my account that

should have been easier for me to use than they were.

That presented me with a real dilemma. How can I, who believes that attorneys' fees paid in class-action lawsuits often are too high in proportion to what the class members receive, participate in this settlement? In this case, the plaintiffs' attorneys will receive \$25 million in cash for attorneys' fees and reimbursement of their expenses for their work on this case while the class members receive a few certificates that are worthless unless redeemed.

I have no idea how many hours these lawyers spent on behalf of us frequent fliers who couldn't get the free tickets when we wanted them or how much the expenses were. But \$25 million over 12 years averages out to more than \$2 million a year in fees and expenses, which is real money—even by lawyers' standards. But if the lawyers could prove that their hours spent, at even a high rate of \$500 an hour, plus expenses, came to \$25 million, I wouldn't object. I'd even throw in something for the lost value of money they have fronted for 12 years.

What I object to in setting fees for class-action lawyers is that the fees also compensate them for the risk they took in bringing their case with no guarantee that they would get anything. That turns the law into a lottery.

But I have to admit to a more compelling reason that I'm not accepting the settlement offer. I'm afraid I would be perjuring myself if I signed the agreement. The agreement requires me to attest: "I hereby declare under penalty of perjury that: (a) since May 1, 1988, on one or more occasions, I have attempted to make a reservation for travel using an Old Award on American Airlines and was unable to make such reservation(s) on the flight of my choice because no seats were available for frequent fliers."

Many times I have been unable to use miles to upgrade on the flight of my choice because American was holding the better seats for "revenue passengers." And I have vague recollections about discussing old miles with American at one point, but for years they have just been the miles on my statement that read "Miles With No Expiration Date." I can't honestly say that I ever was denied a reservation trying to use an "Old Award."

If only I had known the right people in 1988 to be one of the class representative plaintiffs. I would have kept trying to make a reservation using old miles until I was denied. And, I would be getting 50,000 new miles credited to my AAdvantage account "as an award for the time and effort I had devoted to the Wolens Action."

Then I might think the lawyers earned their \$25 million, but then again, I doubt it.

Publisher and Editorial Director Kathryn J. McIntyre's commentary appears fortnightly and at www.businessinsurance.com. She can be reached at kmcintyre@crain.com



Kathryn J. McIntyre

OSHA

Continued from page 2

Sen. Mike Enzi, R-Wyo.—called last Thursday's hearing to examine the possible impact of the proposal on Medicaid and Medicare patients and providers.

"The thrust of my concern is that there are fixed reimbursements for virtually all health care services and providers that would be subject to the proposed rule. That means, basically, that these providers will not be able to absorb the cost of the rule and there could either be a ratcheting down of services, a reduction in access to certain services by the most vulnerable beneficiaries, or yet a larger financial crisis for Medicare and Medicaid," he said.

Sen. Enzi said several times that he was not attempting to undercut efforts to promote worker safety. "We do need to address the worker safety needs of those who provide health care services. However, we cannot do so with a rule that is not completely thought out and coordinated with the other agencies involved and that seems to threaten our most vulnerable health care consumers."

Sen. Paul Wellstone, D-Minn., said that taking steps to reduce ergonomic injuries would pay for itself. "I refuse to accept this ridiculous tradeoff" between the solvency of the health care industry and

the well-being of its workers, he said.

Mr. Jeffress assured the panel that there would be no such trade-off. He said that almost 15% of musculoskeletal disorders in the private sector occurred in the health-care sector—"largely in hospitals and nursing homes, and often due to lifting and moving patients." Workers comp costs for these disorders alone cost the health-care industry about \$2.8 billion in 1996, the most recent year for which he had statistics, he said.

'The benefits of ergonomics programs will greatly exceed the costs,' says OSHA's Charles Jeffress.

"I believe the benefits of ergonomics programs will greatly exceed the costs, in fact, that there will be no excess costs," he said.

In addition, "an ergonomics program standard can help hospitals and nursing homes reduce Medicare and Medicaid expenses by improving the productivity of health care workers through the reduction of costly injuries to staff," said Mr. Jeffress. He cited the experience of several hospitals

and nursing homes that had cut lost workdays and workers comp costs dramatically to bolster his point.

Another government witness endorsed the proposed standard as well.

"We look forward to its implementation," said Rachael Weinstein, clinical standards group director at the Health Care Financing Administration. She said that she had not seen any data that would indicate that the health-care industry would be financially harmed by having to implement ergonomic standards.

Under questioning from Sen. Enzi, Mr. Jeffress admitted that there would be "very real costs" in implementing an ergonomics program. He said that some industry critics, however, declined to mention that ergonomics programs also result in cost savings over the long term and focus instead only on the initial costs of putting a program in place.

Sen. Enzi then turned his attention to Ms. Weinstein and asked her how financially strapped health-care institutions would keep from going out of business if they had to pay large sums of money to implement their ergonomics programs. She replied that Medicare and Medicaid payment caps are adjusted annually and that the institutions would be able to realize workers comp savings. **EI**

Pension

Continued from page 1

example, employees can't transfer funds from a 401(k) plan to a 403(b) plan, or vice versa. The bill would abolish this barrier and permit transfers between defined contribution plans, easing administration for employers.

- Permit employees to roll over aftertax contributions to a new employer's plan, which is currently not permitted.

- Ease both non-discrimination tests and rules for so-called top-heavy plans with the goal of encouraging more businesses, primarily small employers, to offer pension plans.

These changes would not reduce the remaining tests' ability to prevent a disproportionate share of pension benefits from going to highly paid workers, said Kyle Brown, retirement counsel for Watson Wyatt Worldwide in Bethesda, Md.

It would, however, ease some administrative work caused by the testing, he said.

"It was just a pain in the butt," he said of the testing eliminated.

The goal of this simplification would be to encourage small businesses to create more pension plans. Mr. Brown said he doubts, though, that changing these rules will have the impact the supporters state.

"No one will start a plan because they changed the top-heavy rules," he said.

Changing the top-heavy and non-discrimination rules were important to some of the bill's opponents.

Changing but not eliminating the top-heavy rules and non-discrimination tests were important to some of the bill's opponents.

In a letter sent last week to Ways and Means Chairman Bill Archer, R-Texas, 30 opponents of the bill, including the AARP, Pension Rights Center, Citizens for Tax Justice and the National Organization for Women, urged that these protections for lower-in-

come workers not be repealed.

"While administrative simplicity is a laudable goal, it should not be accomplished by weakening important protections for lower-wage workers," the letter states. Many of the other provision in the bill received support from the letter.

Mark Ugoretz, president of The ERISA Industry Committee in Washington, a major supporter of the legislation, said he is optimistic that the Senate will pass the bill and it will become law this year.

He also defends the bill as not just helping higher-income workers; it also helps all workers because it allows for more portability of retirement funds as workers change jobs.

Watson Wyatt's Mr. Brown said it is unlikely, though, that the reforms would become law this year, as the legislative calendar is running out of time and the Senate has not scheduled any hearings on its bill yet.

In addition, President Clinton has already vetoed similar legislation twice in the past two years, though they were attached to unrelated pieces of legislation. **EI**

D.C. approves insurance reforms

WASHINGTON—The District of Columbia City Council has approved a series of insurance reforms, including a watered-down commercial insurance deregulation bill and a measure that would establish the district as a domestic captive domicile.

The council had given its preliminary approval to what would have been one of the nation's most liberal deregulation laws in late June, but the measure was amended without debate before the council voted on it July 11.

Under the amended bill—which was offered by Councilwoman Cathy Patterson—a commercial risk would be exempt from rate and form filings if it met at least one of seven criteria: retains a certified or qualified risk manager; has a net

worth of more than \$5 million; generates annual revenues of more than \$10 million; has at least 25 full-time employees; pays aggregate insurance premiums of at least \$250,000 per year; has a total insured property value of at least \$2 million; or—in the case of non-profit or public entities, annual budget expenditures of at least \$10 million.

An explanation attached to the amended bill says that the rationale for the amendment is "to provide adequate protections to consumers of commercial insurance. The bill as introduced defines 'exempt commercial risk' in a manner that will deregulate the commercial insurance industry for virtually all employers, rather than limiting the exemption to the largest companies."

The measure, along with a separate bill that would allow the establishment of captive insurance companies, must be approved by Mayor Anthony Williams and the city's Financial Control Board before going to Congress for approval. Congress has 30 legislative days in which to make any changes to the measure. If there are no changes, the bill will automatically become law.

In an unrelated matter, the council also approved a measure that would require insured benefit plans to cover the cost of contraceptives. The council rejected a so-called "conscience clause" that would have exempted religious institutions from the requirement, which led to a firestorm of criticism on Capitol Hill.

—By Mark A. Hofmann

Y2K

Continued from page 1

to be dismissed early in the litigation process.

"I suspect many of these cases will be resolved quickly," said Tom Brunner, a partner at Wiley, Rein & Fielding in Washington, who represents numerous insurers defending such cases.

In the most recent ruling affecting Y2K remediation coverage, Judge Bernard Friedman, in the U.S. District Court for the Eastern District of Michigan, ruled July 12 in *Kmart vs. Lexington Insurance Co.* that policyholders would have to seek coverage documents directly from their insurers rather than from the Year 2000 Roundtable, an association of 29 U.S.-based property/casualty insurers and reinsurers.

The Year 2000 Roundtable was formed in June 1998 to support educational and public information activities regarding the Year 2000 problems and its implications for insurance. The group also files amicus briefs that present an insurance industry perspective in Y2K-related coverage litigation.

Attorneys for the insurers and policyholders, not surprisingly, interpreted the Michigan ruling differently, according to their positions.

"He forbid the policyholders from seeking discovery from the Roundtable itself," asserted Laura Foggan, a partner at Wiley, Rein & Fielding who represented the Roundtable in the *Kmart* case.

"In his mind, it did not make sense to go on what he called a 'fishing expedition.' But it's less clear what will happen with discovery from the insurer defendants," she said.

Mr. Carter, the policyholder attorney, said the ruling was favorable to both sides. "We won and they won," he said. "Kmart can still get to the Roundtable documents but through the defendants—the insurers."

Mr. Carter's firm is serving as of counsel in several Y2K insurance coverage cases including *Kmart, Unisys Corp. vs. Royal Indemnity Co., Owens Corning vs. Factory Mutual Insurance Co.* and *ITT Industries Inc. vs. Factory Mutual*.

Kmart is seeking \$80 million in Y2K remediation costs, while Owens Corning is seeking \$160 million. Neither the Unisys nor the ITT Industries suits specify damage amounts.

The other Y2K coverage cases in litigation are:

- *GTE vs. Allendale Mutual Insurance Co.*, filed in June 1999 in New Jersey, which seeks \$381 million in remediation costs.

- *Port of Seattle vs. Lexington*, filed in July 1999 in Washington state, which seeks \$11 million.

- *American Guarantee & Liability Insurance Co. vs. Xerox and Xerox vs. American Guarantee*, both filed in July 1999 in New York and Connecticut, respectively. Xerox does not say how much it is seeking in its suit, which was filed just days after American Guarantee filed a declaratory judgment action in New York seeking to head off Xerox's action. However, according to its filings with the Securities and Exchange Commission, the company had spent \$183 million on Y2K remediation by the end of 1999.

- *Nike vs. American Home Insurance Co.*, filed in November 1999 in Oregon. Nike does not specify damages in its suit, but its SEC filings state that it has spent \$97 million on Y2K remediation.

- *Segel District of the City of Royal Oak vs. MASB-SEG Property/Casualty Pool*, filed in November 1999 in Michigan. This suit is a class action brought on behalf of all school districts in Michigan that purchased insurance coverage from and are members of an insurance pool known as MASB-SEG. It does not specify damage amounts.

In all of these cases, policyholders are attempting to recoup some of the costs of Y2K remediation by invoking the "sue and labor" clauses contained in their all-risks property insurance policies.

The clause provides coverage should a policyholder act to "sue, labor or travel" to minimize an actual or imminent loss to covered property. It was introduced in the 17th century to ensure that a ship owner took whatever actions were necessary, such as jettisoning cargo in an emergency, to prevent a ship from sinking (*BI*, July 26, 1999).

The 11 sue-and-labor suits filed to date represent just the tip of the iceberg, according to policyholder attorneys.

Mr. Carter, for example, said he is aware of more than 50 other proof-of-loss claims filed by policyholders that are still going through the claims adjudication process.

Thomas Reiter, a partner at Kirkpatrick & Lockhart in Pittsburgh, said that of the Y2K coverage claims he is handling, the Xerox case is "the only one that is in litigation."

Neither policyholder attorney, however, would say how claims settlement negotiations were going or whether some insurers were more amenable than others to paying the sue-and-labor claims. They also would not disclose how many or the names of any of the policyholders they are representing aside from those in litigation.

But insurer attorneys were dubious that many more Y2K coverage cases would be filed.

"There's a relatively small number of claims and a small number being pushed into litigation," said Wiley, Rein & Fielding's Mr. Brunner. "My overall take is that most companies didn't think much of this (coverage) theory to begin with."

"On the other hand, the dollars at stake are significant," he acknowledged. **BI**

Y2K still in courts

Sue-and-labor cases filed

1999

1. *GTE vs. Allendale*, filed June in New Jersey
2. *Port of Seattle vs. Lexington*, filed July in Washington state
3. *American Guarantee vs. Xerox and Xerox vs. American Guarantee*, filed July in New York and Connecticut, respectively
4. *Unisys vs. Royal*, filed August in Delaware
5. *Nike vs. American Home*, filed November in Oregon
6. *School District of Royal Oak vs. MASB-SEG Property/Casualty Pool*, filed November in Michigan
7. *ITT Industries vs. Factory Mutual*, filed December both in Indiana and New York
8. *Kmart vs. Lexington*, filed December in Michigan

2000

9. *Owens Corning vs. Factory Mutual*, filed March in Delaware
10. *Mandalay Resorts vs. Factory Mutual*, filed in June in Nevada
11. *Gap vs. Factory Mutual*, filed July in California

Targets

Continued from page 2

Next, the private plaintiffs' bar officials to get involved, public officials from both parties become allies to pursue litigation where legislation has failed, and then a federal lawsuit is proposed, just as the time and money involved in dealing with numerous state and local lawsuits is sapping the target industry's collective strength, Mr. Pryor said.

The final step is to pick out a particularly weak member of the target industry and propose a settlement with it as a step toward driving other members of the industry to a national settlement, he said.

Mr. Pryor said that suing an entire industry to deal with individual crimes goes against the philosophy of limited government put forth by James Madison in the Constitution. He suggested several methods to curb such expensive lawsuits.

These included passing state laws that prohibit municipal lawsuits against individual industries, noting that many cities have filed their own suits against gun makers in an at-

tempt to recoup costs associated with gun violence. He also endorsed legislation introduced by Sen. Mitch McConnell, R-Ky., that would not allow government any special legal standing above that of individual plaintiffs in lawsuits brought in court.

Mr. Pryor praised judges who have thrown out such cases on constitutional grounds and state legislatures that have passed laws calling for greater public scrutiny of deals made between state attorneys general and private plaintiffs attorneys to pursue such government-initiated lawsuits.

During a question and answer session following the discussion, another panelist—Robert A. Levy, a senior fellow at the Cato Institute—said that one of the reasons distillers and other producers of alcoholic beverages have not yet been targeted for such suits is that they are perceived as taking steps against underage drinking and that addiction to their products is not as pronounced as for tobacco.

Mr. Pryor responded that based on his experiences with other attorney generals, the reason the alcoholic beverage industry hasn't been sued is "there are just so many hours in the day" and the attorneys general have

their hands full with gun suits and other matters, including a suit against lead paint manufacturers initiated by Rhode Island.

"I would say no industry is safe. They can set their sights on just about any industry," he said.

Mr. Levy responded to a question as to why pornography producers haven't been the target of such suits by saying "I suspect the First Amendment has something to do with."

Roger Pilon, Cato's vp-legal affairs, retorted that he recalled that a prominent trial lawyer replied that to the question of why the fast food industry hasn't been targeted for mass litigation by saying "we like it too much."

As the laughter to Mr. Pryor's response died down, Mr. Pryor drew even more laughter by saying, "God help us if we ever find a teetotaling vegetarian trial lawyer."

Mr. Pilon moderated the session, which also included remarks for former White House Counsel C. Boyden Grey on the government's antitrust suit against Microsoft Corp.

The Cato Institute is a non-partisan Washington think tank that promotes free-market economics and limited government. **BI**

UPDATES

Rite Aid to sell PCS for \$1 billion

IRVING, Texas—Rite Aid Corp. is selling its prescription benefit management operation, PCS Health Systems Inc., to Advance Paradigm Inc. for \$1 billion.

Under the terms of the agreement, Irving, Texas-based Advance Paradigm will pay \$675 million in cash and \$125 million in stock and will assume \$200 million in debt.

The deal is expected to close sometime before Sept. 30. When it does, Advance Paradigm will become the country's largest PBM, handling about 450 million drug claims per year, the company said. The company also will change its name to Advance PCS.

Rite Aid said it is selling PCS, which it bought in early 1999 from Eli Lilly & Co. for \$1.5 billion, to reduce debt and focus on its core business of retail drug sales. Eli Lilly paid \$4 billion for PCS in 1994.

Rite Aid, which is based in Camp Hill, Pa., has seen its losses mount over the past few years. Last week, the company announced that it had lost \$238 million in the quarter that ended May 27. Rite Aid lost \$1.1 billion in its fiscal year that ended Feb. 26.

The company also restated its results for the two prior years, reducing earnings by \$1.6 billion.

The acquisition of PCS marks Advance Paradigm's biggest PBM purchase to date. In April 1999, Advance Paradigm bought the PBM business of Foundation Health Systems Inc. for \$70 million.

Increasing the scale of its PBM operations was the key reason for the purchase of PCS, said David Halbert, Advance Paradigm's chairman and chief executive officer, in a written statement. Through the deal, "we achieve critical mass, yielding enhanced operating efficiencies, a broader array of complementary clinical services and new capabilities," Mr. Halbert said.

Kemper integrated risk venture

NEW YORK—Kemper Solutions has formed a strategic alliance with Castlebridge Partners L.L.C. to jointly develop risk management products and services that combine insurance and capital markets features.

Kemper Solutions, a unit of New York-based Kemper Casualty Co., uses integrated risk, finite risk and convergence risk structures to craft insurance solutions for corporate clients. Chicago-based Castlebridge Partners is a trading and advisory firm specializing in structuring derivatives to address commodity and financial risks.

Through the alliance, Kemper Solutions and Castlebridge will collaborate on such products as:

- Price caps and floors for specialty commodities, such as paper and forest products, agricultural products and other industrial raw materials.
- Price caps on baskets of commodities for clients considering multiyear/multiline integrated risk programs.
- Variable risk products that adjust insurance program terms based on changes in independent indexes or business variables, such as oil prices, pulp prices or interest rates.

Kemper Casualty Co. is a member of the Long Grove, Ill.-based Kemper Insurance Cos.

HMO to shift focus in California

SAN FRANCISCO—UnitedHealthcare is shedding its small-employer enrollment in California to concentrate on the large-employer market there.

The company, a unit of Minneapolis-based UnitedHealth Group Inc., announced today that it would transfer 225,000 members enrolled in employer plans with 2,000 or fewer enrollees, to San Francisco-based Blue Shield of California.

While the move will reduce UnitedHealthcare's overall California enrollment to 700,000, it will allow the company to concentrate on acquiring a bigger share of the large-employer market, a company spokesman explained. "We view the large-employer market as a growth industry in California," he said.

Employees and dependents of large, multisite companies will continue to be serviced by Uniprise. Uniprise, a subsidiary of UnitedHealth Group that covers large-employer groups, will expand its programs in California under a new alliance with Blue Shield that was announced in conjunction with the transfer agreement. Under the alliance, Uniprise members will have access to Blue Shield's extensive network of 42,000 physicians and medical facilities throughout California.

Both Blue Shield and UnitedHealthcare stressed that all enrollees affected by the transition will receive uninterrupted coverage and access to care. The transfer, which is subject to regulatory review, is expected to be completed by year end.


Blue Shield is California's second-largest non-profit health plan, with 2.1 million members.

Briefly noted

James P. Bryce will succeed William Dowling as president and chief executive officer of Bermuda-based **IPC Holdings Ltd.** at the end of July, when Mr. Dowling will take early retirement to spend more time with his family and friends. Mr. Bryce, IPC's senior vp, has been the property catastrophe reinsurer's chief underwriter since IPC's formation in 1993. . . . **SCOR S.A.** has completed a 100 million euro (\$95.5 million) debt offering aimed at boosting its life, accident and health and specialty reinsurance operations. SCOR has issued 20-year subordinated notes that the reinsurer can repay after 10 years. Interest on the notes will be payable quarterly and will be based on the 3-month Euribor plus 1.15% for the first 10 years. The long-term notes are listed on the Luxembourg Stock Exchange and rated A by A.M. Best and Standard & Poor's Corp.


► 2Q CAT LOSSES Catastrophes caused an estimated \$1.4 billion in insured property damage in the United States during the second quarter of 2000, according to the Property Claim Services unit of the Insurance Services Office Inc. in New York. That was a significant drop from the \$3.5 billion in insured property damage sustained during the same period of 1999. The second-quarter losses brought this year's total estimated catastrophe-related insured property damage to \$3.1 billion through June 30. Most of the second-quarter losses stemmed from flooding, hail, tornadoes and wind that affected 24 states.

► INSURANCE HALL OF FAME Hans Gerling, a former senior executive of Gerling Group, and Jose Pinera, the author of Chile's private national pension system, were inducted into the International Insurance Society Inc.'s Insurance Hall of Fame on last week. Mr. Gerling, who died in 1991, was recognized for contributions he made to the reconstruction of the West German economy and the Gerling Group of companies after World War II.



Mr. Pinera, founder and president of the International Center for Pension Reform in Chile, was recognized for formulating a private pension system that was implemented in Chile in the early 1980s and adopted by several other countries around the world as an alternative or supplement to state-based pension systems. Mr. Pinera is co-chair of the Washington-based Cato Institute's Project on Social Security Privatization. The Insurance Hall of Fame, which was established in 1958 and has 103 inductees, is based in the IIS' offices in New York.

► ST. PAUL RE RESTRUCTURING The St. Paul Cos. Inc. has restructured its reinsurance operations and named Michael Schell as head of its traditional reinsurance division. Under the new organizational structure, St. Paul Cos. Reinsurance Group will encompass: Global Reinsurance, which underwrites tra-



ditional reinsurance in the United States and internationally; Discover Re, the alternative risk transfer reinsurance unit of St. Paul; and Financial Solutions, a new unit that will focus on non-traditional reinsurance. James Duffy will head all of the reinsurance operations as chairman and chief executive officer. He previously was president of St. Paul Re. Mr. Schell, who has headed St. Paul Re's London operations for the past two years, will return to New York as president and chief operating officer of Global Reinsurance. Mr. Schell will be succeeded as managing director in London by Thomas Mahoney, who formerly headed St. Paul Re's Brussels, Belgium office. The Financial Solutions unit is composed mainly of staff formerly with St. Paul Re's non-traditional reinsurance unit and its former financial lines unit. It will be headed by John Rathgeber, executive vp and chief underwriting officer. Discover Re, which reinsures captive, risk retention groups and self-insured retention programs, will continue to be headed by George Estes.

► AON BUYS CONSULTANT Aon Corp. has acquired Advanced Risk Management Techniques Inc., a Lake Forrest, Calif.-based risk management, actuarial and insurance consulting firm with more than \$3 million in annual revenues. Terms of the transaction, which is subject to regulatory approval, were not disclosed. ARM Tech specializes in the health care, construction, utility, association/pool and public entity industries. *Business Insurance* ranked the firm as the fifth-largest risk management specialist, which are companies that derive the majority of their revenue from risk management consulting (*BI*, April 3).

► MULTILINGUAL INSURANCE SITE FuturoSeguro, a new Miami-based online company targeting consumers throughout Latin America and the United States, is offering insurance comparison shopping for a variety of personal lines coverages. The company's Web site, www.futuroseguro.com, provides information in English, Portuguese and



Spanish. Although business coverages to be offered online are still in development, consumers currently can purchase several personal lines coverages on the site, a company spokesman said. FuturoSeguro is headed by Mike Farmer, a former head of new business development for American Express' Network Services Business.

► U.S. RE UNDERWRITING MANAGER In an effort to increase its risk transfer capabilities, U.S. Re Cos. Inc. has launched an underwriting management subsidiary in Atlanta. Uni-Ter Underwriting Management Corp. will be a wholly owned unit of New York-based U.S. Re. J. Sterling Shuttleworth, formerly president of Atlanta-based managing general underwriter The Northern Group Inc., will be president and chief executive officer of Uni-Ter. Tal Piccione, chairman and CEO of U.S. Re, said the new unit initially will specialize in property/casualty coverage for nursing homes and health care facilities, offering professional liability, workers compensation and other coverages to health care providers.

► NATIONWIDE APPOINTMENTS Nationwide Mutual Insurance Co. announced last week that Michael S. Helfer, Donna A. James and Richard D. Headley have appointed to new leadership positions. Mr. Helfer assumes the newly created role of executive vp for corporate strategy. He previously headed a Washington law firm's financial institutions group. Ms. James was elected executive vp and chief administrative



officer. She previously served as senior vp and chief human resources officer for the Columbus, Ohio-based insurer. Mr. Headley was elected president and managing director of Nationwide Global Holdings and will oversee all international operations. Mr. Headley previously served as executive vp for the company. The staff changes come less than two months after the announcement that W.G. Jurgensen will succeed Dimon R. McFerson as chief executive officer of Nationwide Mutual Insurance Co. and of Nationwide Financial Services Inc.

► BRIEFLY NOTED Wausau Insurance's President and Chief Operating Officer Dwight Davis intends to retire from the Wausau, Wis.-based insurer and its parent, Liberty Mutual Insurance Co., effective July 17. Wausau's new president will be Jim McIntyre, 42, a 19-year veteran of the company. He currently serves as Wausau's executive vp and manager of its commercial insurance markets business unit. . . . Federal prosecutors from the U.S. Attorney's office and the FBI have joined California Attorney General Bill Lockyer in his investigation of California's Department of Insurance under former commissioner Chuck Quackenbush, a spokesman for Mr. Lockyer confirmed. . . . Standard & Poor's Corp. has assigned a financial strength rating of AA- to Mapfre Reinsurance Corp. The rating reflects the Florham Park, N.J.-based property insurer's strategic importance to parent Mapfre Re Compania de Reaseguros S.A. Mapfre Re acquired the unit, formerly known as Chatham Reinsurance Corp., last year from Ecclesiastical Insurance Office P.L.C. . . . Standard & Poor's has upgraded London-based Groupama Insurance Co. Ltd.'s financial strength rating to A+ from BBB+, following a pledge by the U.K. insurer's ultimate parent, Caisse Centrale des Assurances Mutuelles Agricoles, to guarantee Groupama policyholder obligations.

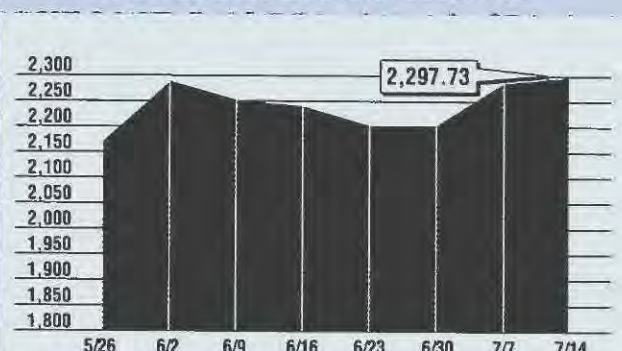
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BI Industry Stock Report JULY 10, 2000, THROUGH JULY 14, 2000

BROKERS										INSURERS/REINSURERS										HEALTH MAINTENANCE ORGANIZATIONS										ALL COMPANIES									
Company	Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)	Company	Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)	Company	Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)	Company	Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)												
Aon Corp.	NYS	32.38	3.39	-19.05	43.13	20.69	2978	Gainsco Inc.	NYS	4.81	5.48	-10.47	6.94	4.50	29	Vesta Insurance Co.	NYS	6.44	-4.63	66.13	7.88	3.44	130	XL Capital Ltd.	NYS	58.38	3.32	12.53	63.50	39.00	1187								
Brown & Brown	NYS	51.00	0.12	33.12	52.50	30.75	84	Harleysville Group	NDO	18.25	4.66	28.07	20.75	11.63	215	Zenith National Ins.	NYS	22.94	6.38	11.21	26.00	18.75	41	INSURERS/REINSURERS	AVERAGE		0.41	-0.39											
Bardes Holdings	NDO	17.00	4.62	18.26	21.00	11.63	84	HSB Group Inc.	NYS	31.94	0.00	-5.55	42.25	21.50	267	HEALTH MAINTENANCE ORGANIZATIONS	FOUNDATION HEALTH SYSTEMS INC.	NYS	14.31	-3.78	44.03	16.94	6.25	1679															
E.W. Blanch Holdings Inc.	NYS	20.94	-0.30	-65.82	71.75	16.56	506	HCC Insurance Holdings	NYS	20.31	4.17	54.03	25.13	8.00	388	Humana Inc.	NYS	7.06	22.83	-13.74	13.19	4.75	7734																
Gallagher Arthur J. & Co.	NYS	40.63	-0.46	25.48	43.44	23.06	275	HCC Insurance Holdings	NYS	20.31	-1.07	54.03	25.13	8.00	388	Oxford Health Plans	NDO	25.31	-1.94	99.51	27.19	9.75	7408																
Hilb, Rogal & Hamilton	NYS	34.94	0.90	23.67	35.25	20.75	143	IPC Holdings Ltd.	NDO	13.94	0.45	-6.30	22.50	9.75	479	Pacificare Health Sys.	NDO	62.63	6.37	18.16	72.31	31.13	1288																
Kaye Group Inc.	NDO	7.13	22.58	-1.93	11.88	5.00	48	John Hancock Financial Service	NYS	23.94	-0.52	40.81	24.63	13.44	458	Sierra Health Services	NYS	3.69	-3.28	-44.86	14.56	2.75	279																
Marsh & McLennan	NYS	110.63	2.31	-5.61	112.50	61.75	3033	Hartford Financial Services	NYS	60.00	1.27	26.65	64.00	29.38	3063	United Health Group	NYS	84.50	-5.85	59.06	91.94	39.38	6098																
BROKERS	AVERAGE		4.19	2.86				LaSalle Re Holdings Ltd.	NYS	15.06	0.42	-8.71	18.63	10.88	436	Wellpoint Health Networks	NYS	75.44	1.00	14.41	86.69	48.25	2656																
INSURERS/REINSURERS								Lincoln National	NYS	43.31	5.64	8.28	57.50	22.63	5943	HMOs	AVERAGE		2.19	25.22																			
ACE Ltd.	NYS	31.56	8.37	59.14	31.88	14.06	6801	MAIC Holdings Inc.	NYS	11.25	5.26	-46.90	29.05	10.00	173	ALL COMPANIES	AVERAGE		2.27	9.23																			
Accel International Corp.	NDO	0.63	0.00	-37.50	1.88	0.50	34	Market Corp.	NYS	150.63	4.89	-2.82	192.00	111.50	45																								
Acceptance Insurance Cos.	NYS	4.81	13.24	-16.30	15.94	2.75	107	MBIA Insurance Group	NYS	53.56	2.88	1.42	66.94	36.31	1382																								
AEGON N.V.	NYS	36.13	1.94	-24.35	49.13	31.50	588	Meadowbrook Insur. Group	NYS	4.94	-4.82	-24.76	14.06	4.50	30																								
Aetna Life & Casualty	NYS	71.13	4.88	27.44	89.94	38.50	3757	MelLife	NYS	20.88	-4.57	46.49	22.06	14.25	7410																								
AFLAC Inc.	NYS	51.88	8.92	9.93	54.25	33.56	4588	Mutual Risk Mgmt. Ltd.	NYS	15.19	-13.83	-9.67	35.50	9.81	2403																								
Allmerica Financial Corp.	NYS	56.38	1.35	1.35	64.81	35.06	557	Navigators Group	NDO	9.88	7.48	1.28	16.00	8.63	20																								
Allstate Corp.	NYS	24.88	5.01	3.38	37.94	17.19	10393	NYMagid Inc.	NYS	14.75	1.72	11.85	16.13	12.25	39																								
Ambac Financial Group	NYS	57.44	-0.76	10.06	63.00	38.88	1837	Ohio Casualty Corp.	NDO	10.25	1.86	-36.19	18.63	9.88	832																								
American Financial Group	NYS	25.81	0.98	-2.13	35.44	18.38	275	Old Republic Int'l	NYS	18.19	3.19	33.49	18.81	10.63	2404																								
American General	NYS	67.06	5.20	-11.61	82.19	45.63	4864	Partner Re Ltd.	NYS	37.63	2.03	15.99	39.75	28.38	257																								
American Intl Group	NYS	119.88	-1.54	13.87	124.06	78.56	9549	Penn-America Group Inc.	NYS	7.25	-5.69	-6.45	10.38	6.63	42																								
American Safety Insurance	NYS	4.56	4.29	-23.81	8.56	3.75	34	PMA Capital Corporation	NDO	18.88	-0.66	-5.03	21.00	15.50	249																								
Argonaut Group	NDO	17.63	-1.40	-11.32	26.63	16.50	132	Philadelphia Cons. Holding	NDO	15.88	-5.22	9.48	24.44	10.81	447																								
AXA-UAP Group	NYS	73.63	-6.80	3.70	81.50	53.75	450	PXRE Corp.	NYS	13.13	-2.78	0.96	19.56	9.94	60																								
Baldwin & Lyons Inc.	NDO	17.00	2.64	-23.16	23.94	15.94	13	Reliance Group Holdings	NYS	0.50	-33.33	-92.45	7.75	0.47	4729																								
Berkley W.R. Corp.	NDO	20.00	3.90	-4.19	27.94	14.00	200	ReliaStar Financial Corp.	NYS	52.81	0.24	34.77	52.94	23.75	3052																								
Berkshire Hathaway Inc.	NYS	54900.00	2.23	-2.14	71500.00	40800.00	2	RenaissanceRe Holdings Ltd.	NYS	42.81	0.00	-4.74	44.13	33.19	136																								
Capitol Transamerica Corp.	NAS	11.00	-1.12	9.32	15.25	9.38	12	RLI Corp.	NYS	36.00	2.13	5.88	38.63	26.25	63																								
Chubb Corp.	NYS	67.31	3.66	19.53	72.94	43.25	3275	St. Paul Cos.	NYS	37.44	2.57	11.13	39.38	21.31	3304																								
CIGNA Corp.	NYS	99.75	0.06	23.82	103.06	60.75	5183	SAFECO Corp.	NDO	42.69	-3.80	-3.53	53.63	38.38	4																								
Cincinnati Financial Corp.	NYS	36.13	9.06	13.33	43.31	26.19	1414	SCPIE Holdings Inc.	NYS	21.44	1.16	-12.31	44.50	18.00	1677																								
Citigroup	NYS	58.00	4.31	22.11	68.25	41.19	32035	Selbels Bruce Group	NDO	1.09	-12.50	-37.50	5.69	0.75	23																								
CNA Financial Corp.	NYS	37.63	-0.17	-3.37	42.13	24.56	196	Selective Ins. Group	NDO	18.50	-3.30	7.64	22.50	14.63	158																								
CNA Surety	NYS	12.19	1.56	-6.25	15.50	9.75	240	Tokio Marine & Fire	NDO	55.50	-8.37	-6.13	67.00	45.00	43																								
EMC Insurance Group Inc.	NDO	9.25	5.71	.37	13.38	6.81	47	Torchmark Corp.	NYS	26.63	2.16	-8.39	36.94	18.75	1378																								
ESG Re Limited	NDO	3.88	-4.62	-44.14	16.75	3.19	61	Transatlantic Holdings	NYS	84.44	-0.15	8.17	91.56	68.75	64																								
Enhance Financial Services	NYS	15.99	3.72	-3.46	22.63	8.63	940	Trenwick Group Inc.	NYS	15.25	-2.79	-9.96	25.06	12.00	231																								
Everest Reinsurance	NYS	37.25	7.97	66.95	38.50	20.50	1032	Union American Corp.	NDO	6.25	0.00	-10.71	10.50	4.50	281																								
Fremont General Corp.	NYS	4.69	4.17	-36.44	19.56	3.88	2590	United Fire & Casualty	NDO	19.69	3.62	-12.98	26.50	15.50	34																								
Frontier Insurance Group	NYS	0.94	0.00	-72.73	15.81	0.63	430	Unitrin	NDO	30.19	0.00	-19.77	42.38	29.38	314																								
								UNUM Corp.	NYS	21.00	-2.04	-34.50	56.88	11.94	3546																								

BI Insurance Index



Top advancing issues: Humana Inc., Kaye Group Inc., Acceptance Insurance Cos. Leading decliners: Reliance Group Holdings, Mutual Risk Mgmt. Ltd., Selbels Bruce Group. Most active issue: Citigroup. The BI Index increased 0.5%; the Dow Jones 30 Industrials rose 1.7%; the S&P 500 went up 2.1%, and the NYSE Composite increased 1.4%. Average P/E: Brokers, 20.9; Insurers/reinsurers, 17.4; HMOs, 14.0.

Source: CNET Investor (investor.cnet.com) Boulder, Colo.

Rand

Continued from page 1

the state's workers compensation system.

Rand's recent study comes just as California legislators are weighing a bill, S.B. 996, that would increase all types of indemnity benefits, with the greatest increases for permanent partial disability benefits. For example, the average award would increase to \$6,000 from \$3,000 for injuries with an impairment rating below 15%.

If the bill becomes law, it would increase workers comp costs by as much as \$2.6 billion over five years, according to the state Workers Compensation Insurance Rating Bureau.

Both labor and employers are citing elements of the Rand study to bolster their arguments for and against the proposed benefits increase.

Workers comp benefits must be raised because return-to-work programs are not enough to stem employees' losses from an injury, Tom Rankin, president of the California Labor Federation, stated in a June 21 letter to the chairman of the Commission on Health Safety and Workers Compensation.

"Even at the best firms in California, wage replacement rates are unacceptably low," Mr. Rankin wrote of Rand's findings. "Some injured workers, even after benefits, are losing tens of thousands of dollars over the years after the injury, not to mention the loss of fringe benefits and the uncompensated personal losses they suffer in their daily lives due to their injuries."

Return-to-work programs effectively lower the proportion of earn-

ings lost by workers injured at self-insured companies, compared with the earnings lost by workers at insured employers, Rand found.

Claimants at self-insured companies, however, have 50% higher earnings than employees at insured companies and, therefore, have higher absolute losses, Rand found after evaluating permanent disability claims. Researchers found that, five years after injury, employees at self-insured companies lost \$39,500, compared with \$33,000 at insured companies.

That happens because permanent disability benefit caps do not vary for self-insured vs. insured plans, the study notes. Therefore, claimants at self-insured employers have 48% of their pretax wage losses replaced by workers comp benefits, compared with 53% for the insured.

Most stakeholders in the workers compensation system agree that a 50% wage replacement is too low, said Robert T. Reville, a Rand economist who co-authored the report. It is lower, for example, than the two-thirds wage replacement available for temporary disability benefits under the state's workers comp system, which is a level generally considered appropriate in various benefit adequacy studies, he said.

Employers acknowledge that permanent disability benefits have not kept up with some injuries, said John Wilson, executive director of the Schools Excess Liability Fund in Sacramento, Calif.

Employers argue, however, that before benefits are raised across the board more basic flaws in the partial disability benefits system need to be addressed. The state's system is inefficient and inconsistent, paying more

benefits to some workers who have minor injuries than to others with more serious disabilities, they contend.

In California, permanent disabilities are rated for their severity of impairment according to subjective medical evaluations. Benefit levels are then based on those subjectively derived ratings.

Other states take a more rigid approach, relying on objective medical criteria for determining impairment, Rand notes.

Employers in California have long argued that the subjective impairment rating system is costly and needs revamping (BI, May 3, 1999).

Relying on subjective ratings also increases litigation costs and sometimes rewards claimants more for their ability to act injured than on the actual extent of their injury, said Mr. Wilson, who is a member of the Commission on Health, Safety and Workers Compensation, appointed by former Gov. Pete Wilson.

"I have administered programs in 17 states and there is nothing as inadequate and complicated as what we have in California," Mr. Wilson said.

The Rand report reached a similar conclusion. The current California workers comp system results in higher costs for employers, the study finds. In comparison to other states, for example, a larger fraction of California claimants receive permanent partial disability benefits.

Rand's latest report draws on previously published statistics that show only 18% of indemnity claimants in Wisconsin and 23% of those in Washington state receive permanent partial disability benefits. In contrast, 44% of claimants at California's self-insured companies and 43% of

claimants at the state's insured employers receive those benefits.

California's increased use of permanent partial disability benefits "is driven by eligibility criteria that, lacking a means for objective testing, are often disputed," the report states. "This increases litigation and undermines confidence in the system."

Rand's findings reinforce our position "and that of the entire employer community that the permanent disability system in California is inequitable, inconsistent and over-litigious," states a June 27 letter to the Commission on Health, Safety and Workers Compensation from the Sacramento-based Californians for Compensation Reform.

CCR and its employer members want a system that relies on objective medical findings in the diagnosis of a worker's partial impairment.

While Rand's study notes that subjective disability ratings impact employer costs, the report makes no recommendations for change. The current report, though, is only one part of a larger overall study that Rand has been commissioned to complete, and more Rand studies are scheduled to follow.

The proposed benefits increase called for under S.B. 996 should be delayed until Rand's work is complete and the state commission firmly establishes what type of system is best for California, Mr. Wilson said. Merely providing a benefit increase will not improve the problems, he said.

Employers are prepared, however, to negotiate some increases in benefits for severe injury cases, such as those involving amputations, agreed Mr. Wilson and Lori Kammerer, executive director of the Californians

for Compensation Reform.

The new findings agree with a 1997 report released by Rand that also found that the state's system fares poorly in compensating injured workers for lost wages. Employers had criticized that study for, among other things, not containing information on self-insured employers (BI, Nov. 24, 1997).

California at the time did not require self-insured employers to report their claims data, so information about those employers and the impact of their return-to-work and other programs was not available when Rand conducted the earlier study.

To reach its latest conclusions, Rand focused on data provided by organizations representing self-insurers and information contributed by 68 private self-insured employers.

Some of the findings in the recent Rand report were presented during legislative hearings earlier this year on S.B. 996, the benefits increase bill.

Last year, Gov. Gray Davis vetoed a similar bill that sought nearly \$2 billion in benefit increases and which employers opposed. This year, S.B. 996 emerged as the continuation of that battle and went right to a conference committee.

Legislators are expected to vote on the final legislation sometime between Aug. 7, when they return from recess, and Aug. 31, when they adjourn the session.

The study, "Earnings Loss from a Permanently Disabling Injury and Replacement from Workers Compensation at Private Self-Insured Employers," is expected to be available this month. For information, contact Joanna Nelsen at the Rand Institute for Civil Justice, 310-393-0411.

TAKING STOCK

ISO review serves as wake-up call

By MYRON M. PICOULT
Special to Business Insurance

A review by the Insurance Services Office Inc. of first-quarter operating results for the three months that ended March 31, continues to underscore the degree to which the industry has undermined its underwriting

template and balance sheet. Indeed, snippets of information coming from managements ahead of second-quarter earnings about the impact of catastrophe losses and some obtuse commentary about pricing being permitted to get too attractive on certain business

segments, conjure up images of goblins and witches in the third and fourth quarters of 2000 as well.

According to estimates released by the ISO, catastrophe losses for the three months that ended June 30 will approximate \$1.4 billion, compared to the \$3.5 billion incurred for the same period last year. Notwithstanding the enormous cache of capital garnered from the performance of the stock and bond markets in recent years, it is intriguing that the industry seems to have run out of \$20 bills in its wallet.

When one pulls out the capital of several jumbo well-capitalized domestic and foreign entities, though, the industry's current premiums-to-surplus ratio of 0.85-to-1 will at least double. As noted in our last column, this ratio is somewhat meaningless as it is not risk adjusted.

The good news is that these woeful results are finally getting the attention of both managements and boards of directors. With very few exceptions,

managements have recognized the need for rate relief and are executing. The first round of increases and the early stages of the second round for a few purveyors are clearly not enough to return the industry to any reasonable modicum of profitability. Hence, the trends for rate relief and business retention remain critical. While investors will continue to focus primarily on improving rate dynamics, we do not yet believe they are completely immune to unexpected negative earnings surprises.

The key figures from the ISO first-quarter data revolved around paid losses and reserves. Paid losses increased 13.7% to \$59.6 billion—or \$7.2 billion above the corresponding 1999 number. Reserves, on the other hand, declined almost \$3.4 billion from year-end 1999. Hence, the paid-to-incurred ratio hit an astounding 106.0%.

Anything above the 100% mark indicates a liquidation of reserves. A portion of the jump in paid losses can be attributed to paying off some 1999 fourth quarter European storm losses, some accelerated payments on environmental losses, some Unicover settlements, the commutation of losses spurred by merger and acquisition activity or proactive programs of some insurers to eliminate claim backlogs and hold down prospective loss adjustment expenses, as well as forestall the impact of creeping inflation on existing claims. It is interesting to note that some of the latter theories, if implemented, actually exacerbate the cash flow squeeze currently engulfing many insurance entities. Nevertheless, in the end, the reserve decline is clearly related to a continuation of too many carriers cheating to prop up current earnings.

Several years ago, we wrote a piece titled "Everybody loves a magic show until the money disappears." In general,

the industry has been supporting its earnings over the past few years by drawing down on reserve redundancies established in the early 1990s. With few exceptions, the cushion is now gone and the continuation of the game is undermining future earnings. As the pressure increases, managements have to address their options. They include raising insurance rates, bellying up to the bar and recognizing the impact of several years of deficient pricing on reported earnings, continuing to underreserve or use some combination of the aforementioned.

One can only speculate on the path individual insurance entities will take to work their way out of the morass. As a general rule of thumb, our guess is that some combination of the options previously noted will probably be used by most carriers. Indeed, most managements (and boards) seem to be paranoid about being "blanched" by unexpected negative earnings announcements.

Furthermore, individual capital positions may not be as robust as they appear and this could lead to various ratings reviews by the rating agencies, which seem to have become increasingly sensitized to balance sheets. Virtually all carriers are now dancing to the rate increase rumba. The key to success in the immediate future is sustainability of the upward pricing momentum.

Notwithstanding numerous programs to pare expenses and/or the execution of various merger or acquisition plans, most carriers will be challenged to provide reasonable returns on their capital until the basic balance between loss costs and appropriate premium levels is restored. However, this takes time and we sense that too many purveyors have permitted industry observers to get carried away with their 2000 and 2001 earnings projections.

Hence, enter the underreserving game, which we also call "cheating." Entities that employ methodologies that hide negative earnings trends in the short run at the expense of undermining the integrity of their balance sheets, inevitably magnify those problems in the long run.

The industry's reserve record is at best checkered. Over the past year or so, we have seen numerous companies blow up and others struggling to avoid crashing. Unexpected reserve blips happen to even the most conservatively managed entities. However, there is a difference between blips and chronic underreserving. Our unease over overall reserve levels is tied to both underpricing and underreserving in recent years. Concern about reinsurance recoverables is yet another layer of anxiety.

One would think that the propensity to underreserve would be relatively small and infrequent given the army of insurance professionals (i.e. actuaries and accountants) who review reserve levels. Unfortunately, this does not seem to currently be the case.

Much has to be done to repair the industry's reserve credibility. For starters, there must be a tighter definition of the term "reasonableness" that so many are so quick to sign on to. **BI**

Myron M. Picoult is a director and senior adviser to the financial institutions group at Wasserstein Perella & Co. Inc. in New York. He is the past president of the Assn. of Insurance & Financial Analysts and a member of the New York Society of Security Analysts. An archive of Mr. Picoult's columns for Business Insurance can be viewed on the World Wide Web at: www.businessinsurance.com. He can be reached at mpicoult@wpequity.com



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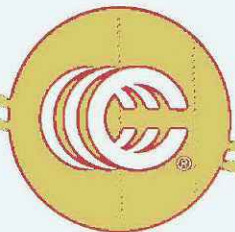
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